



Socius Investment Committee

Our Investment Committee (IC) members bring together many years of combined experience in the financial services industry:

Member	Position
John D'Alessandri (Chairman)	Socius Adviser
Ros Johannesen	Socius Adviser
Penny Chai	Socius Adviser
John Wong	Senior Research Analyst - AMP

The IC applies their technical and analytical skills to explore and review the best available product solutions to help you achieve your long-term goals.

Our Research Partners

Hillross Research

John Wong, Senior Research Analyst at AMP Advice Research, also has an active role on the IC. He has over 16 years of experience in managed fund research, investment management and portfolio analysis. Prior to joining AMP, John was a Senior Analyst at van Eyk, responsible for managed funds and asset allocation research as well as the management of the Blueprint multi-manager funds from 2005 to 2012. His main asset class responsibility included equities, alternatives and multi-asset strategies, as well as supporting the firm's research program on fixed interest strategies. John's previous responsibilities include providing performance and investment analytics support at ING Investment Management and BT Funds Management.

John is currently the Senior Research Analyst overseeing the managed fund research for the approved product lists across the AMP licensees, as well as contributing to the team's model portfolio construction function. He has a broad research role including coverage of managed funds within equities, fixed interest, property and alternatives.

John is a Chartered Financial Analyst. He holds a Master of Commerce (Advance Finance) and Bachelor of Commerce (Accounting, Finance) as well as completed the CPA Program.

Zenith Research Partners

The IC has also contracted the services of Zenith Investment Partners (Zenith) to provide investment consulting services. Zenith is a leading independently owned investment research provider dedicated to the delivery of premium investment

research solutions for financial advisers and their clients. Zenith provides 'advice' based research solutions designed in consultation with each of their clients to match their specific business requirements.

Zenith's key strengths are:

- The provision of quality 'high conviction' managed fund research.
- Experienced staff with 10 years financial planning investment committee expertise
- Dedicated model portfolio construction, maintenance and reporting team that delivers consistent outperformance of peers and benchmarks.
- Tailored portfolio reporting
- Personalised service
- Independently owned and managed with no interests outside managed funds research.
- Zenith collects and maintains its own data

Established in 2002, Zenith is 100% owned by directors and staff and today has one of the largest and most stable research teams in Australia. Zenith does not use external consultants or outsource any research services and has no outside interest in investment products, software platforms, retail distribution or dealer groups.

Our Process

Our Investment Universe

Either through their own investigation or in consultation with Socius and Zenith, the Research team at Hillross provides the IC with a Research List. This list outlines a broad range of products that Hillross and the IC believe may be suitable for our clients.

The IC then gathers research from various sources including managed fund research providers, direct share research providers and the fund managers themselves, to further refine this list into a small, select group of investments that we believe are best suited to achieving your long-term portfolio goals.

This list of investments is then assessed by our research partners, Zenith and Hillross Research.

Portfolio Construction

The IC provides a number of investment product solutions, including managed fund investment portfolios, direct share portfolios and investment strategies for managed and self-managed superannuation funds.

Portfolio construction involves blending various asset classes to achieve diversification based on your individual investment profile and long-term investment objectives.

The two fundamental components of portfolio construction are asset allocation and manager selection. The aim is to achieve a portfolio that will perform consistently in all market conditions and will be competitive relative to benchmarks over the long-term.

In constructing your portfolio, the IC takes into account a variety of issues, including:

- **Regional Investment Managers:** Consideration also needs to be given to regional asset allocation and the sophisticated top down economic inputs used by international managers to allocate across countries and their management of currency exposures.
 - **Strategic versus Tactical Asset Allocation:** Your portfolio can be constructed using only the long-term Strategic Asset Allocation recommended for your investment profile, or Tactical Asset Allocation decisions can be included to take advantage of short-term differences in the relative values of various asset classes.
 - **Optimal Number of Managers:** The purpose of using multiple managers in a portfolio is to diversify the impact of individual managers and their investment style bias on your portfolio performance. The optimal number of managers to achieve diversification varies pending the asset class and your investment profile. For some asset classes such as shares, multiple managers may be required to achieve diversification, whereas a smaller number may only be necessary required to diversify the other classes.
 - **Market Segmentation:** Diversification can be achieved not only across asset classes, but also within an individual asset class. For example, within Australian shares, further diversification can be achieved by including not only managers who invest in the top 100 stocks, but also managers who invest in smaller companies, 'boutique' type managers and or high alpha managers.
 - **Currency Management:** The returns achieved by investing in international assets can be affected by currency movements. As such, many managers offer both hedged and un-hedged versions of their funds. Hedging provides insurance against currency movements, however the cost of hedging may detract directly from fund performance. It is therefore important that you have a suitable currency management strategy in place, which is reviewed regularly.
 - **Alternative Asset Classes:** In recent years, the traditional asset classes of shares, property, fixed interest and cash, have broadened significantly to include a number of 'alternative' asset classes. These alternative asset classes include hedge funds, private equity funds, structured investments, managers with short selling ability, currency management tools, boutique managers, infrastructure managers, managers who are income biased and managers who use derivatives to protect a trading position.
- **Portfolio Investment Management Style:** A core reason for blending multiple managers in a portfolio is to take into account the investment style bias of each manager.
 - **Active versus Passive Investment Management:** Debate continues regarding the value active management adds to overall performance and the costs associated with it. On one side of the argument, markets are clearly inefficient at times which provide opportunities for active managers and the better quality managers outperform passive index funds. On the other hand, passively managed index portfolios provide a low cost alternative to actively managed portfolios with the added benefit of possibly reducing volatility.

Our Services

Socius Active Management Service

With the Socius Active Management Service (SAMS), your portfolio is brought in line with the recommendations of the IC, at the time the Committee makes its decision. Please contact us if you wish to engage us for this service.

Direct Share Portfolios

Hillross also manage several portfolios of direct shares which we can implement for our clients. The portfolio manager use stock recommendations from AMP Capital as well as the team's in-house economic research to assess stocks for inclusion in the portfolios.

The following principles have been applied to the construction of the direct share portfolios:

- **Low Turnover** - Research endeavour to minimise stock turnover on the portfolios and purchase securities based

on their longer-term outlook. As a guide, Research target turnover rates of less than 20% per annum. However various circumstances may see this benchmark exceeded from time to time.

- **Trading strategies** - Short-term trading strategies (e.g. profit taking) are not employed in the portfolio management.
- **Benchmark** – The share portfolios will be measured against the S&P ASX 200 over a 3 year and above time frame. Portfolios may include a small number of stocks outside of the top 200. Listed property will normally be excluded from the portfolios.
- **Fully Invested** – The share portfolios will not execute any tactical asset allocation strategies i.e. they will remain fully invested in Australian equities.

Socius has the ability to automatically implement recommended changes within your portfolio so changes can be implemented in a timely manner. Where a change is recommended, you will receive correspondence outlining the change, Hillross' basis for the change and additional research reports for any new stocks.