Consilium

98% Growth
2% Income

Model Portfolio Fact Sheet

31 December 2018

Overview

Consilium model portfolios seek to outperform relevant benchmark indices by consistently allocating to parts of the market where higher long term expected returns can be found. The portfolios aim to deliver these returns by allocating to world leading investment managers who share a similar philosophy, including Dimensional Fund Advisors, BlackRock Inc, and Harbour Asset Management in New Zealand.

Investment style

Investments are selected based on an asset class investment philosophy. This approach draws on a wealth of academic research and seeks to enhance investment returns by tilting portfolios towards proven risk factors. Securities with smaller market capitalisation, lower relative prices and higher profitability have higher long term expected returns than those with larger market capitalisation, higher relative prices and lower profitability.

Portfolio construction

Consilium model portfolios adhere to a strategic asset allocation process, which is rigorously reviewed and updated every three years. Portfolios are consistently tilted towards the identified sources of higher long term expected returns by allocating to low cost, highly diversified funds that follow consistent non-forecasting investment mandates. Funds with high cost structures or that favour active management and concentrated position taking are not considered suitable for investment.

Investor suitability

A 98/2 portfolio is considered suitable for investors with an investment time horizon of at least 15 years before seeking to spend large amounts of their portfolio. This portfolio is targeting the highest available portfolio growth and should suit investors comfortable accepting the highest amount of volatility.

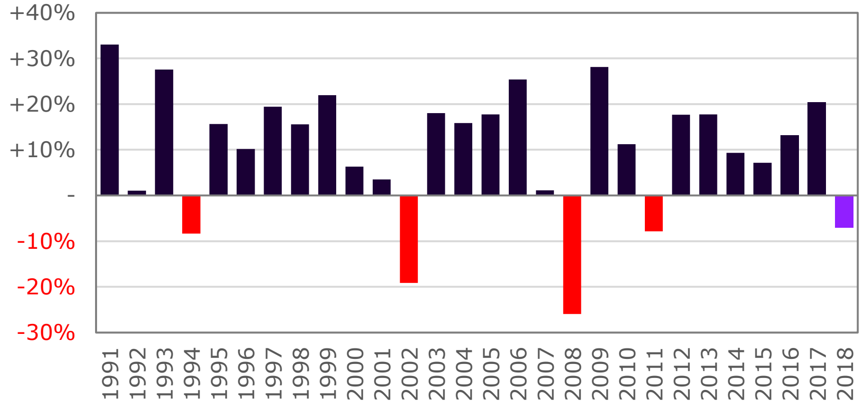
Key portfolio metrics

Expected pre tax return p.a.[1]	9.28%
Portfolio volatility p.a.	12.29%
Likelihood of a negative year[2]	1 in 3.3 yrs
Weighted avge fund expenses[3]	0.43%
No. of underlying funds/trusts	13
No. of underlying securities[4]	7,500+

[1] Long term expected return gross of all fees and tax
[2] Calculated on a net of all costs basis (ie, assuming 1% adviser fee, 0.25% platform fee, full fund management expenses, and a provision for rebalancing costs and taxes)
[3] Includes manager fees and other fund management costs
[4] Estimated from the aggregate holdings information supplied by each of the underlying fund managers

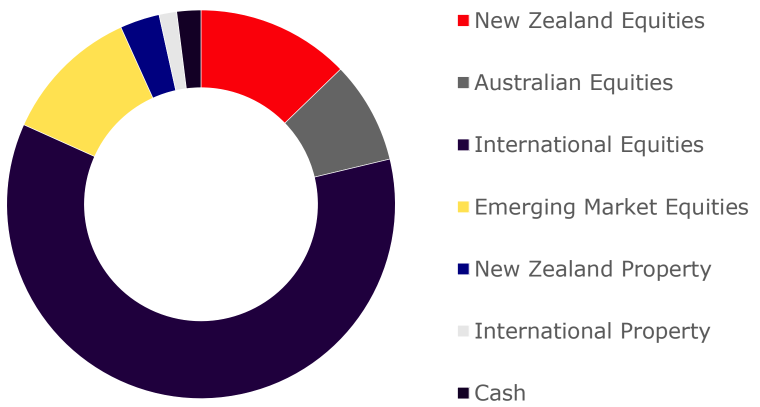
Model portfolio performance

	3m	6m	12m	3y	5y	10y
Portfolio	-12.30%	-8.64%	-7.11%	+8.19%	+8.21%	+10.44%

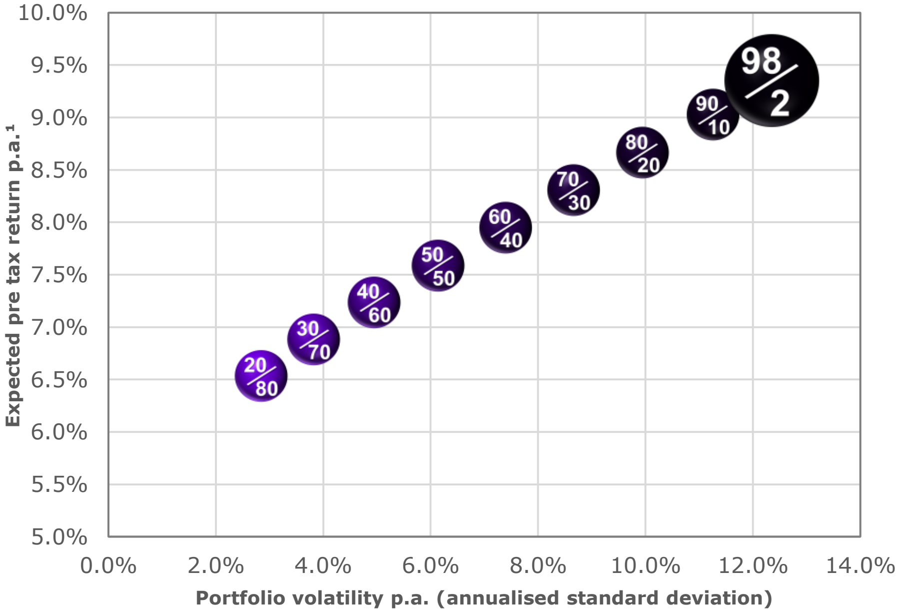


For more information on historical model portfolio performance, please refer to the disclaimer on page 2.

Asset allocation



Long term expected returns



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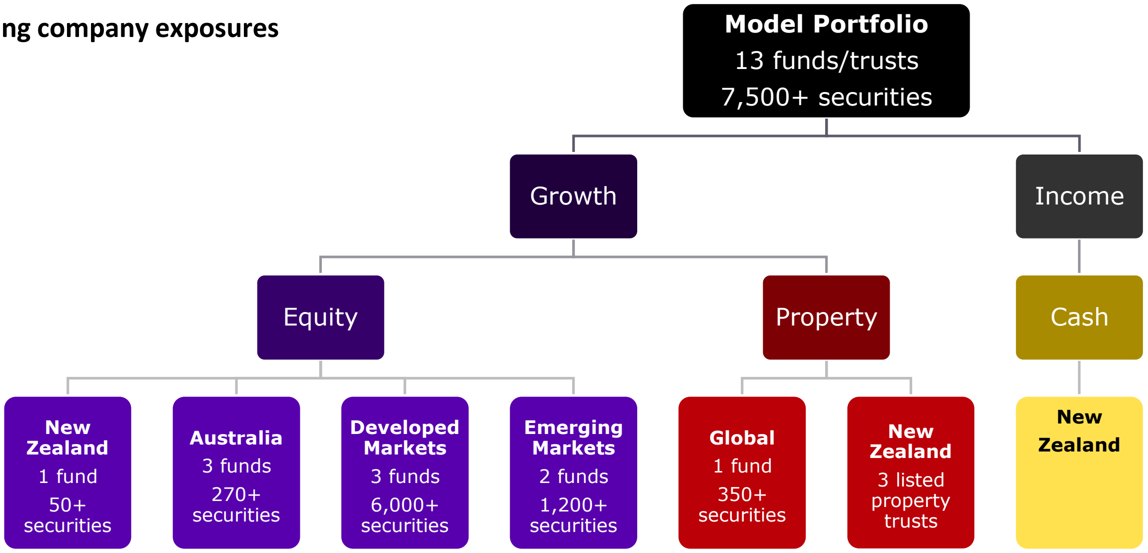
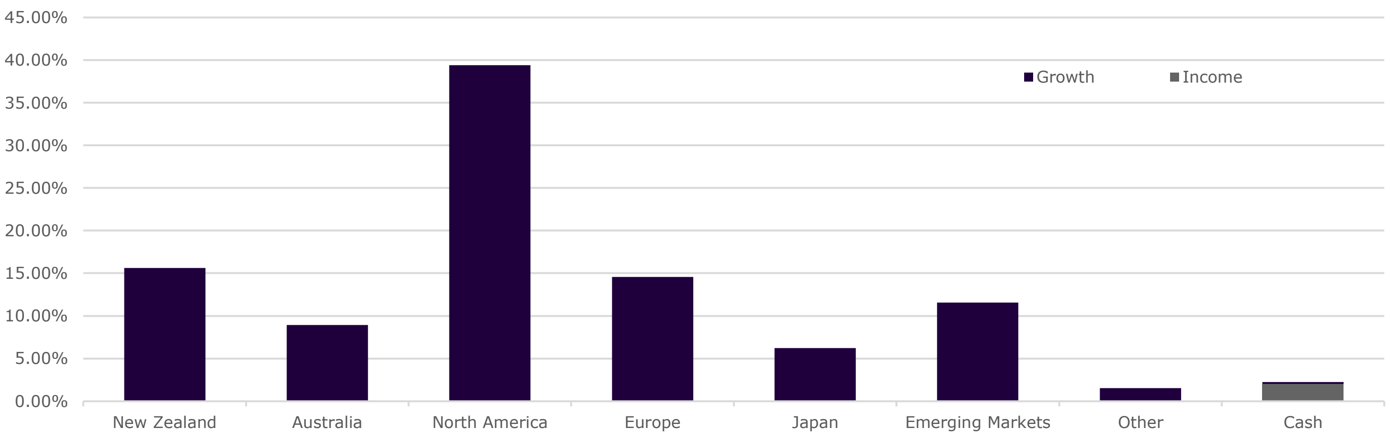
Underlying company exposures



Regional breakdown by asset type



Risk factors and their implementation

Equity – size	Exposure to the size factor is achieved by maintaining a strategic allocation to small company shares in the international developed markets and Australia. Size factor exposure in New Zealand is achieved by allocating to a fund with 70% of its assets replicating the NZX 50 Portfolio Index, which initially caps company weights at 5%. In aggregate, the emerging markets strategy also contains a moderate tilt to small companies.
Equity – value	Exposure to the value factor is achieved by maintaining a strategic allocation to company shares with low relative price to book ratios in the international developed markets and Australia. Value factor exposure in New Zealand is achieved through a 10% sub-strategy tilt. In aggregate, the emerging markets strategy also contains a moderate tilt towards companies with low relative price to book ratios.
Equity – profitability	Most recommended equity funds tilt towards higher profitability companies, measured by gross profitability scaled by book value. Small company funds in particular employ a low profitability exclusion, where companies that fail to meet minimum profitability ratios are omitted.

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Disclaimer: The reported historical returns are net of fund management fees, but before custodial, administration, adviser fees and transaction costs, and before tax. The final bar on the model portfolio performance chart is the performance in the current year to date. In order to provide indicative long term performance data some historical performance figures have been backfilled. For more details go to http://www.consiliumnz.co.nz/disclosure-statement. The number of unique underlying securities the portfolio contains has been estimated from the aggregate holdings information supplied by each of the underlying fund managers. To the greatest extent possible we have attempted to eliminate any double counting of investments (ie, where the same security may be held by more than one underlying fund). This data has been supplied for information purposes only and is believed to be accurate as at the date of this document. Regional breakdown and characteristics of income assets graphics are based on the most recent available data from the underlying managers as at the date of publication of this document. This information is intended to be of a general nature and does not take into account your financial situation or goals, and is not a personalised financial adviser service under the Financial Advisers Act 2008.