

What is our approach to *asset allocation*?

The objective of our unique approach to asset allocation is to help you minimise investment risk... and increase the long term return on your portfolio.

Asset allocation is the process of deciding how much of your money will be invested in each asset class (e.g. shares, property, cash and fixed interest) in the way that will help you achieve the investment return you need while helping to ensure you do not take more risk than you would like.

The higher the return you need and the more risk you can bear, the more your portfolio could be invested in growth assets like shares, property and managed funds.

The lower the return you require and the less risk you wish to take, the more your portfolio could be invested in defensive assets like cash and fixed interest.

The core of our approach

Our approach is based on the philosophy that:

Buying quality assets at reasonable prices is the best way to achieve competitive long term returns

To determine the status of assets - are they cheap to fairly priced, fully priced or overpriced – we use a straightforward approach which assesses how fast an asset class is likely to grow their profits, and the price investors are likely to pay for those profits. The end result is a forecast of ten year returns for each major asset class.

These forecasts are incorporated in our 'Tipping Point' table so your adviser can apply the results to your portfolio.

Excerpt from 'Tipping Point' Table

Australian Shares

Tipping Point Table		
All Ords Index	Forecast Return	Status
7500	4.3%	Overpriced
7250	4.8%	Overpriced
7000	5.2%	Fully Priced
6750	5.7%	Fully Priced
6500	6.3%	Fully Priced
6250	6.8%	Fully Priced
6000	7.4%	Fair Value
5750	8.0%	Fair Value
5500	8.7%	Fair Value
5400	9.0%	Fair Value
5300	9.3%	Fair Value
5200	9.6%	Fair Value
5100	9.9%	Cheap
5000	10.2%	Cheap
4900	10.5%	Cheap
4800	10.8%	Cheap
4700	11.2%	Cheap

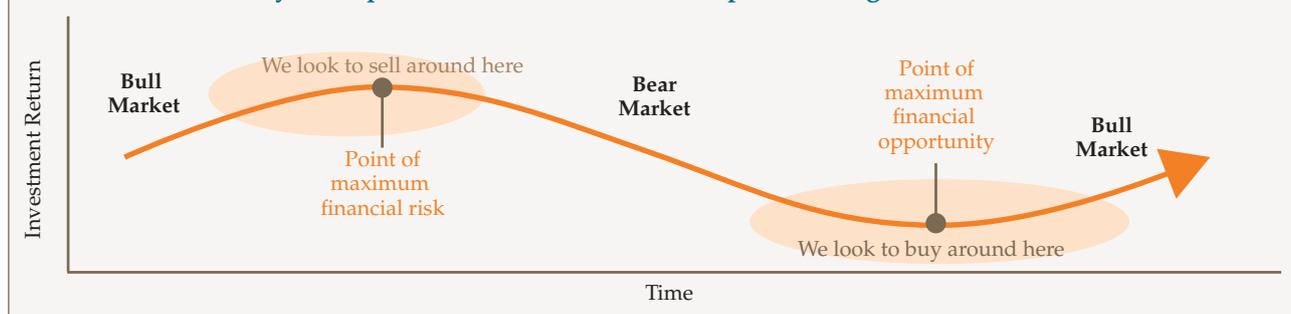
Data as at 1 January 2014

† No guarantee is implied as to the accuracy of the specific forecasts provided

As you can see in the 'Tipping Points' table above, the higher the price you pay for an asset, the lower returns you should expect going ahead. And vice versa.

So we aim to help you buy when prices offer good returns, and sell when returns are less attractive (see Chart 1).

Chart 1: We aim to buy when prices are lower, and sell when prices are higher



It is important to note we do not try to predict **when** an expensive asset class will begin to fall in price or **when** a cheap asset will rise in price. Cheap assets can become even cheaper. Expensive assets can become even more expensive.

The turnaround may be just months away or it could be a few years away. No one knows exactly when that turnaround will be.

For this reason we advise buying cheap assets slowly and selling expensive assets slowly. This gives you the chance to benefit from buying at even cheaper prices or selling at even higher prices.

Advice for existing investors

At each regular review we have with you, our goal is to optimise your long term returns by slowly selling assets which are overpriced and slowly buying assets which are cheap to fair value.

Advice for new investors

If you are looking to make new investments, we use our asset class valuations to determine your entry strategy into each asset class, as shown in Table 1. We do not recommend buying overpriced assets just because you have money to invest. Our goal is to buy at lower prices – even if that means you have to wait before all of your money is invested.

Table 1: Investment Entry Guidelines

Asset Class Price	Expected returns [†]	Strategy
Cheap	5%pa more than term deposits	Invest now or stage your entry over time
Fairly Priced	2.5 to 5%pa more than term deposits	Invest now or stage your entry over time
Fully Priced	0 to 2.5%pa more than term deposits	Stage your entry over time, or wait until prices are cheaper
Overpriced	Less than term deposits	Wait until prices are cheaper

[†] All return indicators provided are for illustrative purposes only. Actual results may be affected by changes in economic and other circumstances

The benefits of our approach

There are many benefits arising from our approach, including:

- Stronger, smoother and more predictable long term returns from your portfolio
- Reduction in your exposure to overpriced assets... and therefore less exposure to significant market falls and bear markets
- Increased exposure to rising markets.

Who is Australian Unity Personal Financial Services?

We specialise in providing professional strategic advice to help you improve your current financial position and ultimately achieve your long term lifestyle goals.

Importantly, our initial advice isn't a 'set and forget' service. Instead we offer you regular financial mentoring and ongoing guidance – in all aspects of your personal finances – to set you, and keep you, on the path to financial wellbeing.

Our team of experienced financial professionals can provide you with a detailed and totally tailored blueprint for financial success in any or all of the following areas:

- Financial advice
- Retirement planning
- Superannuation
- Wealth creation
- Investments
- Home loans

- Commercial loans
- Equipment finance
- Personal estate planning
- Personal risk insurance
- Investment loans
- Car finance
- Business estate planning
- Business risk insurance.

Australian Unity has a proud 170 year heritage of helping Australians create secure financial futures. This pedigree and experience, combined with our corporate strength and leading edge strategic advice capability, means we are uniquely placed to offer you high quality personal financial services... each finely tuned to your particular needs to ensure you achieve your vision of a secure financial future.

After all, your financial wellbeing is at the heart of everything we do.

MoneyInsights[®]
with Australian Unity Personal Financial Services

Australian Unity Personal Financial Services is committed to providing Australians with a genuine understanding of their investment options. This is achieved via our comprehensive investor education program called Money Insights.

Because knowledge is the first step to creating a secure financial future.

Any advice in this document is general advice only and does not take into account the objectives, financial situation or needs of any particular person. You should obtain financial advice relevant to your circumstances before making investment decisions. Where a particular financial product is mentioned you should consider the Product Disclosure Statement before making any decisions in relation to the product. Whilst every care has been taken in the preparation of this information, Australian Unity Personal Financial Services Ltd does not guarantee the accuracy or completeness of the information. Australian Unity Personal Financial Services Ltd does not guarantee any particular outcome or future performance. Australian Unity Personal Financial Services Ltd is not a registered tax agent. If you intend to rely on any tax advice in this document you should seek advice from a registered tax agent. Australian Unity Personal Financial Services Ltd ABN 26 098 725 145, AFSL & Australian Credit Licence No. 234459, 114 Albert Road, South Melbourne, VIC 3205. This document produced in January 2014. © Copyright 2014.