

Our Investment Approach

Providing you with Peace of Mind

The HawkeSmith Private Wealth advice team invest the necessary time and effort into helping you clarify what is important to you and your family. This understanding allows us to provide advice that is tailored to helping you achieve these goals and objectives. A key component of this advice is investment planning and as such HawkeSmith Private Wealth have designed a clear and robust approach based on our investment philosophy.

HawkeSmith Private Wealth Investment Philosophy

Our approach to investment planning is underpinned by five key beliefs. These key beliefs form the basis of the HawkeSmith Private Wealth Investment Philosophy. This Investment Philosophy is used to establish and review our client's portfolios.

We believe that:

- **Diversification** leads to more consistent outcomes
- A **disciplined approach** underpins successful investing
- **Risk (volatility) and return** are related
- Investment decisions should largely be undertaken by **experts**
- Portfolios should be properly **tailored** based on client objectives and risk profile

01. Diversification

Don't put all your eggs in one basket.

Diversification is a genuine way of reducing uncertainty in your portfolio by spreading investments and not taking a concentrated approach. Whilst most people understand and accept the concept of not putting “all your eggs in one basket” many do not implement it in their investment portfolio. We want to spread risk and soften the blow if something happens to one sector. At HawkeSmith Private Wealth we look to diversify in many ways:

- Across multiple asset classes;
- Across multiple investment managers;
- Across multiple securities.

This has the effect of reducing overall risk and lessens the impact that any single event can have on your portfolio. A well diversified portfolio can offer a much smoother pattern of returns and reduces the “roller coaster” ride.

What drives returns?



Smoothing out the peaks and troughs.

The Efficient Frontier
Optimal portfolios should lie on this curve. Portfolios below the curve are not efficient, because for the same risk one could achieve a greater return.

02. A Disciplined Approach

We believe that truly successful investing requires a highly **disciplined approach**. It is definitely not about chasing the highest return in any one year but is about taking a long term approach, avoiding the all too typical mistakes that erode wealth.

An example of taking a disciplined approach is not reacting to short-term noise but, rather, understanding that some markets, managers or securities may not perform as well as others (and may even go down) from time to time.

This is the natural cycle of events and reacting to this when it is unnecessary can significantly destroy value. Instead we believe in regular reviews and rebalancing to keep your portfolio on track.

Avoid overreacting.

03. Risk and Return

We understand that risk has a different meaning for each investor but, when we look at portfolio risk we consider the volatility – or the degree to which investments fluctuate. Volatility and return are related and, in general, investments with higher volatility can be expected to have higher returns – a premium for accepting the greater fluctuations – whereas lower volatility investments are expected to offer lower returns – reflecting their greater stability. This is called the **risk/return** trade off. The objective of our process is to maximise return and minimise risk (volatility).

The range of expected returns varies across different asset classes – defensive assets and growth assets. Equities are expected to have the higher volatility but generate a higher long-term return. When we construct client portfolios we consider the risk/return trade off by balancing volatility and expected return to not only meet your goals, but also smooth out the peaks and troughs.



04. Investment Experts

Trust an Expert.

Many investors spend a great deal of time selecting and managing their own portfolios rather than using the skills of **investment experts**. Often there is a cost of trying to pick your own investments. A US study by research group Dalbar found that many investors that chop and change investment strategies to chase last years better performing asset classes have significantly underperformed the S&P 500 over the past 3, 5, 10 and 20 years.

Experts can avoid the mistakes that lead investors to get this result because they don't get caught up in the emotion of investing which often drive the bad decisions made by investors. Also, with literally thousands of investment choices available in Australia it requires an enormous amount of research and detailed analysis to identify excellent managers, blend them together and undertake ongoing monitoring and change.

05. Tailored Portfolios

Adapted specifically for you.

HawkeSmith Private Wealth believe that portfolios should be **tailored** specifically to your circumstances, taking into account your goals and objectives and your views on risk and return – in fact we may need to construct multiple portfolios to account for your different objectives (e.g. buying a home in a few years and retiring in 30 years).

Implementing our Investment Philosophy

To implement our investment philosophy, HawkeSmith Private Wealth has selected a series of centrally researched and maintained portfolios. Each portfolio has a long term asset allocation and is designed to give access to a well diversified investment solution with good risk control and a well balanced mix of assets, managers and securities. They are created and reviewed by our Investment Partners ensuring that we leverage their broad experience and knowledge. We meet on a regular basis to monitor the overall portfolios and to consider other investment opportunities for inclusion in portfolios going forward.

This approach allows us to take a structured, disciplined and consistent approach toward your portfolio and to maximise in-house and external experience and knowledge for the benefit of all our clients.

Contact Us

Phone 02 4228 3200 **Fax** 02 4226 2588

Email info@hawkesmith.com.au

PO Box 5468 Wollongong NSW 2520

Address Suite 3-4, 110 Crown Street, Wollongong NSW 2500

Any advice or information in this publication is of a general nature only and has not taken into account your personal objectives, financial situation and needs. Because of that, before acting on the advice, you should consider its appropriateness to you, having regard to your personal objectives, financial situation and needs.

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The HawkeSmith Private Wealth Team

Ben Smith

B.COMM, DFP, CFP®

Position: Director/Senior Financial Planner

Email: ben@hawkesmith.com.au

Ben commenced employment in the financial services industry in 2000 as an equity lending clerk with Deutsche Bank. In late 2001 started work as a para-planner for a Wollongong based Financial Planning Firm before moving into an advising role at another Wollongong based firm in 2004. In late 2008 Ben joined forces with long time friend and colleague Daniel Hawke to establish HawkeSmith Private Wealth. Ben is a CERTIFIED FINANCIAL PLANNER® with a Degree in Commerce (Economics & Finance) and a Diploma in Financial Planning (DFP). Ben spends his spare time keeping active, coaching at Bulli FC and enjoying time with his wife Mei and two children Max & Stella.



Daniel Hawke

B.COMM, DFS, ADFS, CFP®, JP

Position: Director/Senior Financial Planner

Email: daniel@hawkesmith.com.au

Daniel commenced his employment in the financial services industry in 2000 as a para-planner after gaining a degree in Commerce (Marketing, Economics & Finance). In 2003 he moved into an advising role for large Wollongong based Financial Planning business before starting up HawkeSmith Private Wealth with long term friend and sporting team mate Ben Smith in 2008. In addition to a degree Daniel is a Justice of the peace (JP) and has a diploma in Financial services (DFS), Advanced Diploma in Financial services (ADFS) and the highly regarded CERTIFIED FINANCIAL PLANNER® designation. Outside of work he enjoys chasing after his 3 boys, playing for the Bulli over 35s, socialising with friends and spending quality time with his wife Brooke.

