



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.

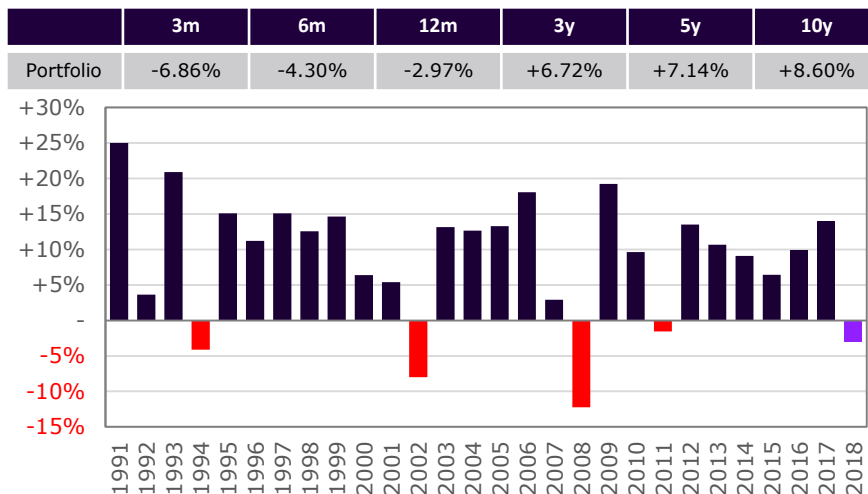
Investor suitability

A 60/40 portfolio is considered suitable for investors with an investment time horizon of at least seven years before seeking to spend large amounts of their portfolio. This portfolio has a slight emphasis on achieving portfolio growth and should suit investors comfortable accepting an above average amount of volatility.

Key portfolio metrics

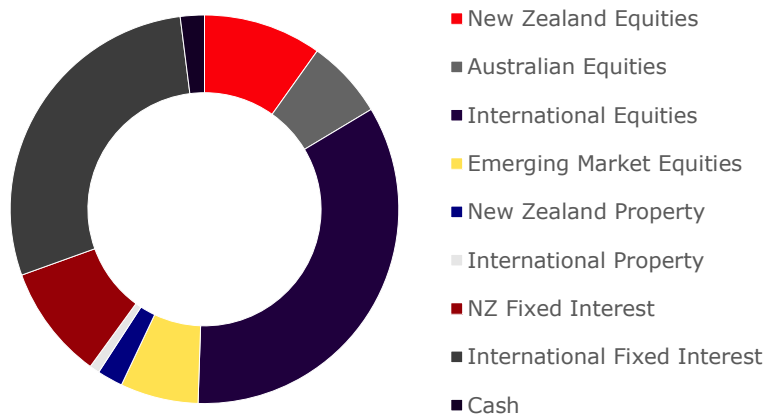
Expected pre tax return p.a. ¹	7.91%
Portfolio volatility p.a.	7.36%
Likelihood of a negative year ²	1 in 3.9 yrs
Weighted avge fund expenses ³	0.39%
No. of underlying funds/trusts	16
No. of underlying securities ⁴	8,000+

Model portfolio performance

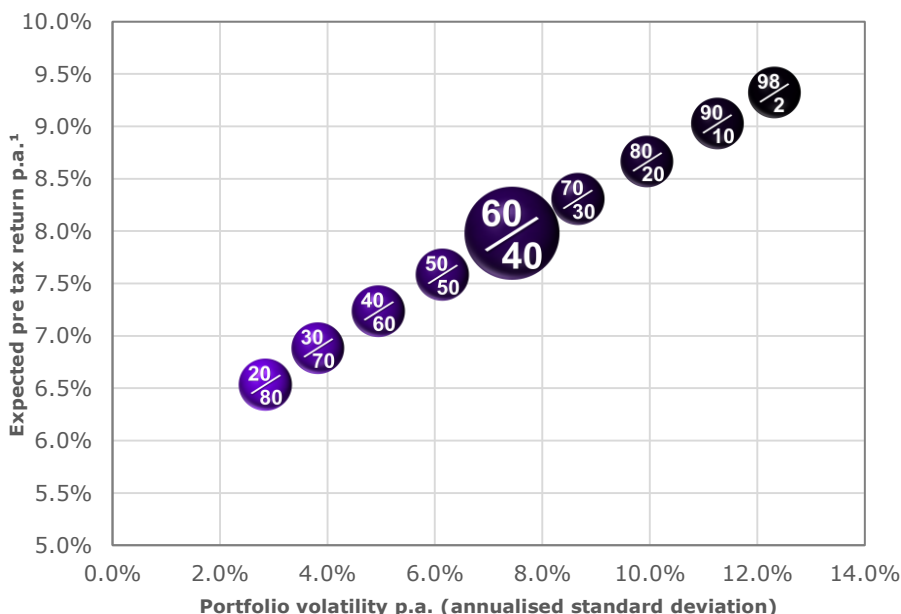


For more information on historical model portfolio performance, please refer to the disclaimer on page 2.

Asset allocation

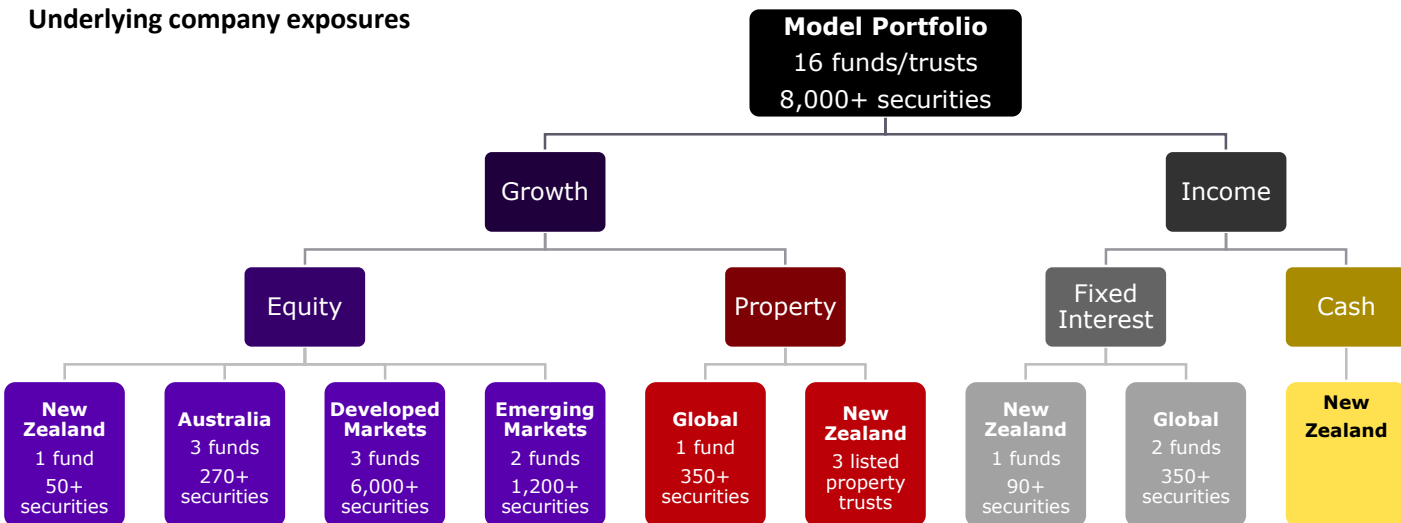


Long term expected returns

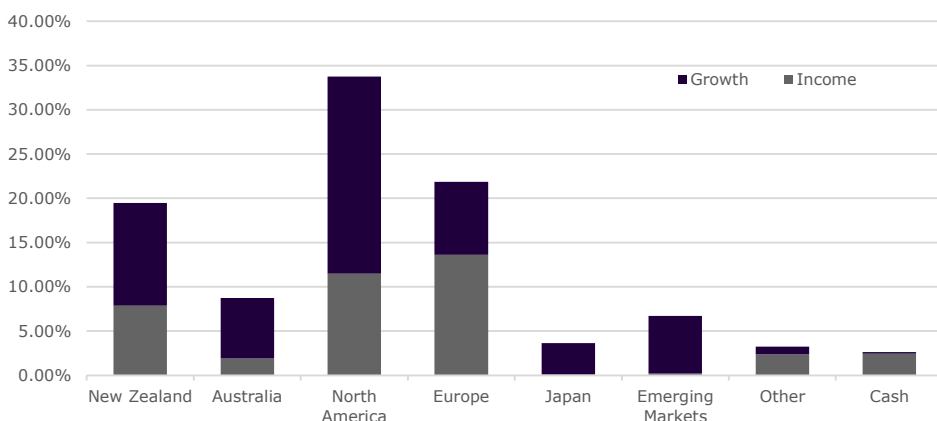


¹ Long term expected return gross of all fees and tax
² Calculated on a net of all costs basis (ie, assuming 1% adviser fee, 0.25% platform fee, full fund management expenses, and a provision for rebalancing costs and taxes)
³ Includes manager fees and other fund management costs
⁴ Estimated from the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

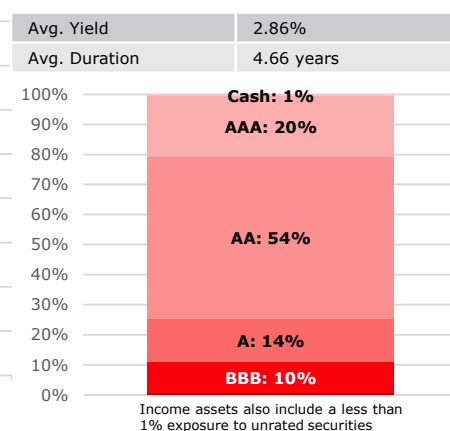
Underlying company exposures



Regional breakdown by asset type



Characteristics of income assets



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.

Fixed interest – credit

All fixed interest funds are diversified and are restricted to investment grade bonds. The international fixed interest strategy accesses a credit premium by tilting towards lower investment grade rated securities when credit spreads are wider than average. The New Zealand strategy similarly allocates to some lower investment grade rated issues.

Fixed interest – term

The international fixed interest strategy is 100% hedged to the New Zealand dollar and accesses term premiums by allocating to the steepest international yield curves within its investible universe. Access to term premiums in the New Zealand fixed interest strategy is limited by the relatively short duration of the underlying market index.