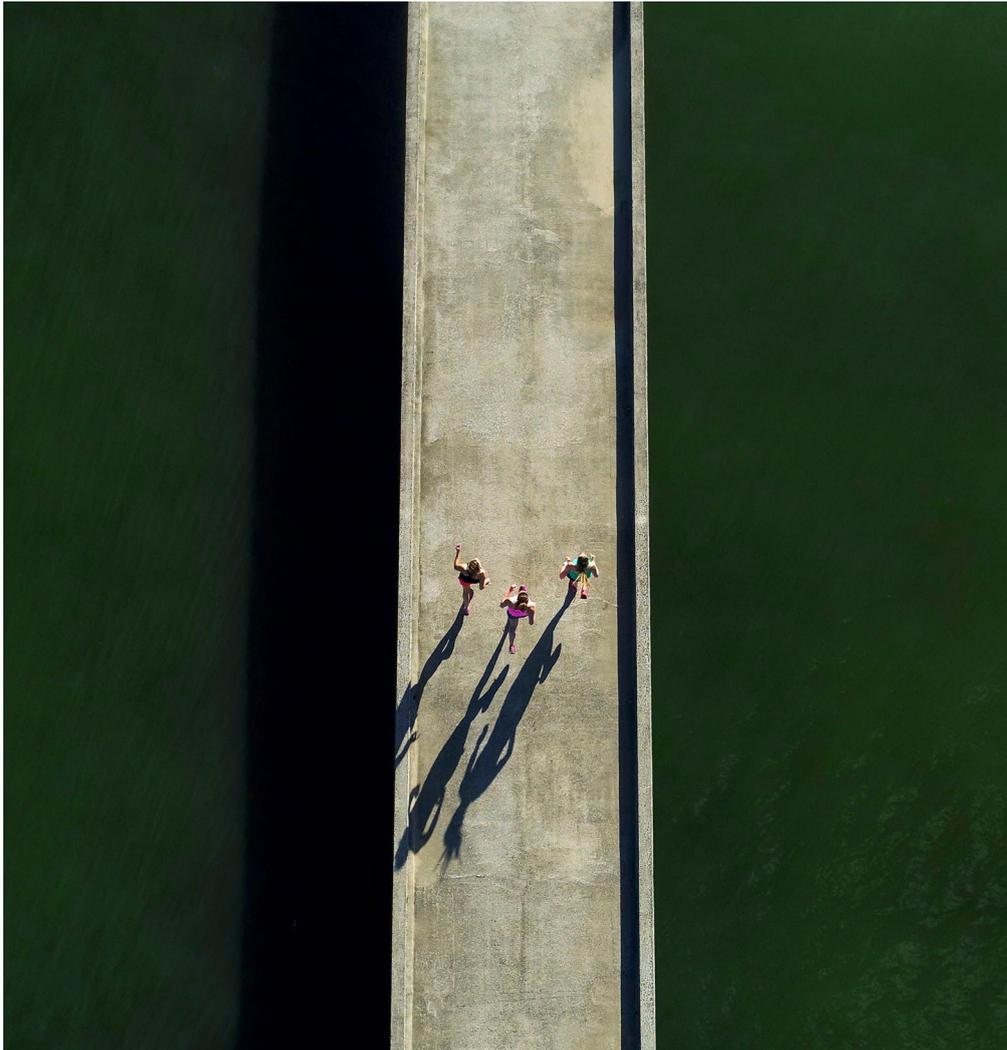


# Investment Strategy Group Multi-Asset Model Portfolios

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Prepared by the Investment Funds Research Team

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**PUTTING WEALTH TO WORK FOR GENERATIONS**



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# JBWere Investment Philosophy

## What are the 5 foundational beliefs for our investment philosophy?

At JBWere, our most important belief is that we are here to serve our clients. This principle is core to our investment philosophy. Our investment philosophy is based on five foundational beliefs:

**Preserving and enhancing our clients' wealth**

We are committed to providing trusted and tailored investment advice that stands the test of time and reflects our understanding that each client is unique.

**Strategic asset allocation is a fundamental driver of investment returns over the long term**

We believe diversification across asset classes is key to reducing overall portfolio risk and maximising returns over the long term.

**Active management enhances value**

We believe in investing over the full cycle and that taking advantage of market mis-pricings maximises client returns.

**Capital preservation is ensured by risk awareness**

We embed risk management across every stage of the investment process.

**Responsible investing**

We recognise both the privilege and importance of the role we play in responsible investment. We include the identification and analysis of ESG factors, stewardship of capital, impact investing and ethical and values-based investing as part of our approach to responsible investing.

# Multi-Asset Model Portfolio – Portfolio Construction Process

The objective of the JBWere Investment Strategy Group (ISG) is to identify high quality investment opportunities which it considers likely to generate attractive risk-adjusted returns over the long term. The ISG provides guidance on the construction of portfolios across all asset classes including multi-asset class portfolios.

Whilst there may be a perception that combining investments within a portfolio is as straightforward as picking a handful of investments that have historically performed well, the reality is considerable analysis is required to ensure investors maximise the diversification benefits of combining investments and investment managers.

The first stage of the ISG’s multi-asset portfolio construction process is focused on identifying the optimal strategic asset allocation based on the specific objectives, risk profile and time horizon of the mandate. For more information on JBWere’s approach to asset allocation please refer to Exhibit 1.

Once the optimal asset allocation has been established, attention is then directed towards positioning within each asset class. Each of the Asset Class Heads within the ISG is responsible for identifying the preferred tilts within each asset class across a range of factors. Below is a list of the types of factors the ISG take into consideration across the different asset classes.



Please refer to the relevant links below for more information on:

- JBWere’s investment philosophy;
- JBWere’s approach to strategic asset allocation;
- Details on the team;
- Details on the investment universe within each asset class (including Investment Funds Research);
- A description of the filtering process within each asset class (including Investment Funds Research); and
- Any selection biases within each asset class (including Investment Funds Research).

Please refer to the relevant links below.

## Exhibit 1

| Asset Classes             | Link  |
|---------------------------|---|
| Equities                  | <a href="https://www.jbwere.com.au/individual-and-families/investment-advice/investment-strategy-group">https://www.jbwere.com.au/individual-and-families/investment-advice/investment-strategy-group</a>                   |
| Fixed Income              | <a href="https://www.jbwere.com.au/individual-and-families/investment-advice/investment-strategy-group">https://www.jbwere.com.au/individual-and-families/investment-advice/investment-strategy-group</a>                   |
| Investment Funds Research | <a href="https://www.jbwere.com.au/individual-and-families/investment-advice/investment-strategy-group">https://www.jbwere.com.au/individual-and-families/investment-advice/investment-strategy-group</a>                   |
| Investment Philosophy     | <a href="https://www.jbwere.com.au/individual-and-families/investment-advice/investment-strategy-group">https://www.jbwere.com.au/individual-and-families/investment-advice/investment-strategy-group</a>                   |
| Asset Allocation          | <a href="https://mkt.jbwere.com.au/Admin/Research/DocumentViewer?dockey=2746-248212d75bad4e3894fd25a318bc4393-1">https://mkt.jbwere.com.au/Admin/Research/DocumentViewer?dockey=2746-248212d75bad4e3894fd25a318bc4393-1</a> |
| Alternatives              | <a href="https://www.jbwere.com.au/content/dam/jbwere/documents/Resources/Alternatives-Investments-Research">https://www.jbwere.com.au/content/dam/jbwere/documents/Resources/Alternatives-Investments-Research</a>         |

The Investment Funds Research team is responsible for the implementation of the model portfolios. The implementation is via the investible universe which includes all strategies available on the JBWere Approved Product List. This list includes, but is not limited to managed funds, managed accounts, listed investment companies, exchange traded products and JBWere's series of direct model portfolios.

When blending investment strategies, the objective is to ensure the portfolios are appropriately diversified and the overall portfolio characteristics are aligned with the key preferences within each asset class.

Importantly, the Investment Funds Research team does not select only those managers in agreement with JBWere's views. The objective of the ISG is to ensure investors have the ability to leverage the views of a diversified range of global investment specialists.

Nevertheless, we will be sensitive if the allocation to a specific externally managed strategy is likely to result in a large overweight exposure to a particular region or style for example, which is not aligned with our views. In that case we may not necessarily remove the strategy from a portfolio, but we may resize the position, or seek to balance the exposure with another strategy.

Model portfolios are assumed to be rebalanced on a monthly basis. Other portfolio changes, including adding or removing investments from any portfolio, along with up-weighting or down-weighting specific investments, will be implemented on a monthly basis. These changes may result from changes to our Strategic Asset Allocation, changes to our preferred asset class views, or changes to JBWere Investment Funds Research or Alternative Investments teams' views on the outlook for a specific strategy.

## Portfolio Construction Tools

We use a number of tools to support our portfolio construction process. These include both proprietary and external portfolio construction tools that enable portfolio exposures to be viewed from varying perspectives.

### Proprietary Tools

We collate the regional, sector, market cap, duration and fixed versus floating rate data on all investment strategies considered, in addition to all underlying holdings.

We use the JBWere Portfolio Construction Tool to review the characteristics of specific strategies, along with the characteristics at each asset class level.

This tool allows for scenario testing in order to understand the impact on a range of portfolio characteristics from portfolio changes.

### External Tools

In addition to our internal tools, we also use external portfolio construction tools. For example, in the case of style analysis, this is currently undertaken via an external portfolio construction tool.

This tool enables portfolios to be analysed from a number of perspectives. This includes the ability to analyse exposures at a single strategy level, as well as across an entire asset class.

In the case of equities, this stage of the process is focused on ensuring alignment across both the domestic and global equity exposures with our preferred style tilts, be that value or growth. The tool allows for scenario testing to understand the impact on style exposures from portfolio changes.

The objective of our portfolio construction is to ensure the overall portfolios:

- Are consistently aligned with our macro views across all asset classes;
- Are aligned with our asset class views;
- Contain no unintended biases, either within each asset class or across the overall portfolio;
- Minimise overlap across strategies wherever possible; and
- Maintain exposure to a diversified range of high-quality investment managers.

We also undertake correlation analysis at both the total return level and the excess return level. The aim of this analysis is to understand what diversification benefits, if any, may exist by blending investment strategies together. We are trying to assess whether strategies have implemented differentiated views and therefore have a greater chance of performing differently over time.

We are very aware that correlation is a backward-looking measure. As such, our portfolio construction process is focused on forward-looking measures as much as possible. Hence, our focus on analysing the positioning of strategies today and the connection with our views on what factors may be the driver of returns in the years ahead.

## Multi-Asset Portfolio Team

JBWere has dedicated and experienced resources across the ISG contributing to the management of the Multi-Asset Model Portfolios. Below we have listed the key individuals involved in the management of the portfolios. Importantly, this team leverages the resources of the entire Investment Strategy Group as detailed in the handbooks listed in Exhibit 1.

| Name              | Role  | Responsibilities  | Years in Industry | Years in Team (JBWere) |
|-------------------|---|---|-------------------|------------------------|
| Sally Auld        | Chief Investment Officer                                  | Macroeconomic, markets and policy outlook                             | 21                | 2                      |
| Glen Bertram      | Head of Asset Allocation                                  | Strategic Asset Allocation  | 17                | 3                      |
| Chris Karapalidis | Head of Investment Funds Research                         | Portfolio Manager   | 17                | 4                      |
| Gillian Gordon    | Head of Alternative Investments and Responsible Investing | Asset Class Sleeve Strategy – real assets and uncorrelated strategies | 16                | 3                      |
| Aidan Kerr        | Head of Australian Equities                               | Asset Class Sleeve Strategy – Australian Equities                     | 17                | 3                      |
| Andrew Hudson     | Head of International Equities                            | Asset Class Sleeve Strategy – International Equities                  | 25                | 11                     |
| Laurie Conheady   | Head of Fixed Income                                      | Asset Class Sleeve Strategy – cash, government bond and credit        | 23                | 14                     |

# | Incorporation of Passive Strategies

The Investment Funds Research team has identified several key factors that we believe will contribute to the likelihood of consistent outperformance over the long term. We consider these factors when reviewing all products regardless of the underlying investment strategy.

Whilst we believe in the value of active management, we acknowledge there will be times when passive strategies may be appropriate for inclusion in investors' portfolios. The advantage of passive strategies, whether managed funds or Exchange Traded Funds (ETFs), is the efficient fee structure, along with full real-time portfolio transparency.

There appear to be two main approaches to incorporating passive strategies within investment portfolios. The first is to allocate the core of the portfolio to an index fund, and then complement the core position with concentrated actively managed strategies. This may be appropriate for those clients who wish to minimise fees and are comfortable with a potentially lower level of outperformance (given the lower allocation to alpha generating managers).

The other approach is to combine a number of concentrated active strategies to provide the core exposure within a portfolio. These can be complemented by holdings that reflect specific tactical positions by the use of passive strategies including a specific regional or sector exposure. The advantage of this approach is that it enables investors to have greater control when implementing tactical / thematic views. We may incorporate both approaches into our portfolio construction approach depending on the specific asset class and the time frame associated with the investment thesis we are aiming to exploit. Over recent years we have recommended greater use of ETFs when implementing tactical tilts, especially given the depth of cost-efficient ETFs now available to Australian investors.

In summary, setting the appropriate asset allocation is a critical first step. Once that has been achieved, investors can move into implementation. We analyse the underlying positions across a range of investment strategies to build an understanding of the likely drivers of returns in the future, with a view to constructing diversified multi-asset model portfolios exposed to our highest conviction investment strategies and aligned with our preferred positioning within each asset class.

Please note that not every investment option on the JBWere Approved Product List (APL) will be included in multi-asset model portfolios. That does not suggest that any single investment on the APL may not be appropriate for your portfolio. Please speak with your adviser for more details on the investment options that may be appropriate in order to meet your specific investment goals.

## | Multi-Asset Model Portfolios

The JBWere Multi-Asset Model Portfolios aim to bring together the ISG's views on asset allocation and the views of all of the specialists within the ISG across cash, government bonds, credit, real assets, domestic equities, international equities, uncorrelated strategies and managed strategies.

There are four portfolios aligned with JBWere's four risk profiles:

- Capital defensive;
- Balanced income;
- Balanced growth; and
- High growth.

Each portfolio will be exposed to JBWere's preferred investments across all asset classes including JBWere direct portfolios (credit, domestic and international equities), externally managed funds, managed accounts, listed investment companies and ETFs.

These portfolios are designed for wholesale investors, with a number of investments included in these portfolio limited to wholesale investors only.

Portfolio options are available for investors seeking fully liquid portfolios (where investments offer at least monthly liquidity, with the majority offering daily liquidity). For investors seeking to maximize the benefits of private markets, we offer access to funds which invest primarily in unlisted assets. By investing in these funds, an investor will therefore accept that a component of the portfolio will be exposed to illiquid investments.

The objective of each portfolio is detailed below. Whilst the focus is on maximizing the risk-adjusted returns, there is also a focus on minimizing fund management fees wherever possible.

| Investment Objective            | Investment Strategy   | Purpose   |
|---------------------------------|---|---|
| <p><b>Capital Defensive</b></p> | <p>Within an investible universe of all investments available on the JBWere Approved Product List (including but not limited to managed funds, managed accounts, listed investment companies, exchange traded products and the JBWere's series of direct model portfolios), the manager's investment objective is to:</p> <ul style="list-style-type: none"> <li>• preserve capital and exhibit a low level of volatility (3%-5%pa) over rolling 5 year periods; and</li> <li>• generate a total return over 1.5% pa in excess of the rate of inflation over rolling 5 year periods.</li> </ul>     | <p>The manager's investment strategy seeks to combine the top down macro-economic and strategic asset allocation views of the JBWere Investment Strategy Group, with the asset class specialist views across cash, government bonds, credit, real assets, domestic equities, international equities and uncorrelated strategies.</p> <p>The manager then brings together these views, including those of the Investment Funds Research team across both active and passive strategies, to construct a portfolio diversified across:</p> <ul style="list-style-type: none"> <li>• Asset classes;</li> <li>• Investment structures;</li> <li>• High quality investment managers; and</li> <li>• Investment styles.</li> </ul> |
| <p><b>Balanced Income</b></p>   | <p>Within an investible universe of all investments available on the JBWere Approved Product List (including but not limited to managed funds, managed accounts, listed investment companies, exchange traded products and the JBWere's series of direct model portfolios), the manager's investment objective is to:</p> <ul style="list-style-type: none"> <li>• preserve capital and exhibits a modest level of volatility (5%-7%pa) over rolling 5 year periods; and</li> <li>• generate a total return over 2.5% pa in excess of the rate of inflation over rolling 5 year periods.</li> </ul> | <p>The manager's investment strategy seeks to combine the top down macro-economic and strategic asset allocation views of the JBWere Investment Strategy Group, with the asset class specialist views across cash, government bonds, credit, real assets, domestic equities, international equities and uncorrelated strategies.</p> <p>The manager then brings together these views, including those of the Investment Funds Research team across both active and passive strategies, to construct a portfolio diversified across:</p> <ul style="list-style-type: none"> <li>• Asset classes;</li> <li>• Investment structures;</li> <li>• High quality investment managers; and</li> <li>• Investment styles.</li> </ul> |

## Balanced Growth

Within an investible universe of all investments available on the JBWere Approved Product List (including but not limited to managed funds, managed accounts, listed investment companies, exchange traded products and the JBWere's series of direct model portfolios) the manager's investment objective is to:

- preserve capital and exhibits a modest level of volatility (6%–8%pa) over rolling 5 year periods; and
- generate a total return over 3% pa in excess of the rate of inflation over rolling 5 year periods.

The manager's investment strategy seeks to combine the top down macro-economic and strategic asset allocation views of the JBWere Investment Strategy Group, with the asset class specialist views across cash, government bonds, credit, real assets, domestic equities, international equities and uncorrelated strategies.

The manager then brings together these views, including those of the Investment Funds Research team across both active and passive strategies, to construct a portfolio diversified across:

- Asset classes;
- Investment structures;
- High quality investment managers; and
- Investment styles.

The JBWere Balanced Growth Multi-Asset Portfolio aims to provide clients with access to a well-diversified portfolio across cash, government bonds, credit, real assets, domestic equities, international equities and uncorrelated assets.

The Portfolio is designed for clients seeking to maximise their risk adjusted returns within a Balanced Growth risk profile.

The Portfolio is designed on a standalone basis but may be complimented with other investments if appropriate.

## High Growth

Within an investible universe of all investments available on the JBWere Approved Product List (including but not limited to managed funds, managed accounts, listed investment companies, exchange traded products and the JBWere's series of direct model portfolios) the manager's investment objective is to:

- preserve capital and exhibits a high level of volatility (8%–10%pa) over rolling 5 year periods; and
- generate a total return over 4% pa in excess of the rate of inflation over rolling 5 year periods.

The manager's investment strategy seeks to combine the top down macro-economic and strategic asset allocation views of the JBWere Investment Strategy Group, with the asset class specialist views across cash, government bonds, credit, real assets, domestic equities, international equities and uncorrelated strategies.

The manager then brings together all of these views, including those of the Investment Funds Research team across both active and passive strategies, to construct a portfolio diversified across:

- Asset classes;
- Investment structures;
- High quality investment managers; and
- Investment styles.

The JBWere High Growth Multi-Asset Portfolio aims to provide clients with access to a well-diversified portfolio across cash, government bonds, credit, real assets, domestic equities, international equities and uncorrelated assets.

The Portfolio is designed for clients seeking to maximise their risk adjusted returns within a High Growth risk profile.

The Portfolio is designed on a standalone basis but may be complimented with other investments if appropriate.

# About JBWere Investment Strategy Group

The ISG is a team of highly experienced investment strategists and analysts who are the driving force behind JBWere's investment recommendations and asset allocation strategies. The ISG undertakes in-house research across a diversified suite of asset classes, including international and domestic equities, international and domestic fixed income, and alternative investments. Supporting the team's research is a wide range of views including those from our domestic and global research contributors and other well-respected external industry research bodies.

Drawing on these insights, the ISG provides the intellectual property, insights and tools for JBWere's Advisory Team to manage clients' portfolios including:

- The economic outlook;
- Analysis of global investment trends, opportunities, challenges and investment markets;
- Strategic asset allocation and the identification of tactical portfolio tilts;
- Direct model portfolio and advice; and
- In-depth managed strategies research.

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