



Kieran Canavan
Chief Investment Officer, Findex

CIO Investment update

The end of the 2015 financial year and beginning of the 2016 financial year has seen several significant global occurrences weigh on investors' minds. We have witnessed the unfolding Greek crisis, the China stock market selloff and the impending Federal Reserve's tightening of monetary policy to name but a few. Further to this, back at home the outlook for the Australian equity market continues to remain challenging.

Given this backdrop of greater macroeconomic uncertainty and increased volatility, I would like to briefly touch on some of the measures and process we have in place to help us manage your investment portfolios through uncertain times.

Appropriate policy settings

It is important for us to have our investment policy and philosophy settings appropriately matched to our clients' needs. These policy settings provide the guidance framework within which the investment team and ancillary supporting functions such as our investment committee and working groups must operate.

Entrenched compliance, risk awareness and management culture

A significant portion of our process is concerned with dealing with risk in a variety of ways whether it be avoiding, limiting, measuring, understanding, controlling or managing risk. The foundation on which our process is built is to protect clients' existing funds against permanent loss as a first priority.

Our second priority is preservation of the buying power of client funds – that is, protecting your investments against the impact of inflation. Then, and only then, our aim becomes carefully building and growing quality investment portfolios within a sensible risk management framework.

Robust governance framework and quality team

One of the more important lessons to come from the GFC is that one should never underestimate the value of a robust and well-functioning governance framework. An important part of this framework is the investment committee. Findex has worked to ensure that our investment committee is made up of experienced individuals who are able to rigorously debate issues and reach high quality consensus decisions.

Included in the committee are two incredibly experienced and successful independent members being Mr Chris Condon (former CIO of MLC - \$60B FUA) and Mr Emmanuel Calligeris (former CIO of Optimix - \$13B FUA). Both of these industry veterans have over 25 years of experience in investment markets, in a variety of roles.

We have sought through our governance framework to not only use the investment committee (IC) structure in its customary role to oversee a variety of investment decisions but to also access the combined wisdom of the committee members within an IC Working Group Concept. IC working groups meet regularly to permit a more in depth discussion of various investment related matters and to solicit feedback from financial planners on investment research issues.

In addition, Findex has been investing significantly in building an institutional grade investment team across several disciplines – Research, Services (implementation and administration), Product Development and Funds Management.

Investment framework

The robust asset allocation, portfolio construction framework and investment selection process that we employ results in construction of investment portfolios that are better suited to clients' real investment risks.

The models we use to make changes to our target asset allocations are forward looking; however, we are also informed by the lessons of the past when evaluating what changes should be made to model portfolios.

Our process focusses on asset allocation and as well as selecting and blending the right stocks and products to construct better model portfolios. Our in depth advisory process centred on risk willingness, ability and requirement, along with our practical set of real world risk tools used with clients in the discovery process results in a better understanding of the risk/reward trade off. All of this ultimately results in fewer surprises for investors.

The investment team ascribes to the belief that we should be eternally vigilante and build investment portfolios to withstand the inevitable shocks that markets experience from time to time. The above processes and measures are all important in making sure that your portfolios can be appropriately managed and withstand challenging investment markets.

Foundation project updates

Appointment of State Street Global Advisors (SSGA)

SSGA was appointed to advise Findex on asset allocation including both strategic and tactical asset allocation. This has been rolled out across the various brands in the first half of this year and has now been completed across the business.

The roll out began with Centric Wealth in January 2015 and on a year to date basis SSGA's asset allocation recommendations have been positive contributors to performance by about +0.3% (the range being 0 to 0.4% across models). This is in-line with our expectations.

Strategic asset allocation review

During the upcoming quarter the research team aided by the IC and IC working groups will finalise the review of Findex's strategic asset allocation settings. SSGA is providing advice and recommendations for the review. Our strategic asset allocation settings provide the neutral anchor weights for the various asset classes and sectors in all our model portfolios. These settings are reviewed on an annual basis.

Speak to your Centric Wealth Adviser for further insight into our investment framework.



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