ALTITUDE WEALTH MANAGEMENT
Financial Advisers

Investment Philosophy and Managed Portfolios

Altitude Wealth Management's (Altitude) Investment Philosophy is centered on three fundamental beliefs:

1. **The preservation of capital;**
2. **Managing risk and volatility to minimise the impact of market fluctuations over time; and**
3. **Seeking a reasonable level of return above inflation over the longer term without taking on unnecessary risk.**

1. Preservation of capital

The Global Financial Crisis (GFC) highlighted serious flaws in traditional approaches to investing. In particular, rigid asset allocation structures with too much embedded equity exposure and too little awareness of the need to protect capital led to substantial losses for investors.

We firmly believe that consistency of investment performance and preservation of capital is paramount. This is especially important for a growing cohort of pre-retirees and retirees seeking real income streams with better capital preservation.

Typically, asset allocators use historic volatility as a proxy for risk and historical correlation coefficients as a measure of the tendency for assets to move together. This approach may be simple, but in practice it is also highly unreliable. Trying to manage money for the future by looking in the rear-view mirror is a flawed approach.

Altitude's Investment Philosophy and Processes start with a thorough assessment of likely future market environments, combined with a secondary view of the performance of asset classes historically. This forward-looking approach, combined with the flexibility of Dynamic Asset Allocation (DAA), is much better suited to preserving capital.

2. Managing risk and volatility to minimise the impact of market fluctuations over time

We believe that risk management is integral in achieving a portfolio's objectives, and our Philosophy aims to minimise the permanent loss of capital over time. As such, we believe that risk is equally as important to consider as potential return.

3. Seeking a reasonable return

We aim to generate consistent, positive returns over the medium term (three to five years). We achieve this by taking an institutional approach to investing and focusing on capital preservation, risk, and volatility, rather than simply trying to outperform an asset sector index. We also target appropriate diversification across a range of asset classes.

We are firm in our belief that investment performance should only be assessed on a post-tax, post-fee basis. With this in mind, our solutions are sensitive to after-tax outcomes, and we assess returns relative to the post-fee performance of an index fund, or by simply leaving your money in cash. We also place value on liquidity and believe that for an illiquid investment to deliver value, the investor must be compensated for the lack of liquidity.

We apply the following key Investment Principles:

Proprietary research is more reliable than industry research

Asset allocation drives portfolio returns

Risk and return are related

Use only as much risk as necessary

Valuation is key

Effective diversification reduces volatility of returns

Investment manager selection impacts performance

When selecting managers, we take a number of factors into account

Effective implementation adds value

Investment Process

We implement our Investment Philosophy and Principles through our Investment Process.

1 Strategic allocation

A long-term asset allocation framework for each risk strategy based on expected returns and volatility.

2 Fund research

An extensive and thorough research process, with quantitative and qualitative filters applied.

3 Risk management

Risk tools include style research and fixed income risk analysis.

4 Tactical allocation

Adding value through short-term tactical asset allocation tilts.

5 Portfolio construction

Portfolios are constructed after carefully considering potential risks and rewards.

6 Portfolio implementation

Portfolios are invested according to strict rules to reduce execution risk and achieve consistent outcomes.

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Altitude Managed Portfolios

We offer our clients a suite of actively managed and diversified portfolios with an array of risk and return profiles.

These portfolios comprise of investments across growth and income-orientated asset classes. Growth assets include Australian equities, property, and global securities, and income-oriented asset classes include cash and fixed-interest securities. The allocations to each asset class are expressed through expert fund managers strategically selected by our Investment Committee. Our Investment Committee meets regularly to discuss the prevailing market conditions, the performance of the portfolios, and individual managers, and to consider the outlook and any changes to the portfolios.

The portfolios are free of conflicts of interest and customised to meet our specific requirements. They are blended and matched to our client's objectives, investment horizon, and desired level of risk.

The portfolios are implemented through a Separately Managed Account (SMA) structure.

Our customised investment solutions provide clients with diversified portfolios tailored to their specific needs and goals. By partnering with leading Australian investment manager, Quilla Consulting (Quilla), we leverage their expertise and scale to offer these robust, actively managed portfolios. This partnership allows us to deliver efficient portfolio management and client-centric service, enhancing our ability to achieve superior investment outcomes for our clients.

Why utilise Separately Managed Accounts?

SMAs are popular investment vehicles historically accessible to institutional and wealthy individual investors only. Today, primarily because of technology, individual investors with even modest-sized accounts can utilise SMAs.

SMAs enable us to:

- **Work efficiently to execute our robust Investment Principles and framework** – increasing the likelihood of delivering better investment outcomes.
- **Utilise Quilla's scale to access discounted wholesale pricing for leading investment strategies** - which we then pass directly to our clients.
- **Have access to timely market updates and fund manager research** – enabling appropriate and optimal portfolio positioning.
- **Be timelier in the implementation of investment decisions** – SMAs mean we can execute portfolio changes promptly, decreasing risk or taking advantage of investment opportunities.
- **Work more efficiently** – SMAs significantly reduce time spent on back-office administration which allows our advisers to be more focused on our clients and their needs.

Ultimately, these benefits should improve the likelihood of client portfolios achieving their risk and return objectives over the long term.

In addition, SMAs offer the following benefits for investors:

- **Cost efficient** - SMAs generally have lower management, custody, and execution costs.
- **No hidden costs** - investors utilising SMAs are not implicated by "hidden costs" that can sneak up on commingled investors in a managed fund.
- **Tax efficient** - investors are not implicated by the embedded capital gains related to managed funds. In addition, because SMAs are not bundled investments like an ETF or managed fund, investors can tax loss harvest on individual securities.
- **Transparency** – SMAs mean investors have 24-hour access to a portal where they can see their portfolio and have full transparency over their individual securities.
- **Flexibility** – SMAs offer the ability to in-specie transfer holdings to another account/ provider if needed.

Townsville Office

Location 11 Ross River Rd, Mysterton
Townsville QLD 4812

Postal PO Box 3143, Hermit Park
Townsville QLD 4810

Phone (07) 4753 9999

Ayr Office

Location 146 Queen Street,
Ayr QLD 4807

Postal PO Box 1425,
Ayr QLD 4807

Phone (07) 4783 1767