PITCHER PARTNERS
INVESTMENT SERVICES PTY LTD
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INVESTMENT PHILOSOPHY

Successful investment management has always been based on a core philosophy or set of beliefs that can be translated into investment methodology or actions. At Pitcher Partners Investment Services (PPIS), we have distilled our philosophy into 10 core investment beliefs and the table below summarises how those beliefs inform the way we undertake our investment management process.

Our Core Investment Beliefs	Our Core Investment Methodology
1. **Preservation of client capital is paramount.** As client advisors one of our principal goals is preservation of client capital. In addition, preservation of the *real* value of client capital after fees and taxes is a primary objective. Within these objectives, we then seek to meet each individual client's income and growth needs.	1. We know that investment losses are more keenly felt than equivalent gains and therefore our bias is to preserve capital at all costs. All our analysis and recommendations therefore pay strong attention to risk. We favour investing in assets with reasonable prices that have predictable earnings. The market is full of opportunities for high risk investments, but only those that have a commensurate expected return will ever be presented to our clients.
2. **Risk and return are related.** To achieve a return greater than cash requires increasing levels of risk. Conversely, risk should only be accepted if the rewards provide adequate compensation for doing so. The appropriate level of risk is unique to each client and assessing this is fundamental to the PPIS process.	2. Our ***Expected Risks and Returns*** guide provides an indication of the frequency and magnitude of negative returns and the time taken to recovery. Discussion of these expectations together with the close and frequent contact PPIS clients have with their advisors allows us to adjust portfolios to levels of risk that are easily understood and managed on the basis of client needs.
3. **Returns will revert to long term averages.** Future returns are inherently unpredictable and the future is unlikely to exactly repeat the past. However, the major asset classes have long histories and well established risk and return characteristics and, over the long term, risk and returns have an established pattern of reverting to median levels.	3. Our in-house database of historical returns, consensus forecasts and up-to-date assessment of the economic landscape inform our ***Expected Risks and Returns*** asset class over the medium to long term. Our portfolio construction process enables us to take active tilts within and between asset classes to enhance shorter term returns and/or reduce overall portfolio risk.
4. **Investing is for the long-term.** The risk of short term adverse price movements is too great to invest monies required to achieve short term goals. In the long term however, financial market returns revert to long term averages. These two concepts inform our preferences for staged investing, staying invested through any downturns and not seeking to 'time the markets'.	4. After comprehensively assessing the client's risk profile and time horizon we will recommend an appropriate investment strategy and a ***Strategic Asset Allocation*** to meet individual income and growth needs. This establishes exposure limits to the various asset classes and is the most important decision an investor makes with the greatest bearing on ultimate results.
5. **Diversification reduces risk.** Exposure to a diverse range of asset classes, size of investments by market capitalisation, styles of investment (value/growth), active (alpha) and passive (beta) management, geographies, currencies, fund managers and investment strategies - particularly where the asset characteristics are not highly correlated with one another - significantly reduces the risk of an investment portfolio.	5. Our ***Portfolio Construction Guidelines*** require portfolios to have a high level of diversification. We seek the full benefits of diversification and set strict limits on the concentration of individual securities as well as investment sizes, styles, currencies and managers. Our in-house research team is continuously monitoring the financial markets and researches in detail more than 130 investments in our ***Approved Securities List*** and more than 80 investments in our ***Approved Product List***.

The advice provided to you is of a general nature and has been prepared without taking into account your objectives, financial situation or needs. Accordingly, before acting on the advice, you should consider the appropriateness of the advice having regard to your objectives, financial situation or needs. If you wish to acquire a financial product, we recommend you seek advice from a Pitcher Partners Investment Services' representative, and where applicable, consider the relevant offer document prior to making any financial decision.

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6. **Financial market inefficiencies can create opportunities.** Financial markets are not perfectly efficient. They are efficient at pricing investments and generally efficient at valuing them - but not always. Opportunities can arise for active management, IPOs, other equity raisings and corporate actions also present opportunities.	6. The generally efficient financial markets inform our use of well diversified direct portfolios as well as low cost passive fund managers. In less efficient segments of financial markets, for example smaller companies, active management can enhance returns. We thoroughly review IPOs, other equity raisings and corporate actions to determine if they will benefit our clients.
7. **Liquidity and currency are important.** At all times liquidity is a cheap insurance for the management of unforeseen events. Over the long term, currency hedging does not generally provide a positive return and consequently we adopt a passive hedging approach. In the short term currency exposures can add both risk and return to portfolios.	7. A minimum threshold of liquidity is required for all authorised investments. When this minimum deteriorates, it will be fully disclosed to clients. When investing with international fund managers, we prefer property income and fixed interest investments to be fully hedged and leave share fund hedging to the discretion of the manager.
8. **Fund managers can add value.** Fund managers can access asset classes not cost-effectively available to individual investors. This includes offshore assets, under-researched assets, asset classes in their entirety, less liquid assets. They can also selectively add value through active management and the application of specific skill-based strategies such as those used in hedge funds.	8. Our preferred use of fund managers is for: • international investing • low-cost 'asset class' investing • mid to small to micro sized companies • less liquid assets • hedge funds or other special strategies We have no commercial or other relationships with any fund managers other than to seek to consistently identify those managers that can genuinely add value to our client portfolios after fees and taxes are taken into account.
9. **Monitoring is important and market returns matter.** Financial market conditions can change rapidly as can the characteristics of managed funds and individual securities. A 'set and forget' approach to investing is no longer prudent. While we recommend investing for the long term, we are aware that short term market returns do matter to our clients.	9. Our in-house research team monitors the markets daily. Our ***Risk Management Guidelines*** outline the triggers for in depth review and re-evaluation of existing investments and our ***Quarterly Reviews*** promote regular review and rebalancing of portfolios. We monitor performance quarterly against market benchmarks and against investment objectives as agreed.
10. **Fees and taxes matter.** Advice fees, transaction costs, manager fees, administration fees, compliance fees and taxes all reduce net investment returns.	10. Our cost-effective implementation of investments includes: • discounted brokerage • use of 'wholesale' fund managers • use of low cost 'passive' fund managers • 'buy and hold' of direct investments • minimising platform fees • elimination and/or rebates of commissions • participation in buybacks • seeking out imputation credits • seeking out tax deferred income, and • efficient capital gains tax management.

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