

Selecting Your Investments

Whether you are putting aside \$2,000 to use in three months or saving for your retirement, the things you need to consider before investing are the same. These are outlined over the following pages.

Investing increases the value of your money to help achieve your goals and objectives.

Meeting your objectives

Reasons for investing will vary from one person to another.

Common objectives include saving for a house, managing cash flow, paying for children's education, creating wealth, saving for retirement or managing retirement income.

Different investments

There are five different asset classes you can invest in: cash, fixed interest, property, Australian shares and international shares. Each has its own level of risk as well as a potential return.

| Types of investments | |
|----------------------|--|
| Cash | <ul style="list-style-type: none"> Cash is the most secure investment. The return you receive will depend on interest rates at the time. While cash is very low risk, the increasing cost of living (known as inflation) can decrease the buying value of your money. Tax on the returns should also be considered when working out the real, after tax, return of a cash investment. Cash investment can usually be accessed immediately ("at call"). However, if invested in superannuation and pension accounts, legislative restrictions must also be considered. Cash investment offers no growth. |
| Fixed interest | <ul style="list-style-type: none"> Fixed interest investments arise from loans. An investor lends money to a borrower who must then repay the loan as well as interest. Fixed interest investments differ due to: |

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| | <ul style="list-style-type: none"> • The type of loan issuer, • The security/asset that backs the debt, • The loan timeframe, and • The interest rate. • Generally, the longer the loan timeframe and the less secure the lender, the higher the interest rate. • Typical fixed interest investments include: <ul style="list-style-type: none"> • Term deposits that provide a regular income at a fixed rate for a set timeframe. • Mortgage trusts provide regular interest income at variable rates and a high level of capital security. Investors' funds are pooled and invested mainly in registered first mortgages secured against a spread of freehold property. Usually only 66% to 75% of the property's value is lent. • Bond trusts provide regular interest income through pooled investment in Government and corporate bonds. These funds offer high long-term capital security and the potential for some capital growth in addition to interest income. • Generally, you can only access money from fixed interest investment at maturity. Again, when investing in superannuation and pension accounts, legislative restrictions must be considered. |
| <p>Australian shares</p> | <ul style="list-style-type: none"> • Australian shares are investments in companies listed on the Australian Stock Exchange. • As a shareholder you become a partial owner of the company and therefore benefit from the profit and capital growth the company achieves. • Investment returns are paid in the form of dividends (a distribution of the companies' profit) and capital growth (reflecting the increased value of the company over time). • The upside of growth and profits comes with the risks associated with owning any business, cost increases, regulation changes and increases in competitor presence. |
| <p>International shares</p> | <ul style="list-style-type: none"> • International shares allow you to become a partial owner of an international company, the same as you would in an Australian company. |

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| | <ul style="list-style-type: none"> • This can offer opportunities that are not available within the Australian share market and provide further diversification to your portfolio as different countries' economies grow at different rates. • The Australian share market only represents about 1% to 2% of the world share markets. • Returns on international shares are affected by changes in currency exchange rates. • While the purchase and sale of Australian shares is relatively easy and the cost to buy Australian shares is relatively low, investing directly into International shares is difficult for the general investor. Most investors have exposure to international shares through pooled investment structures, such as super and managed funds. |
| <p>Property</p> | <p>Residential</p> <ul style="list-style-type: none"> • For many Australians, property is their first and most significant investment. Generally, property is purchased to meet housing needs, not as an investment to make a profit. • Some people may also buy a rental investment property. The risks of direct property include interest rate changes, tenant vacancy and property damage. • Property is an all or nothing investment – you cannot sell a room if you need some cash, you have to sell the whole asset. <p>Commercial</p> <ul style="list-style-type: none"> • Commercial and industrial properties generally generate higher rental incomes; however, most people cannot afford to invest directly i.e. buy a whole office building. • An easy way for Australians to invest in commercial property is through pooled investments such as a managed fund or listed property trusts. • Property is a valuable inclusion in most people investment portfolios because property values tend to move independently of share prices. Including property in your portfolio can smooth out the overall return on your investments. |

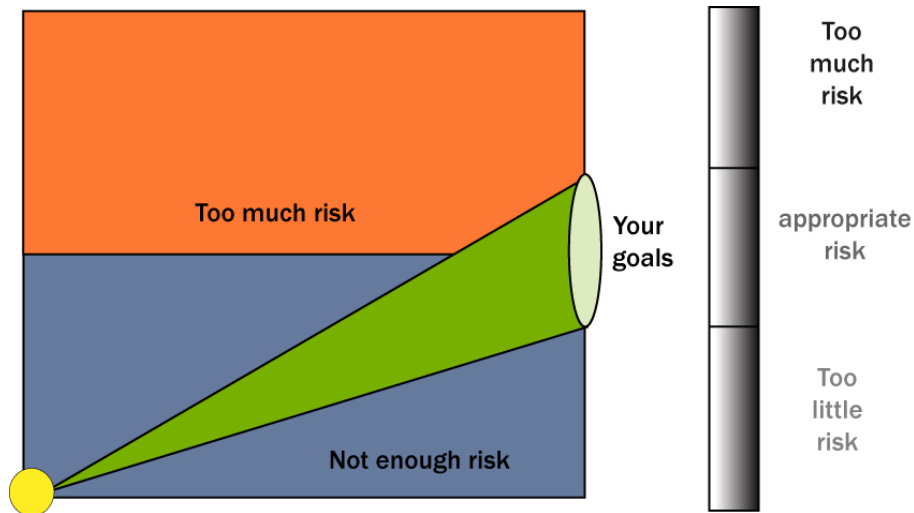
Selecting your investments

Only take as much risk as you need to

Investment risk is crucial to achieving higher investment returns over the long term. It is also important to remember that you should only take as much risk as you need to achieve your goals.

If you can achieve your goals by taking on a low level of risk, then why risk your money and your goal by taking on a higher level of risk?

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Don't put all your eggs in the one basket

Spreading your money between different asset classes is crucial to reducing investment risk and protecting your capital against strong market movements. Each asset class performs differently from time to time. Including a range of investments and asset classes will help you achieve a more consistent overall investment return.

Investment returns

Returns from the overall market, rather than the actual investment, will determine the majority of the returns within an investment portfolio.

This is known as the market return.

Additional returns come from the ability of the manager to add value relative to the market return. They must do this so the investor is compensated for any extra risk the manager takes in the portfolio on an after fees basis.

The current market environment of low yields, falling expected investment returns and increase in volatility has seen the industry re-evaluating client return expectations. The return objectives for your risk profiles have been reduced to reflect the changed market outlook over the next 5 to 7 years. These changes were made to ensure that we are reasonably confident that your investment will meet the stated return objectives without adding additional investment risk that you may not be comfortable with.

Putting returns into perspective

Let's assume you need to receive an average return of 5% per year over five years to meet your goals.

It is important that you understand the difference between an 'average' return after five years, and actually receiving a 5 per cent return every year.

It is very unlikely that you will receive a return of 5% every year. Some years it will be higher and some years lower, but when averaged over a minimum of five years, this return is possible.

Choosing your investment strategy

Choosing your investment strategy is the most important investment decision.

We use portfolio theory in the development of our investment strategies and construction of the investment portfolios. They take into account:

- The expected return of the individual asset classes.

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- Diversification benefits of each asset class.
- Business risk (what are competitors doing?).
- Implementation costs. Can it be put together so that costs do not outweigh benefits?


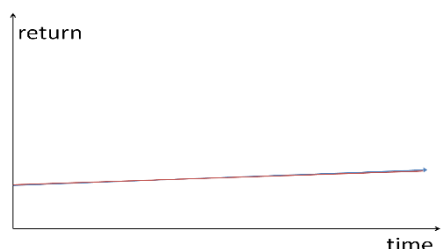


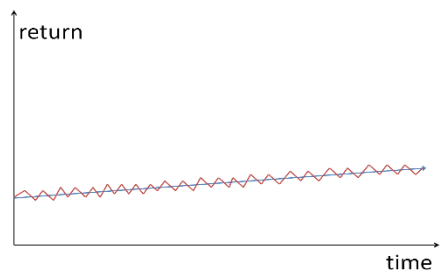

Each investment strategy has a specific investment objective which it is expected to meet with a reasonable degree of certainty and a minimum time frame that you should hold them for.

The investment strategies we typically select from are detailed below.

| Strategy | Australian shares | Inter-national shares | Property & Infra-structure | Australian fixed interest | Inter-national fixed interest | Alternatives | Cash |
|--------------------|-------------------|-----------------------|----------------------------|---------------------------|-------------------------------|--------------|------|
| 0% Growth | 0% | 0% | 0% | 0% | 0% | 0% | 100% |
| 30% Growth | 12% | 8% | 5% | 27% | 18% | 5% | 25% |
| 50% Growth | 21% | 12% | 9% | 21% | 14% | 8% | 15% |
| 70% Growth | 27% | 22% | 13% | 12% | 8% | 8% | 10% |
| 85% Growth | 36% | 26% | 13% | 6% | 4% | 10% | 5% |
| 100% Growth | 39% | 34% | 15% | 0% | 0% | 12% | 0% |

Return assumptions

The returns you can expect from the investment strategies your assets will be invested in are summarised below:

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|--|--|
| 0% Growth strategy | Volatility |
| ¹ Projected return per annum  2.75% |  |
| ² Extreme return range  1.25% to 4.25% | |
| ³ Normal return range 2.25% to 3.25% | |
| Probability of a positive return (over 1 year) 99.9% | |
| Minimum suggested investment timeframe NA | |
| Investment objective over investment timeframe RBA Cash Rate | |
| 30% Growth strategy | Volatility |
| ¹ Projected return per annum  4.13% |  |
| ² Extreme return range  -7.63% to 16.18% | |
| ³ Normal return range 0.31% to 8.25% | |
| Probability of a positive return (over 1 year) 85.9% | |
| Minimum suggested investment timeframe 2 years | |
| Investment objective over investment timeframe CPI + 1% | |
| 50% Growth strategy | Volatility |

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| ¹ Projected return per annum | → | 5.04% | |
| ² Extreme return range | — | -12.79% to 23.40% | |
| ³ Normal return range | | -0.72% to 11.34% | |
| Probability of a positive return (over 1 year) | | 81.1% | |
| Minimum suggested investment timeframe | | 4 years | |
| Investment objective over investment timeframe | | CPI + 2% | |
| 70% Growth strategy | | | Volatility |
| ¹ Projected return per annum | → | 5.91% | |
| ² Extreme return range | — | -18.45% to 30.95% | |
| ³ Normal return range | | -1.98% to 14.48% | |
| Probability of a positive return (over 1 year) | | 77.6% | |
| Minimum suggested investment timeframe | | 5 years | |
| Investment objective over investment timeframe | | CPI + 3% | |
| 85% Growth strategy | | | Volatility |
| ¹ Projected return per annum | → | 6.64% | |
| ² Extreme return range | — | -22.96% to 37.15% | |
| ³ Normal return range | | -2.92% to 17.11% | |
| Probability of a positive return (over 1 year) | | 76.1% | |
| Minimum suggested investment timeframe | | 6 years | |
| Investment objective over investment timeframe | | CPI + 3.75% | |
| 100% Growth strategy | | | Volatility |
| ¹ Projected return per annum | → | 7.28% | |
| ² Extreme return range | — | -26.95% to 42.47% | |
| ³ Normal return range | | -3.81% to 19.33% | |
| Probability of a positive return (over 1 year) | | 74.9% | |
| Minimum suggested investment timeframe | | 7 years | |
| Investment objective over investment timeframe | | CPI + 4.50% | |

This is a projection and not a guarantee that you will achieve this return.

¹Nominal returns.

²Approximately 99% of annual results are expected to fall in this range.

³Approximately 66% of annual results are expected to fall in this range.

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Fund manager selection process

When selecting fund managers, we aim to determine the combination of managers that will provide the best outcome with a high degree of certainty.

It is sometimes appropriate to choose a number of fund managers to manage a single asset class within your portfolio. As a group, they will increase the likelihood of you achieving reliable strong returns.

Below we have included a description of the types of managers considered in the investment process.

Index manager

An index manager aims to deliver returns that are consistently in line with index returns, with a low risk of underperforming the index.

Core active manager

These managers do not have any material or systematic portfolio biases, and are likely to generate very consistent (albeit modest) out-performance in most market conditions. These managers have strong risk management disciplines, including processes for identifying and managing 'unintended' risks.

Specialised active manager

An active manager with specific 'style' characteristics is likely to have a higher risk of underperforming the index and to generate less consistent returns over time. However, investors should be compensated with higher long-term returns.

This type of manager needs to have strong risk management disciplines and avoid the extremes often associated with individual 'styles'.

Managing and reviewing your portfolio

Just as important as knowing what managers to put in your portfolio, is to know when their time is up. So how does a manager get sacked?

- Short-term performance is inconsistent with the manager's stated investment objectives.
- Longer-term performance is inconsistent with the manager's performance objectives (usually expressed on a rolling 3 year basis).
- Concern about the implementation of a manager's investment process.
- The emergence of another factor (e.g. staff change) erodes the manager's competitive edge.
- Identification of a compelling alternative.

Our research shows that timing in and out of markets is not a reliable source of added value over time.

Investment portfolio benefits are derived from:

- Diversification across sectors, managers, and individual securities.
- Disciplined re-balancing to ensure strategic asset allocations and manager allocations are enduring throughout market movements.
- Active funds management.

What are the other risks of investing?

Investing in growth assets

Assets such as shares and property are classified as 'growth assets'. By allocating money to growth assets, you take on more investment risk than if you were to invest into cash or fixed interest investments. This increases the chance that your money will earn more over the long term, but it also means that there is a greater chance your investment could go down in value.

If you need to withdraw money from your investments in a year when your investments have gone down in value, it could significantly impact your goals.

Risks of delay

Delays in purchasing and selling investments can happen if a transaction request is not filled in properly (e.g. missing signatures) and the investment provider can't act on the request. Delays may also occur where the market becomes illiquid. For example, if the ASX suspends trading in a particular share, you may not be able to buy or sell that share until the suspension is lifted.

Liquidity risk

Sometimes, an investment may become illiquid. This means that withdrawals will not be allowed unless the responsible entity of the investment makes a withdrawal offer. The responsible entity is not obliged to make this offer. Where withdrawal requests exceed the amount available for release from the fund, the amount released will usually be distributed proportionally to those who have made requests. For more information, you should read the PDS of your chosen investment.

If you want to understand more about the risks of investing please read "*Investing Between The Flags – A Practical Guide To Investing*" created by ASIC before you proceed with our advice. It is available from <https://www.moneysmart.gov.au/media/173788/investing-between-the-flags.pdf> or we can provide a copy on request.

If this sounds like something you need to explore, or review what you already have, please feel free to fill in the form here: <https://www.fasttrackwealth.com.au/contact-us/>

Or contact Adam on 07 3263 4123.