

CLASSIC 98% GROWTH / 2% INCOME PORTFOLIO

Overview

Highgate Partners Classic 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 98/2 portfolio aims to deliver these returns by allocating to world leading investment managers who share a similar philosophy.

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

The Classic portfolios adhere to a strategic asset allocation process, which is rigorously reviewed and updated at least every four 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 Classic 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 gross return p.a. ¹	9.33%
Expected portfolio volatility p.a. ²	12.54%
Likelihood of a negative year ³	1 in 3.4 years
Weighted average fund expenses ⁴	0.42%
No. of underlying funds	7
No. of underlying securities ⁵	+8,900

1. The expected gross return is calculated by the Consilium Investment Committee (CIC) before the deduction of all fees and tax. It is the average annual return over a 30 year period and is based on the CIC's current capital market expectations and assumptions. The expected gross return is no guarantee of future results and actual performance will vary.

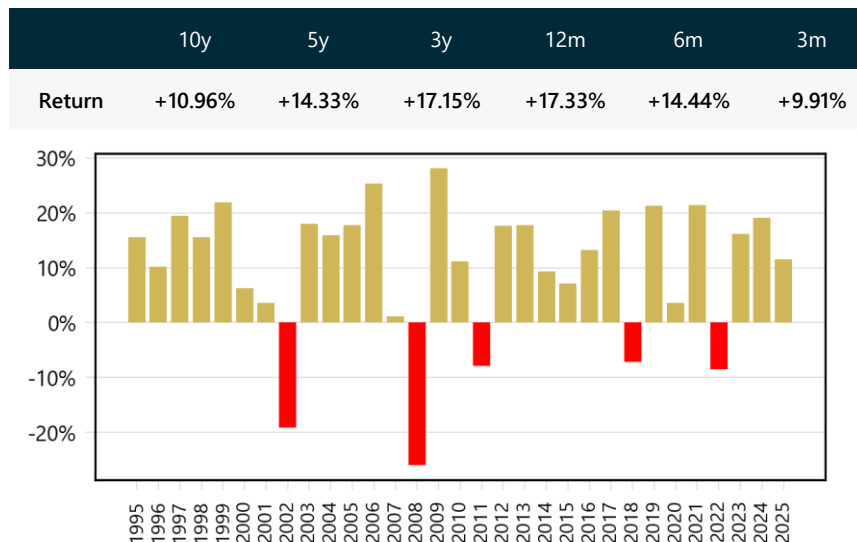
2. This is the portfolio volatility we expect over the long term.

3. Calculated on a net of all costs basis (i.e. after deduction of maximum possible fees and projected taxes).

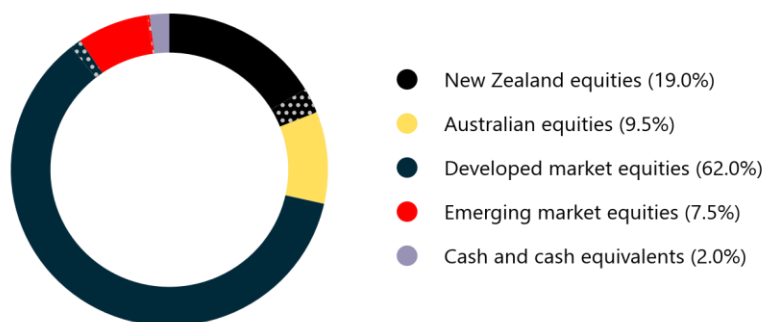
4. Includes fees charged by the underlying fund managers and other fund expenses.

5. Estimated from the aggregate holdings information supplied by each of the underlying fund managers.

Model Portfolio Performance

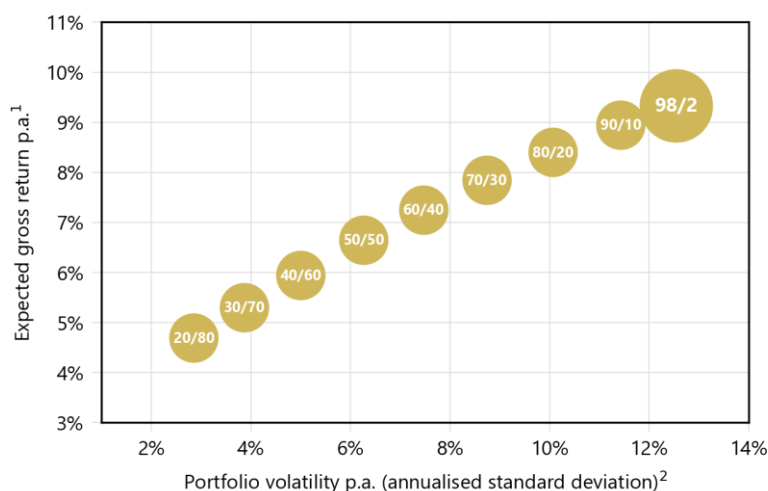


Asset Allocation



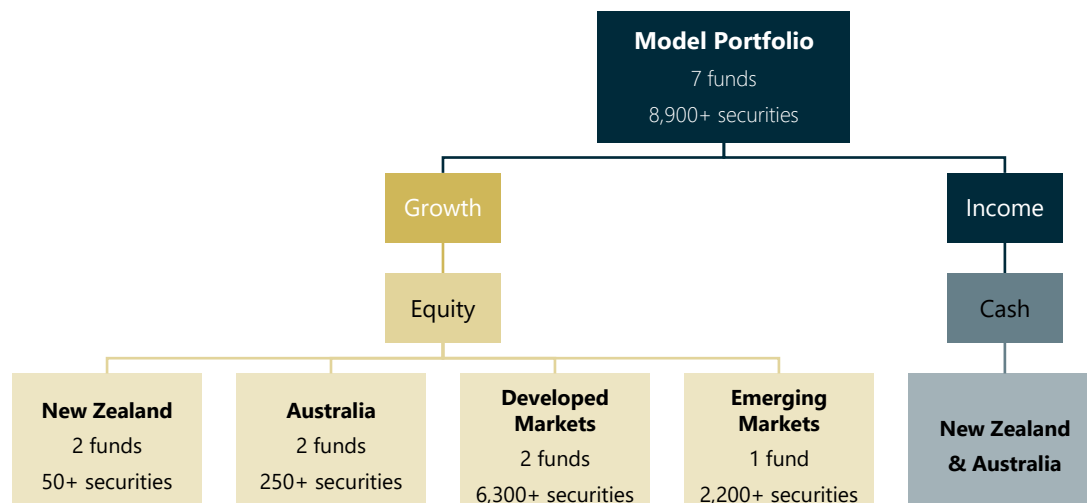
The dotted areas represent the property exposure within each asset class. The overall property exposure in this portfolio is approximately 4.00%.

Long Term Expected Returns

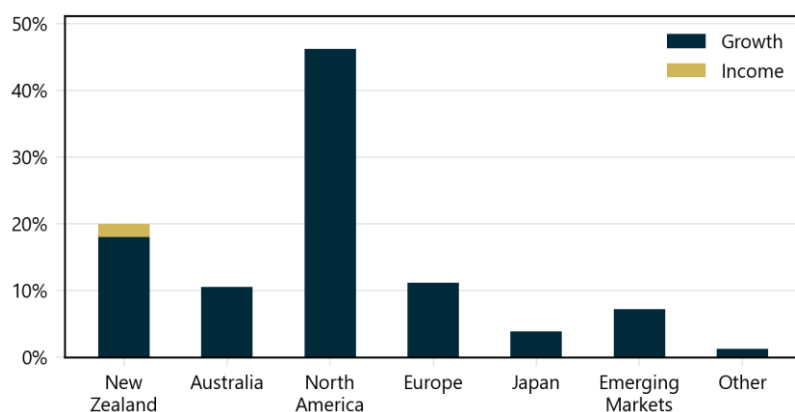


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Underlying investment exposures



Regional breakdown by asset type



Targeted 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, Australia and New Zealand. 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. 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.