Pursuing a better investment experience

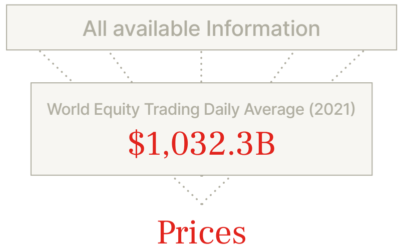
7 principles to successful investing

KHT ACCOUNTING & WEALTH

Pursuing a better investment experience

1 Embrace market pricing

The market is an effective information-processing machine. Each day, the world equity markets process billions of dollars in trades between buyers and sellers—and the real-time information they bring helps set prices.

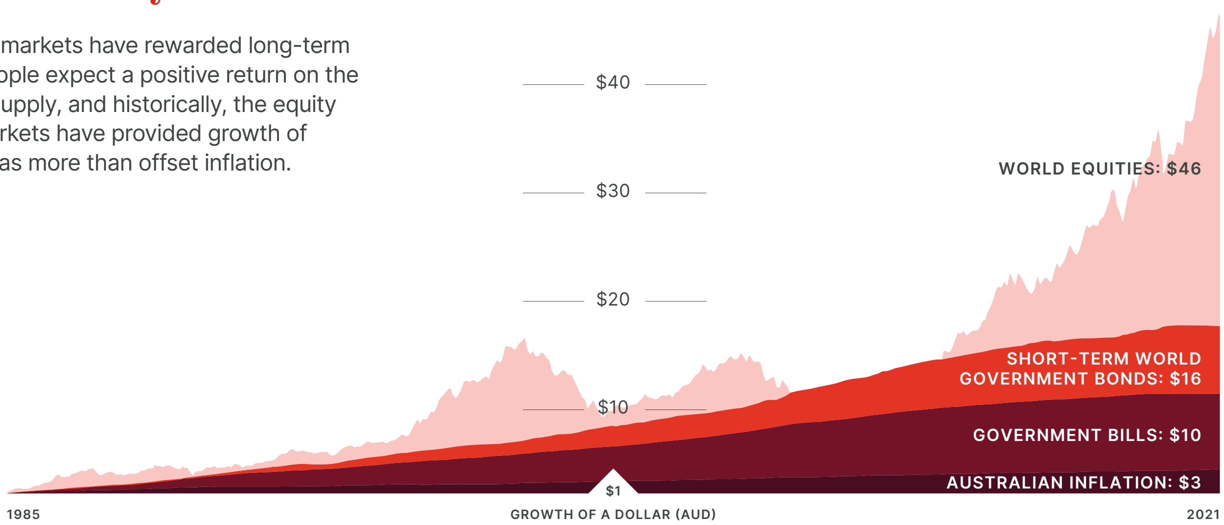


2 Let the market work for you

The financial markets have rewarded long-term investors. People expect a positive return on the capital they supply, and historically, the equity and bond markets have provided growth of wealth that has more than offset inflation.

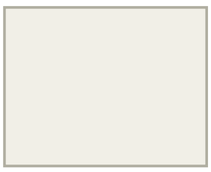
Capital Markets Have Rewarded Long-Term Investors

Growth of $1 AUD, Jan. 1985–Dec. 2021



3 Diversification is essential

Holding securities across many market segments can help manage overall risk. But diversifying within your home market may not be enough. Global diversification can broaden your investment universe.



Home Market Index Portfolio

S&P/ASX 300 Index

1 country | 304 stocks

Global Market Index Portfolio

MSCI ACWI Investable Market Index (IMI)

47 countries | 9,204 stocks

4 Consider the driver's of returns

Academic research has identified these equity and fixed interest dimensions, which point to differences in expected returns. Investors can pursue higher expected returns by structuring their portfolio around these dimensions.

Dimensions of Expected Returns

EQUITIES

- Market (Equity premium — stocks vs. bonds)
- Company Size (Small cap premium—small vs. large companies)
- Relative Price (Value premium—value vs. growth companies)
- Profitability (Profitability premium—high vs. low profitability companies)

FIXED INTEREST

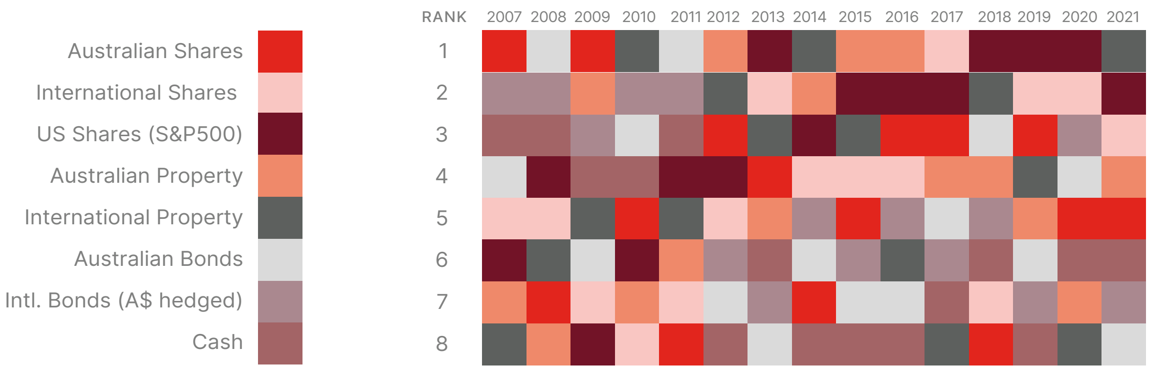
- Term (Term premium —longer vs. shorter maturity bonds)
- Credit (Credit premium —lower vs. higher credit quality bonds)

5 Avoid market timing

You never know which market segments will outperform from year to year. By holding a globally diversified portfolio, investors are well positioned to seek returns wherever they occur.

Annual Returns by Market Index

YEAR TO 31 DECEMBER



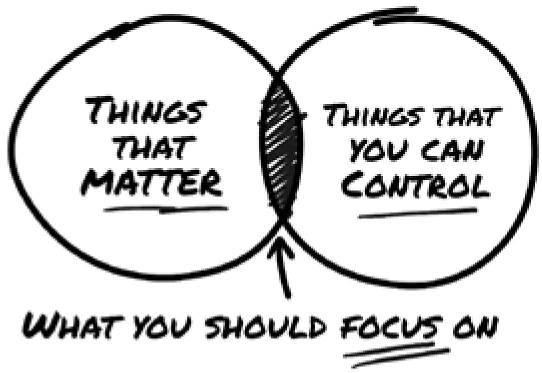
Past performance is no guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

6 Manage your emotions

Many people struggle to separate their emotions from investing. Markets go up and down. Reacting to current market conditions may lead to making poor investment decisions. The 2020 COVID related global market downturn was an example of how the cycle of fear and greed can drive an investor's reactive decisions. Many investors fled the market in the first half of 2020, just before the rebound began. They locked in their losses and then experienced the stress of watching the markets climb.

Staying disciplined through rising and falling markets can pose a challenge, but it is crucial for long-term success.

7 Focus on what you can control



A financial adviser can offer expertise and guidance to help you focus on actions that add value. This can lead to a better investment experience.

- Create an investment plan to fit your needs and risk tolerance.
- Structure a portfolio along the dimensions of expected returns.
- Diversify globally.
- Manage expenses, turnover and taxes.
- Stay disciplined through market dips and swings.