



making the right  
investment choices

**your guide to taking control**







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The investment options today are complex and confusing. You can choose from thousands of securities, hundreds of fund managers, shares, bonds, property and more.

How can you make the right choices?

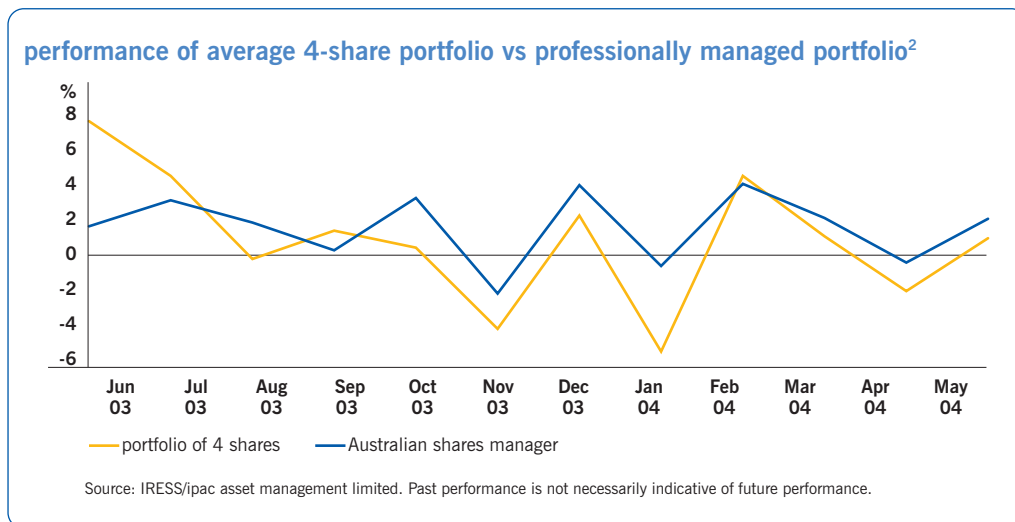
In the next few minutes, you'll learn how to take control of your investments and ensure your portfolio helps to support the goals in your personal financial plan. And you'll learn how to achieve this with reduced cost, time and effort.

It's all part of the unique portfolio management service developed by ipac to complement the role of your financial adviser, to support your overall financial strategy, and to solve key challenges investors have faced over the years.

## where it all began – investing direct

Investing directly in shares has been possible for centuries, however most people lack the time, ability and desire to build and manage a share portfolio. In any case, there is little evidence that stockbrokers reliably pick the best shares or that individuals consistently beat the professionals. And it is difficult and expensive to build a well-diversified portfolio that supports your overall financial strategy.

despite evidence that 20 or more shares are needed to reduce “market” risk effectively, half of all Australian shareholders own four shares or less...<sup>1</sup>



...leaving their portfolios exposed to the risk of larger fluctuations and permanent capital loss.

The chart above shows volatility in returns of a portfolio of four shares (yellow line) compared to a professionally managed portfolio (blue line). The four-share portfolio has significantly more volatile returns, while the risk of permanent loss is also higher because a heavy fall in one stock means a heavy fall in the portfolio. The apparent “control” of do-it-yourself investing is often an illusion.

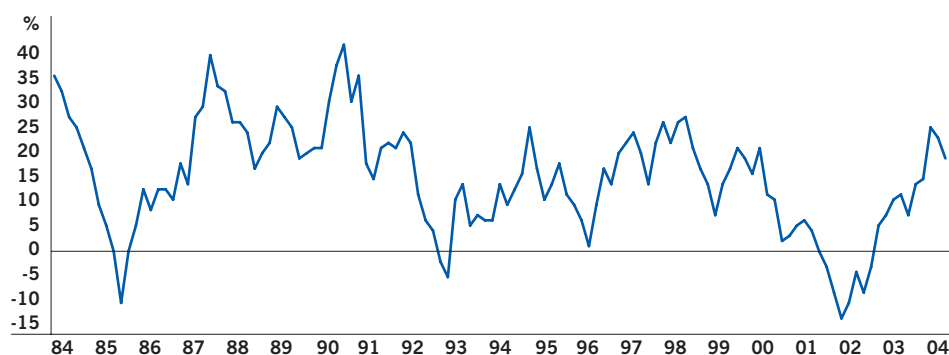
<sup>1</sup> 2003 Australian Share Ownership Study, ASX Limited

<sup>2</sup> Neither portfolio takes into account fees, taxes or transactions costs. Professionally managed portfolio is represented by BGI “Alpha Tilts” Australian Share Strategy. Four-share portfolio includes two large-capitalisation, one mid-cap and one small-cap share, selected at random.

## the era of managed funds

managed funds emerged early last century. Professionals made the decisions but most funds focused on one sector like Australian shares. They were volatile then... and they are volatile today.

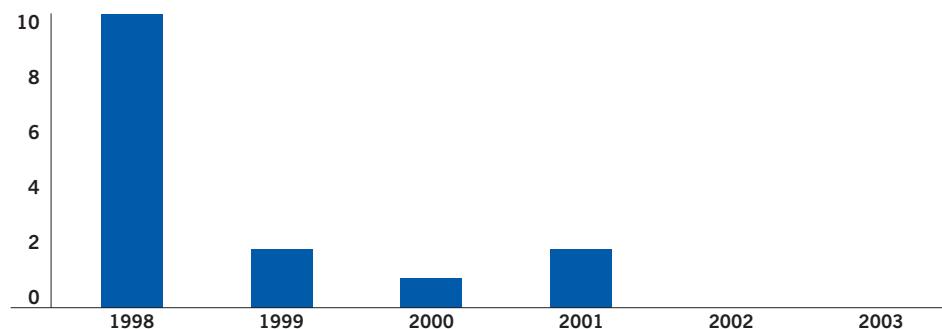
**Australian shares specialist manager**  
20 years ending April 2004 – 12 month rolling returns



Source: Mercer. Past performance is not necessarily indicative of future performance.

**This chart shows the ups and downs in performance of one of Australia's finest share managers for each year over the 20 years to April 2004. Returns were high but volatility was too. Relying on a single manager – even a good one – is risky because all managers have ups and downs in performance as market trends come and go.**

**number of "top 10" managers from 1998 remaining in top 10 in subsequent years**

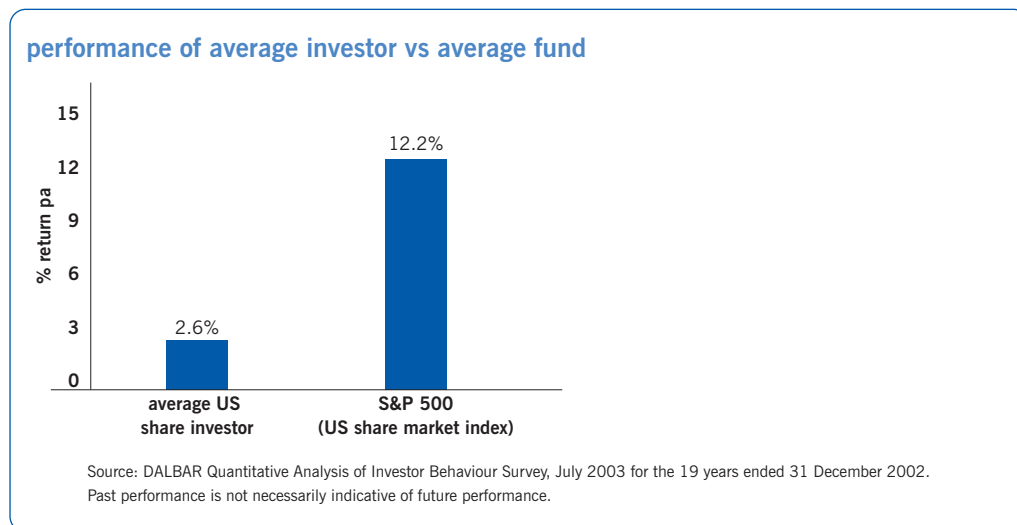


Source: InTech Desktop Consultant, March 2004.

**In fact, of the 10 highest-performing Australian share managers in December 1998, only two were in the top 10 one year later. By 2002, not one was there.**

# why most investors fail (and how not to join them)

Even in a managed fund era, research shows that most investors still fail. They invest in sectors and funds that are likely to be volatile, and lose patience when they are, often withdrawing their money at the worst possible time.



the average investor in US share funds achieved a return of 2.6% pa over a 19-year period, even though the funds they invested in returned 12.2% pa.

It seems from this research that investors got two things wrong: they sold funds that had recently slumped, just before they rebounded – and they bought funds that had recently done well, just before they slumped.

Two approaches emerged in response to the problem of volatility in performance.

Investors started to build portfolios of individual sector funds – but combining, monitoring and managing these portfolios was a major logistical headache.

Next, “balanced” funds providing exposure to all major asset classes came to the rescue – but your money was still with just one fund manager, with all the risk that entails.

## ipac's unique portfolio management service

In the early 1990s, ipac recognised that investors needed an easier way to:

- ~ build a professionally-managed portfolio that would help support the goals in their personal financial plan;
- ~ invest in a wide range of asset classes and securities without creating a logistical and tax nightmare;
- ~ gain effective control of their investments by understanding performance and changes in the portfolio; and,
- ~ reduce the cost of ongoing portfolio changes.

ipac addressed these needs through its unique portfolio management service and multi-diversified investment approach, with the following benefits:

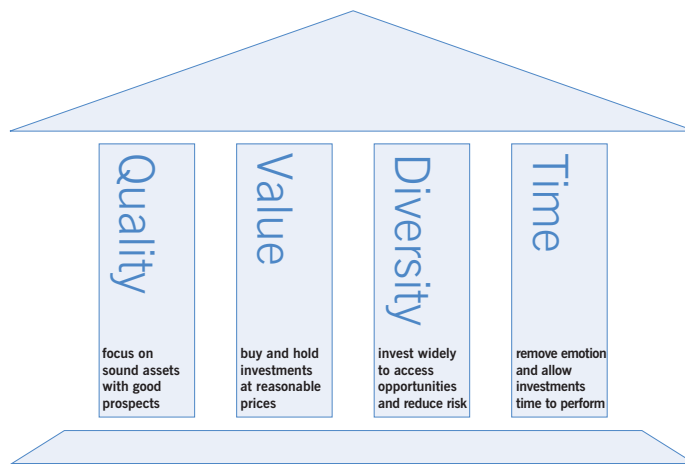
### 1. supports your total financial strategy – “true to label”

Your portfolio supports the total financial strategy you develop with your financial adviser. While ipac finetunes each portfolio and changes managers as required, you can rely on your portfolio continuing to have much the same characteristics and risks outlined in your conversations with your financial adviser.

because your needs will change over time, ipac gives you the choice of portfolios with a range of risk/return profiles and tax structures making it easy to change course when you need to.

Your adviser has access to a suite of tools and communications so they can discuss the progress of your portfolio with you. This enables you to plan ahead with confidence, knowing your portfolio is heading in the same direction as you are.

## 2. based on sound long-term investment principles



Your ipac portfolio is based on four sound and enduring investment principles aimed at enhancing your core family wealth: Quality, Value, Diversity, Time™. Your portfolio aims to provide you with a wide

range of quality investments, bought at reasonable prices and given time to perform well. These principles are applied rigorously and evidence of their application is provided to you and your adviser.

## 3. get more from your financial adviser

Why rely on a single financial adviser to select, implement and monitor countless investments when ipac's specialist

investment team has around 30 people, plus a team of specialist securities managers, to perform these tasks for you?

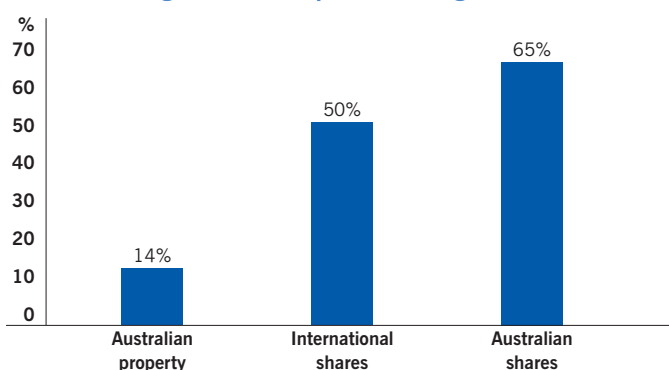
valuable time with your adviser is not wasted on administration, but can be spent developing financial strategies to help you get the most from your resources.

#### 4. provides access to specialists

ipac's investment team has overall responsibility for your portfolio. But through ipac you access specialist securities managers for each asset class,

such as Australian shares. Specialist managers tend to do better than "jack of all trades" managers due to their greater focus.

##### specialist managers have outperformed "generalists"



Source: InTech DeskTop Consultant, April 2004. Past performance is not necessarily indicative of future performance.

**This chart shows the average outperformance versus the market index of sector specialists, compared to the sector component of diversified funds for five years to 30 April 2004. It shows, for example, that the average international share specialist outperformed the index by a full 50% more than "jack-of-all-trades" managers – an important edge.**

#### 5. aims for more consistent performance

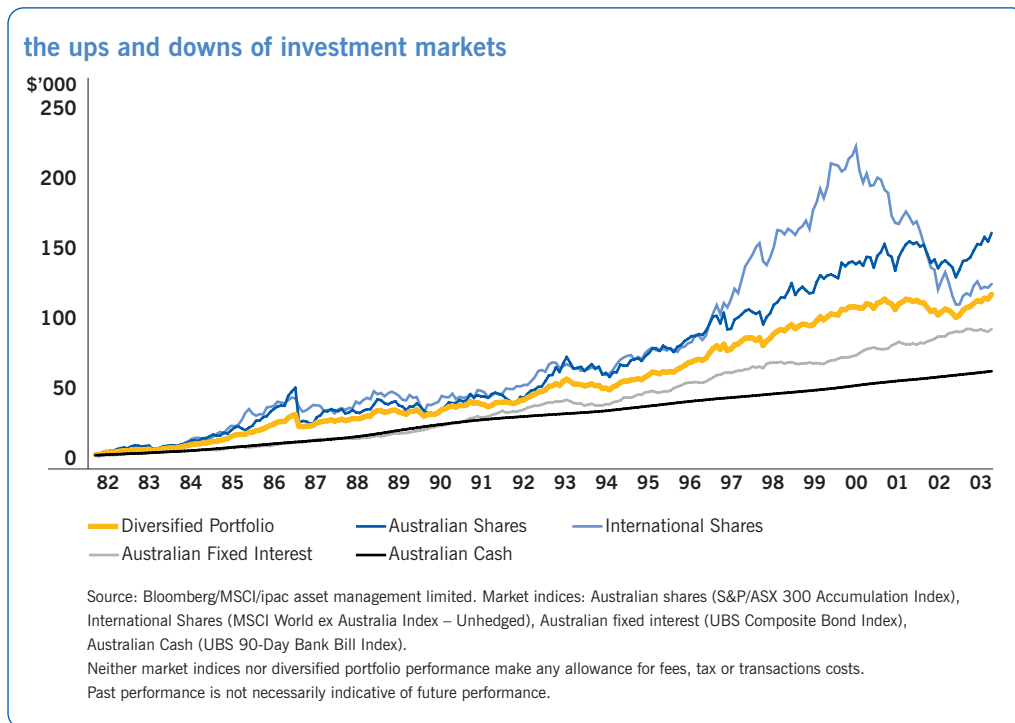
As well as focusing on competitive performance, the multi-diversified approach aims to deliver more consistent results than traditional approaches.

You benefit in three ways: your journey is more comfortable, you don't take more risk than necessary and you can plan your

future with more confidence. Portfolios will still fluctuate in value as markets rise and fall, but ipac aims to reduce the size of fluctuations and risk of permanent loss through broad diversification across asset classes, securities managers and investment styles, and individual securities.

## access to multiple asset classes

The chart below shows how major asset classes have performed over the long run, using a starting investment of \$10,000, compared to a growth portfolio holding a mix of asset classes. Each asset class was volatile but a well-diversified portfolio helped investors capture solid gains while making the journey smoother, and less risky.

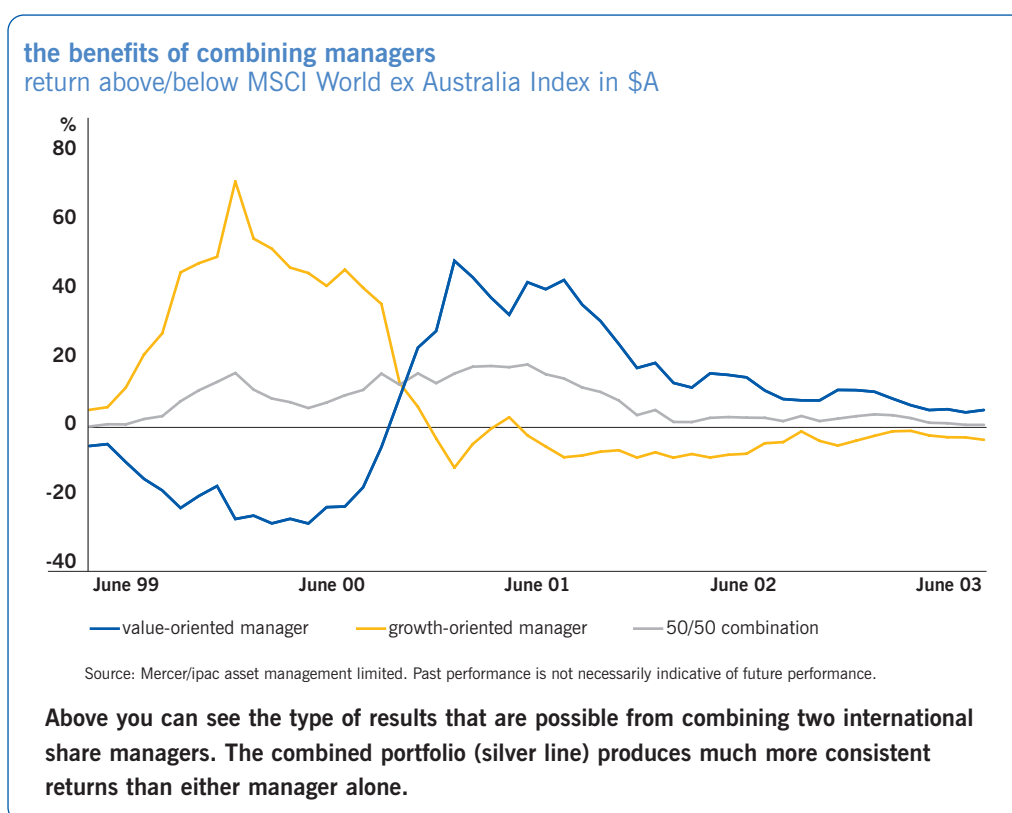


through ipac's multi-diversified approach, you gain access to a wide range of asset classes including lesser-known sectors such as smaller companies and private equity.

## access to multiple securities managers and investment styles

You also gain access to a combination of up to 20 or more leading securities managers (ask your financial adviser for an up-to-date list).

your managers use different investment styles so that as their styles go in and out of favour, your portfolio reaps the rewards.



## access to multiple investments

Your securities managers invest on your behalf in as many as 2000 or more shares, bonds and other securities in

hundreds of leading companies in Australia and around the world (ask your financial adviser for a list of top holdings).

## 6. easier to manage and track your portfolio

Despite very broad diversification, high-quality consolidated reporting on your investments, distributions and tax makes it easy for you to monitor your

portfolio in consultation with your adviser. If you invest directly or through a number of individual funds, it is almost impossible to gain real insight into your overall portfolio.

ipac provides both you and your adviser with updates and detailed analysis of market events and your portfolio, providing true control.

## 7. reduces costs of managing change

Constant changes in your investments are needed to keep up with today's complex global markets. But it can be expensive to change investments or fund managers, both in transaction costs and potential tax liabilities. Many of these costs of change are forgotten by direct investors.

ipac's multi-diversified portfolios are structured to reduce these costs and ipac's interests are aligned with yours in keeping costs as low as possible. For example, ipac estimates its structures and processes can reduce the cost of changing securities managers by more than 80% compared to traditional approaches.

the structure of the portfolios gives ipac greater ability to monitor your managers and is highly cost-effective.

You can also change investment structures and portfolios without many of the additional costs incurred when investing direct or using a range of individual managed funds.

It is features like these that make ipac's portfolio management service a smart, efficient solution.

## ipac is a leader in multi-diversified portfolio management

The ipac group is a financial advice and investment group that has been helping clients to achieve their financial goals and chosen lifestyles since its formation in 1983.

ipac has been at the cutting edge of multi-diversified investing for more than a decade.

It is one of Australia's largest operators of multi-manager portfolios, managing more than \$8 billion for over 20,000 clients from individuals to some of Australia's largest superannuation funds.

ipac is a wholly-owned subsidiary of AXA Asia Pacific Holdings Limited and a member of the global AXA Group, combining the benefits of boutique size with the security of large scale backing.

### [to learn more](#)

To find out more about ipac's unique portfolio management service, please contact your financial adviser or call Investor Services on 1800 624 542.







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