SPECTRUM WEALTH

• PARTNERS PTY LTD •

10 Commandments of Wise Investing

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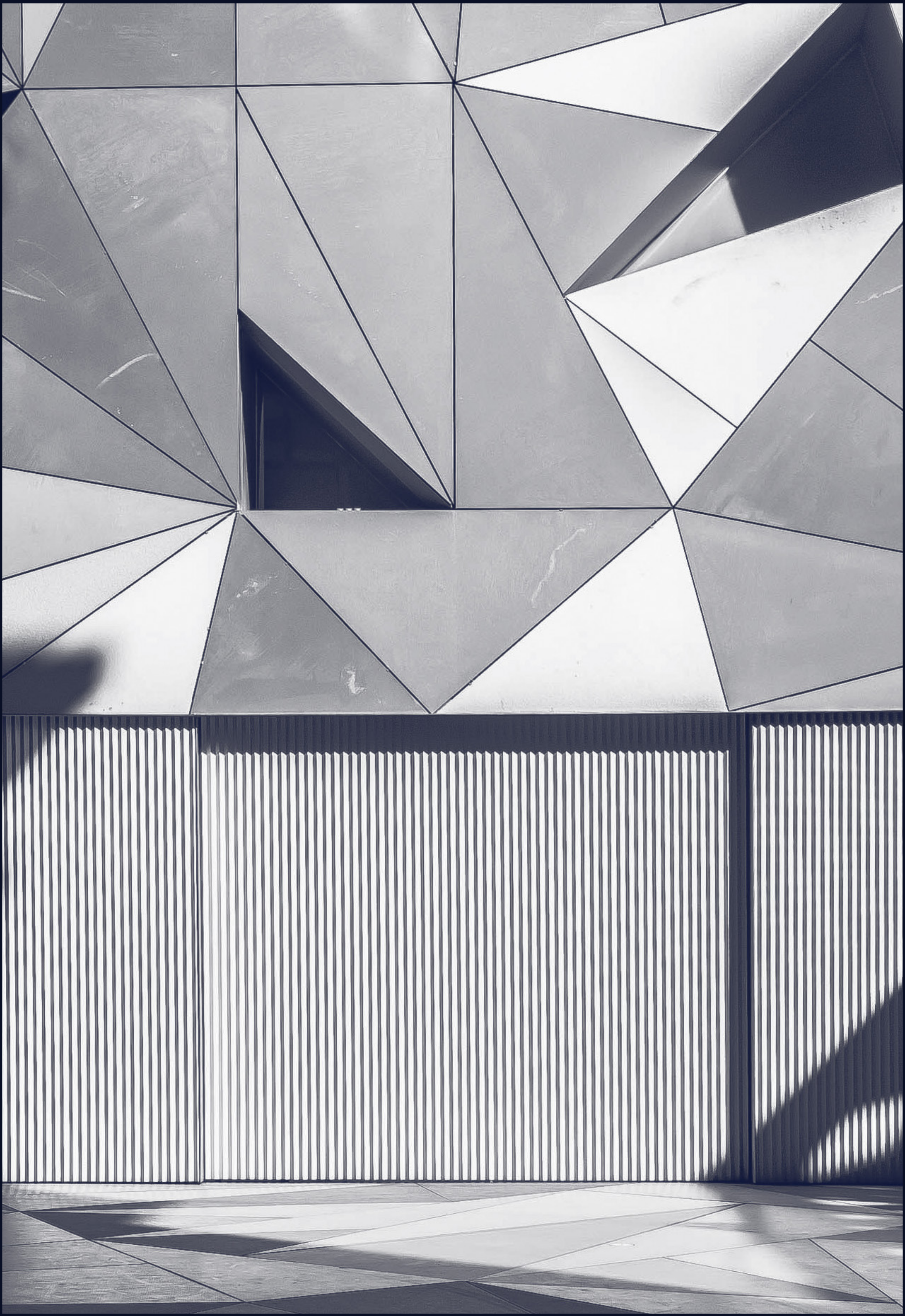


Preface

Like barnacles on a wharf, conventional wisdom has gathered and attached itself to the art of investing over time. This conventional wisdom promotes a collection of supposedly inalienable truths, which are often repeated at golf club soirees and cocktail nights. They tell us that past returns are an excellent guide to the future. That markets are efficient and cannot be predicted. That bubbles don’t exist. That time in the market is more important than timing in the market.

You wouldn’t be reading this if you were satisfied with conventional wisdom espoused by colleagues and associates who talk-up their wins, but dare not to mention their losses. By seeking independent financial advice from an expert, you’re convinced there’s more to know. We’re glad you reached out. Conventional wisdom is often misguided, and sometimes dangerous. When it comes to investing your assets wisely, there’s a lot more to consider than a set of house rules that may or may not accommodate your situation.

01

Don’t be deceived by looks

Is your portfolio weighed heavily in favour of a particular asset class such as shares or property? A rising price of that asset class is not necessarily a welcome development. This is because rising prices correlate with diminishing future returns, which makes that asset class more risky.

02

Beware of FOMO

Fear of Missing Out, colloquially known as FOMO, isn't a recent phenomenon inspired by Millennials queuing for hours outside the Apple store. It has long haunted would-be and amateur investors. This condition is brought on by colleagues or associates loudly boasting about their lucrative market stings. It induces panic within the hapless listener, inducing them to follow suit in the midst of a full-blown FOMO attack.

> *"Fear of Missing Out, colloquially known as FOMO*

What sufferers don't consider is how those who brag about their successes, rarely if ever, disclose their failures. This means they are acting on distortion, not reality.

Stay on the straight and narrow

Hang around for long enough and you'll recognize a pattern with markets. Over time, they go up and down, perpetually reverting back to the mean. This is crudely compared to a rollercoaster, and those who've experienced its gut-churning plummet will often jump off and vow: "Never again". But then, at the first hint of its exhilarating climb, they might exclaim: "I don't want to miss out", or "This time it's different".

Like our poor FOMO sufferers, those inflicted with this debilitating groupthink are unwittingly stacking the odds against themselves, because behavioural biases will always conspire against success. The market might be bumpy, but your attitude should be straight and focused.

03

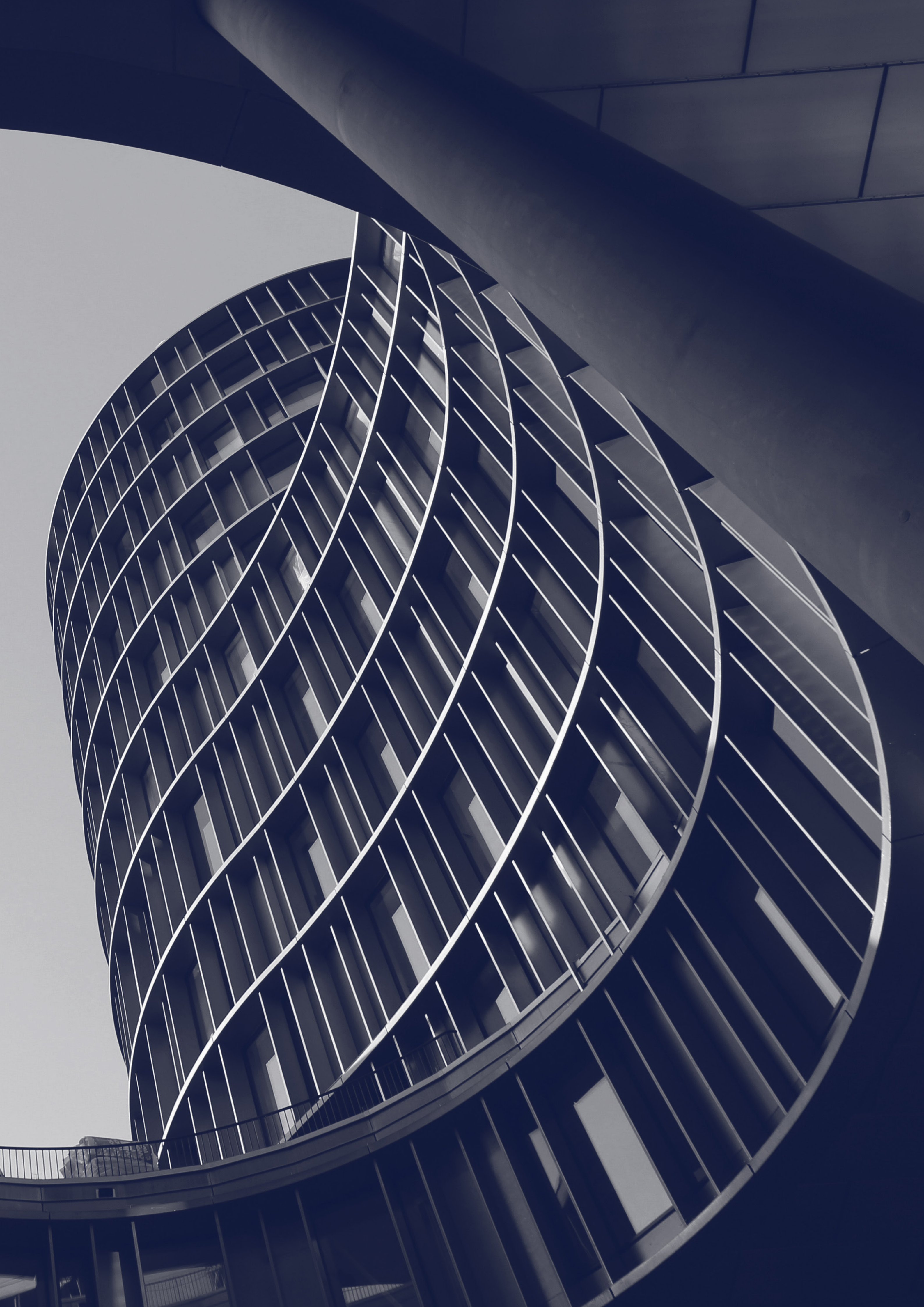
Go long, not short

We can't predict what the market will do in the next year. Well, we can try. But we'd feel a lot more confident predicting what the market will do in the next ten years. Historical patterns show market behavior is a lot more consistent as time goes by, which makes long-term investments a more stable strategy.

05

One person's trash is another's treasure

Bad news can create an offensive stench around certain asset classes, repelling investors and subsequently driving prices down. We keep an eye on these situations. When frequent examination of the asset's value determines all that external negativity has been fully factored in, there could well be an opportunity to invest for shorter-term growth.

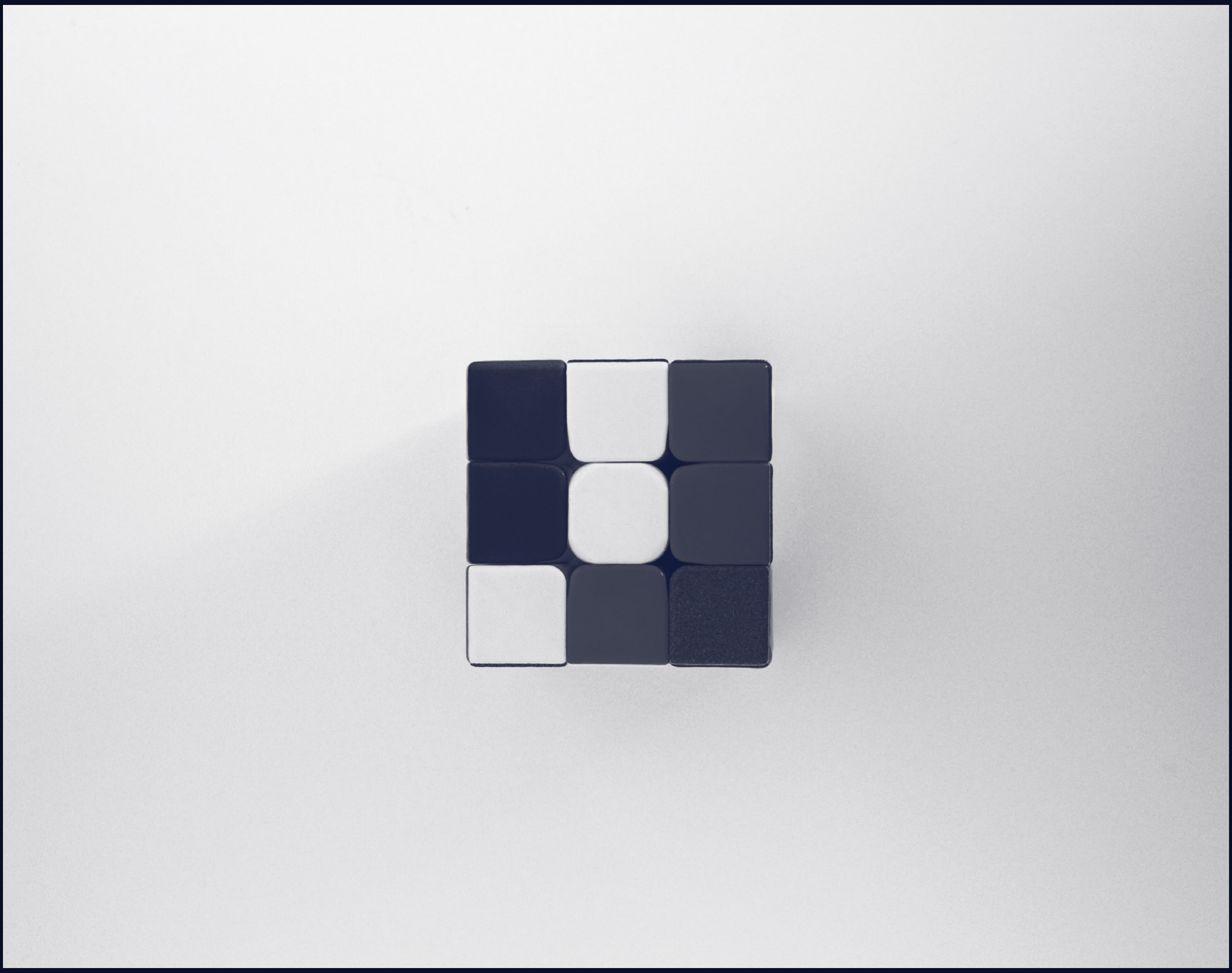


06 Cash isn't king

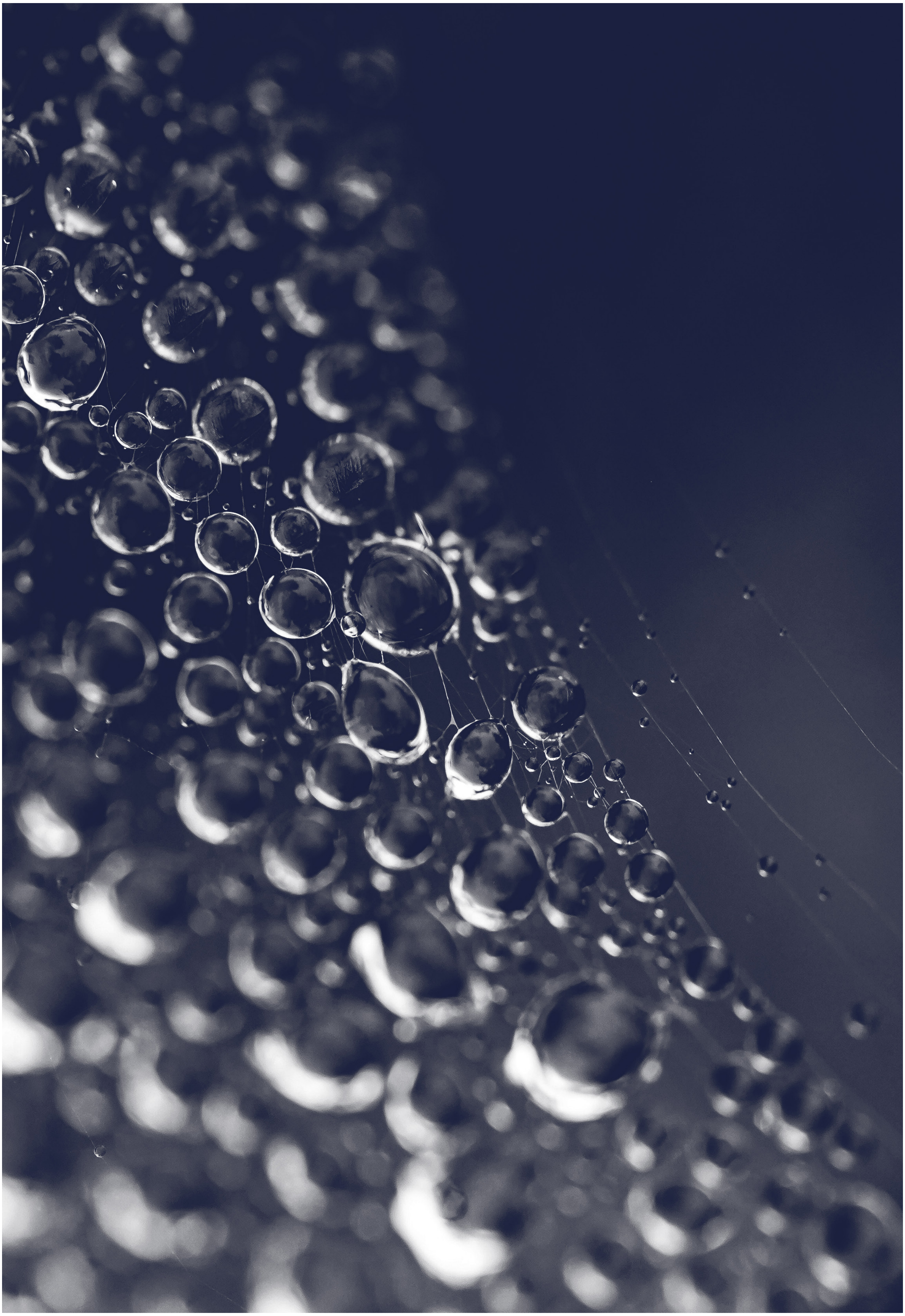
We won't bore you with the reams of historical data that have consolidated this fiscal proverb over many, many decades. The misled desire for uniformity and safety will destroy wealth over time. A diversified portfolio is a much more secure path to prosperity.

If it ain't broke, don't fix it

Some advisors get itchy feet. They believe they have to justify their engagement by changing your portfolio, if it has remained static for long enough to make them twitch. We hold our nerve. If your portfolio is performing well, and our future forecasts predict it will continue to do so without intervention, then we won't act. That might mean we miss out on fees, but the good news is that you effectively make even more money.



07



08

The burst is the worst.

Few things last forever, and investing trends in the market aren't one of them. We keep a close watch on assets that display bubble-like tendencies, always conscious of keeping our clients well clear of the inevitable and messy consequences. No-one has regretted selling six months early more than six months late.

Be a basket case

09

Your portfolio should be like an all-terrain vehicle, built with the specifications and capacity to handle all conditions. The market will change, and with it, so will the value of some of your assets. Placing them in a variety of baskets will keep the entire portfolio balanced and on track through even the most turbulent times.

10 The right metrics

Making responsible and accurate investment return forecasts is our most important commitment to you. There are three basic ways to go about this: income yields, forecast growth in income, and change in market sentiment determined by the Price/Earnings (PE) ratio. We strive to remove the outside noise (price), and concentrate on what is being delivered back to you (income).

DISCLAIMER

Any advice contained in this document is general advice only and does not take into consideration the reader's personal circumstances. Any reference to the reader's actual circumstances is coincidental.

To avoid making a decision not appropriate to you, the content should not be relied upon or act as a substitute for receiving financial advice suitable to your circumstances.

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