



AlmanPartners
True wealth

AFSL: 222107



Pursuing a Better Investment Experience

**Key Principles to Improve
your Odds of Success**

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Since 2016, Alman Partners voluntarily participates in annual audits conducted by the Centre of Fiduciary Excellence (CEFEX), in order to maximise professionalism, ensure due diligence is adhered to and all compliance requirements are met. CEFEX is an independent global assessment and certification organisation established to evaluate firms through a rigorous set of criteria. To find out more about CEFEX and the criteria Alman Partners is audited on, visit their website: www.cefex.org



1 Embrace Market Pricing

The market is an effective information-processing machine. Each day, the world equity markets process billions of dollars of trades between buyers and sellers - and the real-time information they bring helps set prices.



2 Don't Try to Outguess the Market

The market's pricing power works against mutual fund managers who try to outperform through stock picking or market timing. As evidence, only 22% of US equity mutual funds and 10% of US fixed interest mutual funds have survived and outperformed their benchmarks over the past 20 years.

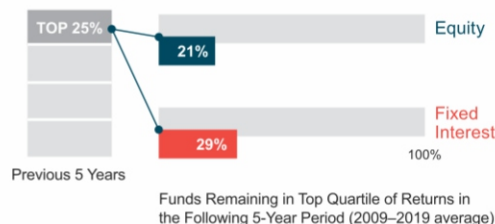
US-Based Mutual Fund Performance, 2000–2019



3 Resist Chasing Past Performance

Some investors select mutual funds based on their past returns. Yet, past performance offers little insight into a fund's future returns. For example, most funds in the top-quartile of previous five-year returns did not maintain a top-quartile ranking in the following five years.

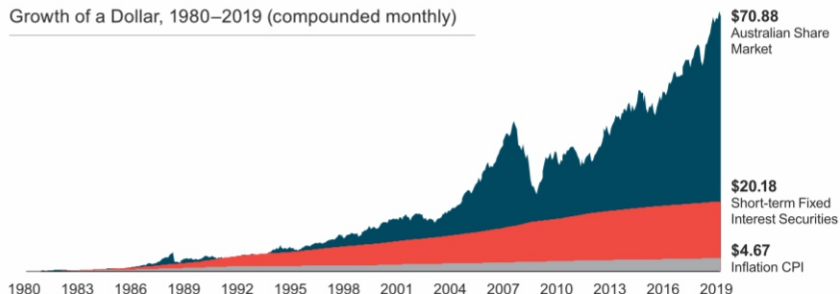
Percentage of Top-Ranked US Mutual Funds That Stayed on Top



4 Let Markets Work for You

The financial markets have rewarded long-term investors. People expect a positive return on the capital they supply, and historically, the equity and bond markets have provided growth of wealth that has more than offset inflation.

Growth of a Dollar, 1980–2019 (compounded monthly)



5 Consider the Drivers of Returns

Dimensions of Expected Returns

Equities

- **Company Size** (Market Capitalisation)
- **Relative Price** (Price/Book Equity)
- **Profitability** (Operating Profits/Book Equity)

Fixed Interest

- **Term** (Sensitivity to Interest Rates)
- **Credit** (Credit Quality of Issuer)
- **Currency** (Currency of Issuance)

There is a wealth of academic research into what drives returns. Expected returns depend on current market prices and expected future cash flows. Investors can use this information to pursue higher expected returns in their portfolios.

6 Practice Smart Diversification

Holding securities across many market segments can help manage overall risk. But diversifying within your home market may not be enough. Global diversification can broaden your investment universe.

Home Market Index Portfolio



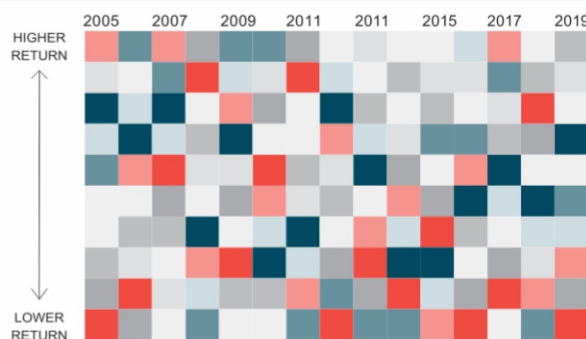
Global Market Index Portfolio



7 Avoid Market Timing

You never know which market segments will outperform from year to year. By holding a globally diversified portfolio, investors are well positioned to seek returns wherever they occur.

Annual Returns by Market Index



8 Manage Your Emotions

Many people struggle to separate their emotions from investing. Markets go up and down. Reacting to current market conditions may lead to making poor investment decisions.

Avoid Reactive Investing



9 Look Beyond the Headlines

Daily market news and commentary can challenge your investment discipline. Some messages stir anxiety about the future, while other tempt you to chase the latest investment fad. When headlines unsettle you, consider the source and maintain a long-term perspective.



10 Focus on What You Can Control

A financial adviser can offer expertise and guidance to help you focus on actions that add value. This can lead to a better investment experience.

- Create an investment plan to fit your needs and risk tolerance.
- Structure a portfolio along the dimensions of expected returns.
- Diversify globally.
- Manage expenses, turnover and taxes.
- Stay disciplined through market dips and swings.

DISCLOSURES

Exhibit 1: In Australian dollars. Source: Dimensional, using data from Bloomberg LP. Includes primary and secondary exchange trading volume globally for equities. ETFs and funds are excluded. Daily averages were computed by calculating the trading volume of each stock daily as the closing price multiplied by shares traded that day. All such trading volume is summed up and divided by 252 as an approximate number of annual trading days.

Exhibit 2: The sample includes US mutual funds at the beginning of the 15-year period ending 31 December 2017. Each fund is evaluated relative to the Morningstar index assigned to the fund's category at the start of the evaluation period. So, if, for example, a fund changes from Large Value to Large Growth during the evaluation period, then its return will still be compared to the Large Value category index. Surviving funds are those with return observations for every month of the sample period. Winner funds are those that survived and whose cumulative net return over the period exceeded that of their respective Morningstar category index.

Exhibit 3: This study evaluated US mutual fund performance persistence over rolling periods from 2001 through 2017. Each year, funds are sorted within their category based on their previous three-year total return. Those ranked in the top quartile (25%) of returns are evaluated over the following three-year period. The chart shows the average percentage of top-ranked equity and fixed income funds that kept their top ranking in the subsequent period. Source (Exhibits 2 and 3): The funds referred to are US mutual funds which are not registered as managed investment schemes with the Australian Securities and Investments Commission and as such these funds are not currently available to Australian investors. US-domiciled open-end mutual fund data is from Morningstar and Center for Research in Security Prices (CRSP) from the University of Chicago. Index funds and fund-of-funds are excluded from the sample. Equity fund sample includes the Morningstar historical categories: Diversified Emerging Markets, Europe Stock, Foreign Large Blend, Foreign Large Growth, Foreign Large Value, Foreign Small/Mid Blend, Foreign Small/Mid Growth, Foreign Small/Mid Value, Japan Stock, Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Miscellaneous Region, Pacific/Asia ex-Japan Stock, Small Blend, Small Growth, Small Value and World Stock. Fixed income fund sample includes the Morningstar historical categories: Corporate Bond, High Yield Bond, InflationProtected Bond, Intermediate Government, Intermediate-Term Bond, Muni California Intermediate, Muni California Long, Muni Massachusetts, Muni Minnesota, Muni National Intermediate, Muni National Long, Muni National Short, Muni New Jersey, Muni New York Intermediate, Muni New York Long, Muni Ohio, Muni Pennsylvania, Muni Single State Intermediate, Muni Single State Long, Muni Single State Short, Short Government, Short-Term Bond, Ultrashort Bond and World Bond. See Dimensional's "US Mutual Fund Landscape 2018" for more detail. Index data provided by Bloomberg Barclays, MSCI, Russell, FTSE Fixed Interest LLC and S&P. Bloomberg Barclays data provided by Bloomberg. MSCI data © MSCI 2018, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. FTSE fixed income indices © 2018 FTSE Fixed Income LLC. All rights reserved. S&P data © 2018 S&P Dow Jones Indices LLC a division of S&P Global. All rights reserved.

Exhibit 4: In Australian dollars. Australian Share Market: S&P/ASX 300 Index (Total Return), Short-term Fixed Interest Securities: Bloomberg AusBond Bank Bill Index and Inflation CPI: Australian Consumer Price Index. S&P data © 2018 S&P Dow Jones Indices LLC a division of S&P Global. All rights reserved. Data provided by Bloomberg Finance LP. Australian Consumer Price Index provided by Australian Bureau of Statistics. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Exhibit 5: Relative price is measured by the price-to-book ratio; value stocks are those with lower price-to-book ratios. Profitability is measured as operating income before depreciation and amortisation minus interest expense scaled by book.

Exhibit 6: Data as at 31 December, 2017. Number of holdings and countries for the S&P/ASX 300 Index and MSCI ACWI (All Country World Index) Investable Market Index (IMI) as at 31 December 2017. S&P/ASX data © 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. MSCI data copyright MSCI 2018, all rights reserved. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. International investing involves special risks such as currency fluctuation and political instability. Investing in emerging markets may accentuate these risks. Past performance is not a guarantee of future results. Diversification does not eliminate the risk of market loss.

Exhibit 7: In Australian dollars. Data is the annual return to 31 December 2017. Data used for each asset class is as follows: Australian Large: S&P/ASX100 Index (Total Return), Australian Small: S&P/ASX Small Ordinaries Index (Total Return), Australian Value: S&P Australia BMI Value Index (gross dividends), Property: S&P Global REIT Index (gross dividends), Global Large + Mid: MSCI World Index, (gross dividends), Global Small: MSCI World Small Cap Index (gross dividends), Global Value: MSCI World Value Index (gross dividends), Cash: Bloomberg AusBond Bank Bill Index, Emerging Markets: MSCI Emerging Markets Index (gross dividends), Fixed Interest: Bloomberg Barclays Global Aggregate Bond Index (hedged to AUD). S&P data © 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. MSCI data © MSCI 2018, all rights reserved. Data provided by Bloomberg. Bloomberg Barclays data provided by Bloomberg. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

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The funds referred to in this publication are US mutual funds which are not registered as managed investment schemes with the Australian Securities and Investment Commission and as such these funds are not currently available to New Zealand and Australian investors.

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