5 Financial

Our investment philosophy

At 5 Financial, we believe that when you're clear financially, life feels better.

This belief is at the heart of our investment philosophy and informs our thinking when providing advice to clients.

Over many years, we've seen how financial clarity helps people feel more confident, less stressed and better able to focus on what truly matters to them. When this happens – life feels better, lighter, easier and more enjoyable.

This philosophy explains how we think about investing and the principles that guide how we manage clients' money. Our approach is designed to provide clarity, consistency and confidence so clients feel steady and supported even during times of uncertainty.

While markets and investment solutions change, our focus remains firmly on long term outcomes and disciplined decision making aligned to each client's goals and circumstances.

Ultimately, our advice is designed to help our clients grow and protect their wealth with clarity and confidence – so they're empowered to live the life they truly want. Clients can expect a calm, structured approach to investing, one that reduces complexity and gives them confidence in their financial future.

What is our view about financial markets and investing?

- We believe that in Australia and other developed markets, financial markets generally operate efficiently. This means that asset prices usually reflect the information available at the time.
- We believe it's extremely difficult for investors to consistently outperform markets over the long term after fees. The longer the investment timeframe, the more challenging this becomes.
- We acknowledge that there can be periods where skilled managers may identify mispriced assets. However, these opportunities are typically limited, unpredictable, and difficult to capture consistently over time. Our approach is therefore designed to avoid reliance on short-term forecasts or market timing.
- We believe that the performance of an investment program depends mostly on a few key ideas:

I. Asset allocation is of primary importance. A portfolio's mix of shares, bonds, property and other assets is the main driver of its long-term returns and the variability of those returns.
II. Diversification moderates risk. Diversifying within and across asset classes reduces a portfolio's exposure to the risks associated with a particular company, market segment or asset class.
III. Lower costs mean higher returns. The lower your costs, the greater your share of an investment's return.

As a result of our beliefs, our clients' investment portfolios are built to participate in long-term market growth in a disciplined and reliable way – without trying to predict markets or chase short-term opportunities.

Report 1a: Percentage of Active Funds that underperformed the Index (based on absolute return)

Fund Category	Comparison Index	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)	15-Year (%)
Australian Equity General	S&P/ASX 200	68.5	75.5	74.5	84.4	85.3
Australian Equity Mid-and Small-Cap	S&P/ASX Mid-Small	61.8	52.0	54.0	74.4	58.0
Global Equity General	S&P World	70.3	81.1	88.6	94.2	95.6
Australian Bonds	S&P/ASX Australian Fixed Interest 0+	41.4	37.1	46.6	67.2	75.9
Australian Equity A-REIT	S&P/ASX 200 A-REIT	48.8	82.4	83.1	74.0	84.8

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of 30 June 2025. Table is provided for illustrative purposes and reflects hypothetical historical performance. Past performance is no guarantee of future results. Index performance based on total return.

What drives long-term investment outcomes:

Asset allocation

The balance between growth assets (such as shares and property) and defensive assets (such as bonds and cash) is the single most important driver of long-term returns and overall risk. For this reason, strategic asset allocation forms the foundation of every portfolio we design.

What this means for our clients:

A client's investment portfolio is aligned to their personal risk tolerance, helping balance long-term growth with their comfort during market ups and downs.

Diversification

Diversification across asset classes, regions, sectors, and investment styles helps reduce the risk associated with any single investment or market. A well-diversified portfolio is more resilient across different market cycles.

What this means for our clients:

Clients are not reliant on the performance of any one investment, market, or region – helping smooth returns and reduce the impact of market shocks.

Cost and tax awareness

Investment costs matter. Lower costs increase the proportion of the returns clients retain over time, while tax-aware portfolio construction helps improve after-tax outcomes.

What this means for our clients:

More of our clients' investment returns remain working for them, rather than being lost to unnecessary fees or taxes.

Why we favour index-based investing:

Given our view of markets, we believe that broadly diversified, index-based investment strategies provide a reliable and transparent way to capture market returns over the long term.

Index-based investments aim to track the performance of markets rather than attempting to outperform them. This avoids the need to predict which managers or securities will perform best in the future.

Index-based strategies typically have lower portfolio turnover, helping reduce trading costs and improve tax efficiency.

What this means for our clients:

Clients receive broad market exposure and a disciplined investment approach designed to work steadily over time.

Why we use Exchange Traded Funds

When we invest clients' money, we do so, typically, via index funds traded on the Australian Securities Exchange (ASX). These are called Exchange Traded Funds (ETFs).

An ETF is simply a managed fund which is traded on the stock exchange. ETFs cover all asset classes, including equities, fixed interest and cash. They can be broad, covering Australian and international markets, or more specific, covering individual sectors such as property, commodities, gold, oil, and banks.

The key reasons we use ETFs are:

- **Low cost:** They typically cost less than traditional managed funds.
- **Diversification:** They provide investors with broad exposure to entire markets, asset classes or multi-asset class investments which offer an all-in-one investment solution.
- **Tax efficiency:** Due to their 'buy and hold' approach, index ETFs generally have a low turnover, improving long-term performance and tax efficiency.
- **Liquidity:** ETFs provide exposure to broad investments in liquid markets. The open-ended structure of an ETF means that it can be as liquid as the underlying securities that it invests in.
- **Transparency:** Most are highly transparent investments, providing full visibility of what clients are investing in.
- **Simplicity:** As ETFs are traded on regulated exchanges, just like individual shares, the process of investing in them is more efficient and straightforward than investing in traditional managed funds.

What this means for our clients:

Their portfolio benefits from simple, transparent investment building blocks that support clarity, efficiency and long-term consistency.

Why we use Smart Beta

Clients' investment portfolios may include Smart Beta ETFs.

Most traditional indices, such as the S&P/ASX 200 Index or the MSCI World Index, are designed to weight their securities according to their market capitalisation, which is a function of both a security's price and the number of securities on issue.

Smart Beta is simply any passive investment strategy that uses some measure other than market capitalisation to determine weightings in a portfolio. For example, factor exposures are strategies that weight securities on attributes that are associated with forms of investing such as momentum, value or quality.

Why we use Diversified Managed Funds

In some cases, we will recommend Diversified Managed Funds as an investment tool. These may be a more appropriate investment strategy than ETFs in certain circumstances.

Our portfolio construction philosophy

Portfolios are constructed using a low-cost, diversified and asset-allocation-focused approach.

Where appropriate, portfolios may use a core and satellite framework.

What this means for our clients:

Their portfolio structure is tailored to their needs, keeping things simple where possible.

Portfolio monitoring and rebalancing

Portfolios are monitored and rebalanced to remain aligned with a client's agreed upon strategy.

What this means for our clients:

Their portfolio stays aligned with their strategy over time.

Governance and oversight

Investment decisions are overseen through a formal governance framework supported by internal oversight and external research.

What this means for our clients:

Our clients' investments are guided by a structured and carefully governed process.

Individually tailored

Our clients' portfolios are tailored to their individual circumstances and goals. When investments are aligned with a clear philosophy and disciplined process, financial decisions feel less overwhelming and life feels better.

What this means for our clients:

Our clients gain clarity, confidence and the freedom to focus on living life the way they want to live.

5 Financial Investment Committee

We continually monitor the performance of our preferred providers and have the capacity to change your operator and investment manager if the need arises.

Our internal investment committee consists of:

Name	Position	Location	Year Started with 5 Financial	Years in Industry
Jason Petersen Certified Financial Planner (CFP®), BA (Info Systems), **Graduate Diploma of Financial Planning** **Tax (Financial) Adviser.**	Managing Partner, Head of Advice	Sydney	2004	21
Gillian Witham M Applied Finance, Bachelor of Engineering (Civil) Accredited Aged Care Professional™	Senior Adviser	Sydney	2016	9
Mark Stopps Master of Financial Planning, Graduate Certificate of Financial Planning, Bachelor of Business, Diploma of Financial Planning (RG146), Diploma of Management	Adviser	Sydney	2025	6
Sulo Kulendran Graduate Diploma in Finance, Bachelor of Science Computing Science, Aged Care Steps Professional, Advanced Diploma Financial Planning, ASX Listed Product Adviser	Senior Adviser	Sydney	2026	17
Sandy Lui Certified Financial Planner (CFP®), Bachelor of Business (Banking and Finance), Advance Diploma of Financial Services (ADFS), Diploma of Financial Services (DFS)	Senior Adviser	Sydney	2026	18

This committee meets at least quarterly to review existing approved investment managers and their specific investment products as well as undertaking due diligence of potential investments that may be suitable for our clients.

In addition to our internal investment committee, we utilise the service of two independent external research providers in Lonsec and Morningstar to ensure thoroughness in our investment due diligence undertakings.

These external research companies provide insights into the performance of our preferred investment manager.

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5 Wealth Management Pty Ltd

Part of the 5 Financial Group

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