

Sample only

Client portfolio *or fund name*

Investment portfolio review/diagnostic

date

Private & Confidential

professional
partner firm logo
(optional)

Wealth benchmarks™

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How this report can help you

Managing a portfolio of investments is an important responsibility. Unfortunately there are no reliable “How to” manuals you can trust. Sometimes you need to “look under the hood” at the engine that’s driving your portfolio’s results.

Here we provide a sophisticated, fact based analysis of your portfolio to help you, and your advisors, make more informed decisions or perhaps simply feel better about investing.

For instance, this report can help you understand ...

- How, where and what you are actually investing in or exposed to (incl. styles used, industry biases, look-through ultimate holdings, geography, credit risk)
- How well you’re funds are performing overall, by asset class and versus benchmarks
- Whether you’re investing efficiently? (incl. cost, tax and risk/return perspectives)
- If your portfolio fits you or your beneficiaries objectives and expectations?

For many this also provides a personalised education on portfolio investing

This report is designed for trustees of self-managed super funds (SMSFs), estates, charitable and other trusts; high net worth and family office investors; including those working with professional advisors seeking a specialist and independent review or 2nd opinion.

It can also be recommissioned periodically (eg. annually or triennially) to help track wealth.

What this report can't do

This report provides a detailed *fact based analysis* of your investments using a number of institutional investing and proprietary techniques.

It is solely for use by you and your advisors only (not to be shared with others).

Due to complexities with investing and limitations with various data source, this will provide information to support strategic decision making, but should not be considered 100% accurate or relied upon for the preparation of compliance documents like annual returns.

It does not endorse what or how you are investing. You need to conduct your own research or speak to a licensed financial advisor.

It does not provide advice nor make recommendations for how to invest.

Please contact us for investment advice and product recommendations which can be provided separately

Detailed Contents

About your overall investments

- How your money is spread amongst the major asset classes
- Detailed allocation and inventory of investments analysed
- Entities you invest through *[if not single entity]*
- What's driving most of your return and risk
- "Your trade-off between eating well and sleeping well" (2x)
- About your attitude to risk
- What your funds might earn and grow
- How much you might live off from your investments
- How your portfolio performed versus your benchmark
- The fees you're paying and your tax drag

Asset class specific analyses

- Australian equities
 - About your Australian equity holdings
 - The industries you're investing in (or betting on)
 - Your exposure by company size and price
 - Performance of your Australian share exposure
 - Constituent stock and fund performance
- International equities
 - About your International equity exposure
 - Where your money is offshore
 - How your International investments performed
- Property
 - About your "bricks & mortar" investments
 - Performance of your property funds
 - Review of your direct property holdings *[option]*
- Bonds and cash
 - About your bond-like holdings
 - Your exposure to credit and duration risk
 - Performance of your bond investments
- Other investment classes
 - About your other investments

How your investment process compares with Best Practise

Some risks which could derail your plans

Summary and things to consider

Appendix – research and other background information

How to commission this report

What information we need to get started

- At the minimum, all we need is a recent summary valuation of investments and the time period over which this portfolio has been roughly held (eg. last 3-5 years)
- We can do a better analysis if the following can be also provided:
 - Portfolio summary both at start and period end (incl. to show what bought/sold)
 - Completed "Investment Style and Attitude to Risk" questionnaire
 - Cost and purchase date for the most or major acquisitions
 - Preferred contact (name, phone, email) to clarify information
- Order/data-entry form available at www.wealthbenchmarks.com.au or contact us
- Please contact us also to discuss any onsite direct property investment review

How much does an analysis and a debrief presentation cost

- Our professional fee to analyse a portfolio, prepare a detailed report and debrief findings is typically \$2,500 to \$5,000 plus GST (or about 0.1-0.2% of portfolio value)
- We will agree this with you in advance, taking into consideration analysis complexity and how you want us to report back findings (incl. face to face)
- A portion of this fee may be shared with your accountant or other advisor to contribute to their costs collating information and debriefing results

Report preparation time is 10 business days upon collection of necessary information

Please contact us to commission an analysis or if you have any questions

Wealth benchmarks™

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About Wealth benchmarks™

A private and independent personal wealth and investment information services provider. Has helped tens of thousands of Australians since 2007 benchmark their overall financial position. It has been featured in newspapers and journals around Australia, including for two years in a row in the *BRW Rich* magazine. It provides fact based information and benchmarks to individuals and advisors to analyse and review their investment portfolio and overall wealth. It also assists financial institutions with front-line productivity tools and specialist information.

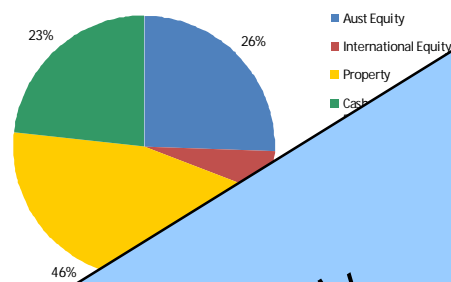
About Dr Douglas Turek

Doug is founder of Wealth benchmarks™ and also MD of independently-owned, private wealth advisory firm Professional Wealth® Pty Ltd. Formerly he was a senior advisor with *The Boston Consulting Group* where amongst other things he played a lead role with *Global Wealth*, *Private Banking* and *Asset Management* benchmarking. Through Wealth benchmarks™ he has conducted the largest private study of wealth in Australia and published a book for financial professionals and a research report for institutions. Doug writes on portfolio strategy for Australia's most popular investment newsletter the *Eureka Report* and is a finance talk-back expert on ABC Radio Victoria.

How your money is spread amongst the major asset classes

How your money is spread across different major classes of assets is a critically important design aspect to your portfolio. Some suggest that about 90% of your ultimate investment return, and risk taken, are driven by this. However this depends on how active an investor you are or how well your hired investment managers deliver. In the world of institutional investing, portfolio managers track, report and make adjustments to these allocations like you would in an industrial manufacturing process with set points control limits.

In the following diagram and table we break down your investment portfolio according to the major investment asset classes on both a \$ and % basis.



Sample only

- The fund exposure to property is a majority, or 43% of the 46% total exposure to property, with the balance 3% via listed and unlisted funds
- Share exposure to Aust Equity is 26%, of which 20% is via 12 directly held stocks
- Only a modest portfolio is invested in companies listed on offshore exchanges with implications for currency exposure and sector diversification
- Total bond-like holdings equal 23% split between 11% bank deposits, 9% in diversified bond funds and 4% in 2 income securities
- There are no other or alternative asset holdings
- A detailed breakdown of the entire portfolio holdings are shown in the next slide
- This portfolio differs substantially from institutionally managed balanced funds because of the high exposure to property. It is more similar to private investor portfolios for those sub-class of investors who like direct property (and aren't yet or only drawing a modest proportion of pension funds to live from).

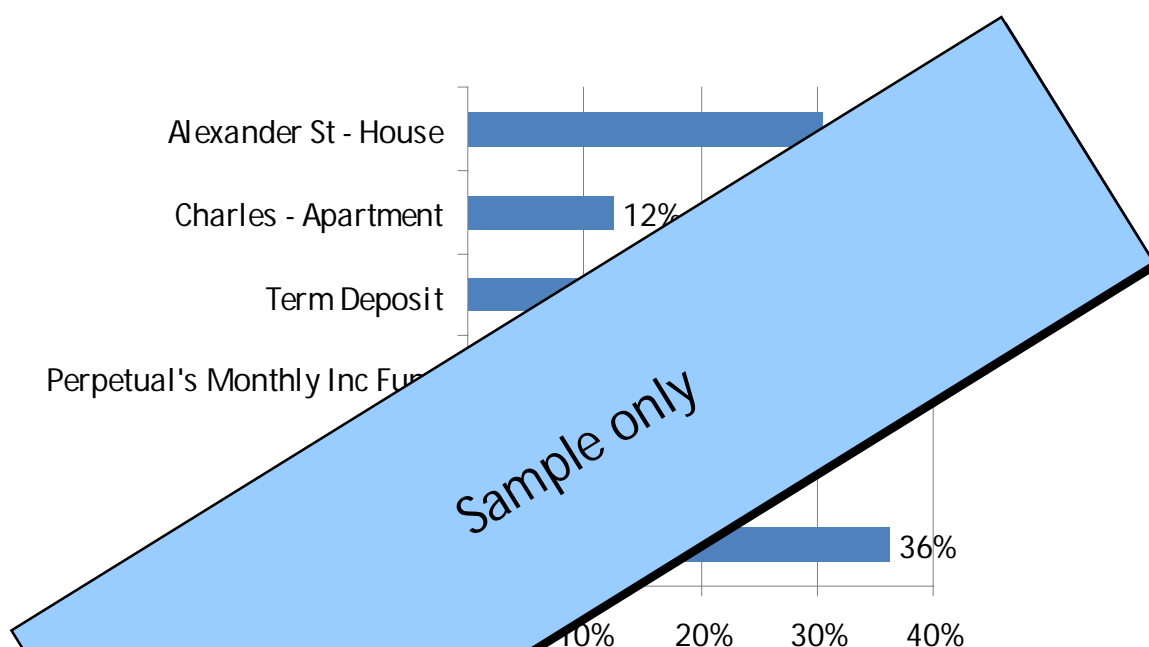
What's driving most of your return and risk

Sometimes your wealth is particularly driven by or sensitive to a few investments often direct property or company stocks – this is called concentration risk. Investors don't always understand or are rewarded sufficiently for taking on this risk.

Stock concentration is particularly problematic for executives, entrepreneurs and senior managers of companies. When the company share price is rising, concentration risk looks like reward – however that wasn't the case for Enron employees

Stock (and industry) concentration risk is also problematic for direct share investors in Australia where companies like BHP, Westfield and the banks dominate portfolios.

The below shows the contribution of your top 5 investment holdings and the balance.

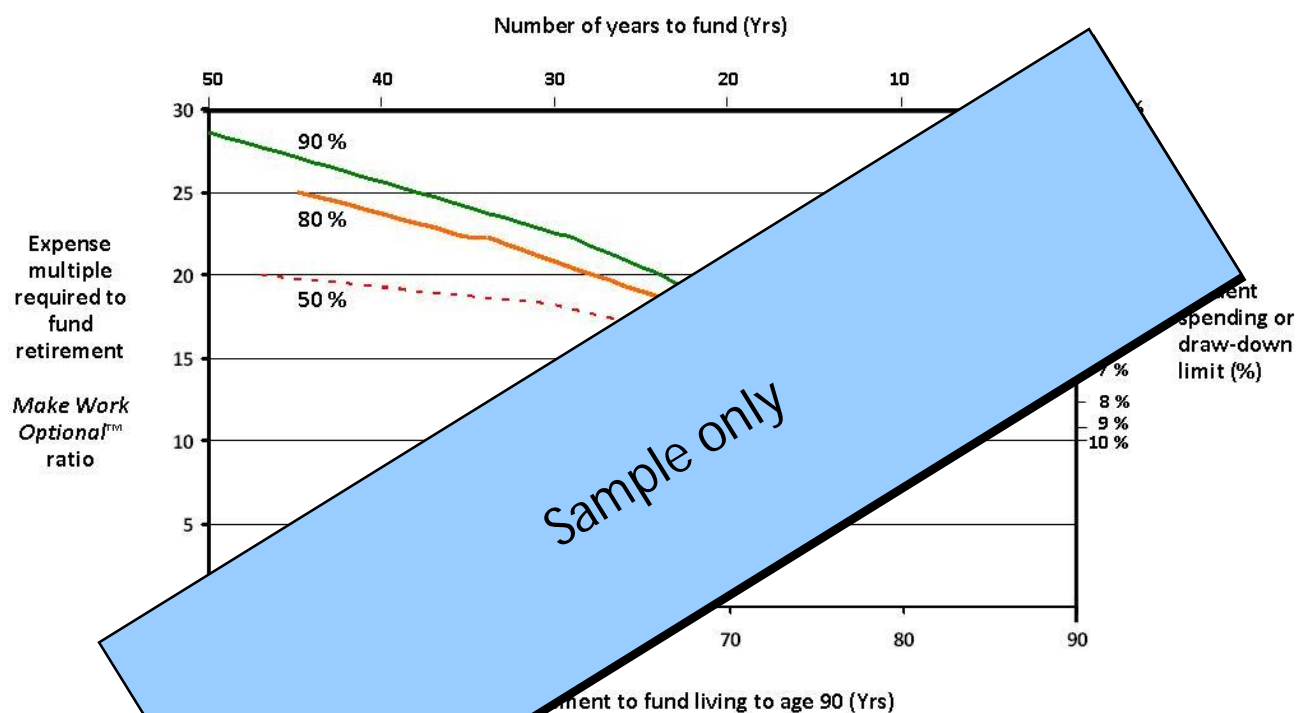


- As shown, real property dominates this portfolio via 2 top holdings. Specifically the near term and future capital growth of the Alexander and Charles Street properties drive just under ½ overall return – this is a substantial concentration risk
- The value of deposits amongst banks is less than the \$1m/institution allowing for cost effective access to the current guarantee
- Like many Australians, there is also a Top 5 concentration in BHP (a well regarded, diversified resources company whose earnings are influenced by commodity prices)
- About 1/3rd of the portfolio performance is driven by the balance of holdings emphasizing the overall concentrated nature of this portfolio and the dependence on the security and performance of the above Top 5 holdings

How much you might live off from your investments

Knowing how much you might be able to spend in retirement, or funding a similar income stream, is an important to know. The problem is the answer depends on many factors including your actual investment experience, portfolio type, fees and taxes and inflation.

Most forecasts of how long your portfolio might last funding an inflation-protected income stream are wrong because they rely on you earning an average return. The below chart informs how much might be spent (or needed) if history repeats, based on studying how a 60/40 Australian equity/bond retirement portfolio performed over 130 years of Australian economic experience.



- Based on 130 years of investment experience, a portfolio containing 60% Australian shares and 40% bonds could fund a 5% drawdown and expect to not run out 80% of the time from age 60 to 90
- For 6% currently being drawn, a portfolio of this construction may only have a 50% likelihood of not running out
- As a benchmark this portfolio is slightly higher growth than your portfolio and excludes residential property which may not deliver the same equity returns
- You may wish to reconfirm what is a sustainable draw-down for your portfolio
- By way of background, the highly-regarded Yale Endowment fund withdraws just under 4% seeking to maintain their fund in perpetuity

WARNING: As your portfolio will differ from this model portfolio and past returns (even over the last 130 years) may not match future returns, the above should not be relied upon as a guarantee of what you can draw down or the probability of success.

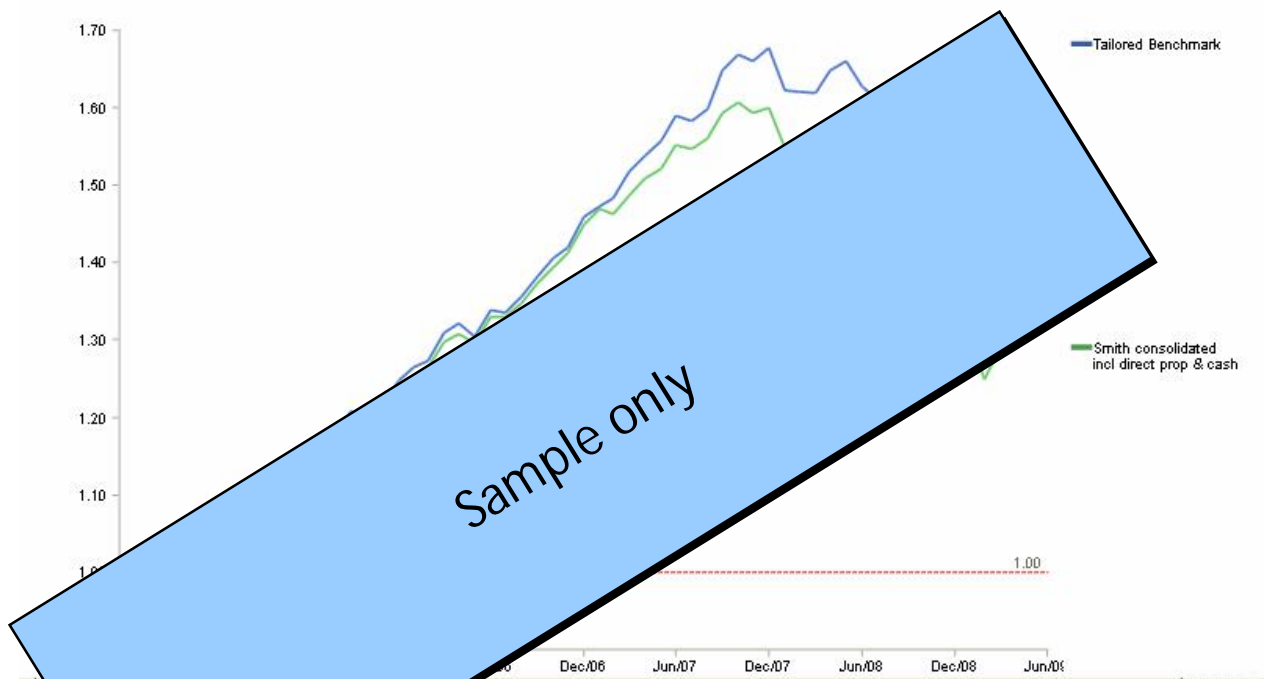
How your portfolio performed overall

Not every investor knows exactly how their investments performed, especially at the overall portfolio level. However knowing this is particularly important to understand whether your or your advisors efforts have added value for the risk taken and compared to a tailored benchmark which matches the construction of your portfolio.

The following estimates of overall portfolio performance have been calculated from the returns of the various assets you are holding (actual or assumed where no data is available) and the proportion you hold. It assumes that you held these, and only, these investments during the period and reinvested distributions.

Growth of Wealth

Monthly: 07/2004 - 06/2009



- To track your portfolio tracked the performance of a tailored benchmark made up of class indices in the same proportion of your construction
 - Aus Eq 26%, Intl Eq 5%, AREITs 3%, Direct Property 43%, Bonds 13%, Cash 11%
- However, following this period it underperformed owing to less defensive positions in Australian equity and hybrid securities
- The overall portfolio, annualised return for the 5 years from 7/2004 to 6/3009 of 6.1% underperformed that of 7.7% for the tailored benchmark
- These compare to annualised returns of the following portfolio components:
 - +8% for Aus Eq, -1% Intl Eq, -8% REITs, 10% Direct prop, and 6% for bonds/cash
- On a risk/return basis, your fund also exhibited slightly greater volatility than the tailored benchmark, which you weren't rewarded for
- See next slide for detailed portfolio and component benchmark returns

Performance

Monthly: 07/2004 - 06/2009

	Annualized Return(%)	Total Return(%)	Growth of Wealth	Annualized Standard Deviation ² (%)	Average Return(%)	Standard Deviation(%)
Tailored Benchmark	7.69	44.81	1.45	5.67	0.63	1.64
Smith consolidated incl direct prop & cash	6.08	34.34	1.34	6.11	0.51	1.76
S&P/ASX300 ex A-REIT Accumulation Index	8.10	47.63	1.48	15.02	0.75	4.33
S&P/ASX300 Property Trust Accumulation Index	-8.64	-36.35	0.64	21.85	-0.54	6.31
UBS Warburg 90-Day Bank Bill Index	6.13	34.62	1.35	0.34	0.50	0.10
UBS Warburg Australia Composite Index All Maturities	6.05	34.14	1.34	2.73	0.49	0.79
Mercer Direct Property Before Tax Index	9.72	59.01	1.59	5.90		1.70
MSCI World Index (hedged to AUD, price-only)	-1.46	-7.11	0.93	15.96		4.61

	YTD	1 Month	3 Months	6 Months	12 Months	Start Date	
Tailored Benchmark	-0.89	-1.21	1.31	2.09	6.87	02/2001	
Smith consolidated incl direct prop & cash	1.02	-0.13	1.31	2.09	6.11	07/2004	
S&P/ASX 300 ex A-REIT Accumulation Index	10.80	3.13	1.31	2.09	13.47	09/2000	
S&P/ASX 300 Property Trust Accumulation Index	-11.92	-1.31	1.31	2.09	14.21	01/1982	
UBS Warburg 90-Day Bank Bill Index	6.13	5.72	9.66	1.26	01/1977		
UBS Warburg Australia Composite Index All Maturities	6.05	6.20	9.92	4.76	01/1985		
MSCI World Index (hedged to AUD, price-only)	-10.35	-1.46	-2.20	6.02	14.58	01/1988	
Mercer Direct Property Before Tax Index	-12.36	6.16	9.72	10.28	10.27	4.16	01/1981

Sample only

Return-Standard

Monthly: 07/2004 - 06/2009

