

Centric Custom Portfolios

All Centric Wealth clients receive portfolio construction and management advice that combines the skill and insight of their Centric adviser and our specialist team of portfolio construction experts.

Once your portfolio has been agreed there are choices as to how portfolios are implemented and maintained. The traditional method in many firms is to discuss each portfolio change with every client and obtain a sign off. Whilst this ensures you are familiar with the detail of each change, it is a relatively slow and administratively intensive way to manage your portfolio. Particularly in an environment where portfolios are frequently reviewed and adjusted; slow execution can result in opportunities being missed or issues not being addressed as quickly as they otherwise might. It also means that the cost of maintaining the portfolio is higher than it otherwise might be.

what is it?

Centric Custom Portfolios is a service that establishes an agreement with you to manage your portfolio to a defined strategy. The strategy establishes the range of allowable market exposure and your particular preferences. Thereafter Centric manages the portfolio in accordance with that strategy (i.e. using its discretion to rebalance as needed). The great advantage of Centric Custom Portfolios is that portfolio adjustments are implemented quickly and cost effectively, whilst still providing the benefit of personalised advice and portfolio customisation. In our view that is likely to lead to better investment outcomes for you over time.



are custom portfolios just for share investments?

Absolutely not. Centric Custom Portfolios cover all asset classes and are designed to provide a highly efficient and dynamic way to manage asset allocation and investment selection / blending. In addition to covering asset classes including domestic and international shares, property, and fixed income, Centric Custom Portfolios can include listed securities, managed funds and fixed interest allowing your portfolio to be constructed to meet your requirements, whether they are active or passive in nature.

is asset allocation important?

Over the long term, the decision as to how much to allocate to different asset classes (asset allocation) will have a greater bearing on investors' total returns than decisions as to which investments to buy within that asset class. Past academic studies have suggested that up to 90% of a portfolio's return is ultimately explained by asset allocation.*

Markets can be inefficient for prolonged periods.

This means that market valuations can remain irrationally influenced by emotions such as fear or greed for extended timeframes, rather than reflect true underlying fundamental value. This is both an opportunity and a threat for investors.

Over the long term the Australian equity market has delivered an "equity risk premium" of 4 to 5 per cent per annum. This is the return above a "risk free" rate such as the cash rate. This return is attractive and is the reason for investing rather than simply saving. However, the equity risk premium does not come evenly over time. Equity markets can potentially deliver much lower premiums or no premium at all for long periods. This is a risk that needs to be carefully managed.

Asset allocation must be matched to investor timeframe.

Even when the likely future direction of market trends is clear, the timeframe over which these trends play out can be far longer or shorter than anticipated. Therefore it is critical that investors and their advisers have access to historical perspectives on how long inefficiencies can take to correct and that the investment strategy for any given investor is developed with a clear understanding of timeframe. Mismatching of market and investor timeframes is to be avoided at all costs.

Asset allocation is about avoiding losses too. Centric Wealth's asset allocation process looks for opportunities to buy more of undervalued assets and less of overvalued markets. Centric Custom Portfolios ensures the recommendations of our investment team are actioned quickly.

*Source: Roger G. Ibbotson and Paul D. Kaplan, "Does Asset Allocation Policy Explain 40%, 90%, or 100% of Performance?", *The Financial Analysts Journal*, January/February 2000

how does it work?

You, and your Centric Wealth adviser, agree upon your investment strategy. Your investment strategy:

- Governs your risk exposure
- Is agreed by you and your adviser
- Will be adhered to by Centric's Custom Portfolios team
- Can be tailored to exclude certain investments – according to your preferences.

Your portfolio will be managed on a discretionary basis (via a Managed Discretionary Account), and investments will be bought and sold in line with your investment strategy. Once established the ongoing management of an investment portfolio can be an administrative burden, but Centric Wealth uses the encircle platform to simplify the process (see our encircle flyer for more details).

key benefits

- Outsource the stress involved in portfolio management
- Access to a professional adviser and an expert portfolio management team
- Your investments are overseen by your Centric Wealth adviser who knows you, your risk profile and your tax position
- Dynamic asset allocation matched with timely execution manages your risk and takes advantage of market opportunities
- The administration function is outsourced to an expert provider (see our encircle flyer for more details).

more information

See your Centric Wealth adviser for more information.

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