



Investment Philosophy

A Blueprint for Sustainable Growth and Financial Security



At Progressive, we are dedicated to building long-term value and protecting our clients' financial interests. We rely on thorough research, a range of diverse strategies, and always put our clients first as we steer through the financial markets with precision and thoughtful planning. Our central principles continuously inform how we make investment decisions for our clients.

Core Principles

Our investment philosophy is built on the following core principles:

01 Diversification

03 Risk Profile Assessment

05 Risk-Return Profile

07 Indexed Exchange Traded Funds (ETFs)

09 Investment Approaches

11 Other Strategies

02 Investment Style Diversification

04 Asset Allocation

06 Fees & Cost Efficiency

08 Separately Managed Accounts

10 Dollar Cost Averaging

Diversification

Diversification is an investment strategy designed to mitigate portfolio risk over time and promote more consistent returns. Portfolios are diversified by allocating investments both across and within various asset classes, including equities (global and domestic), property, bonds, and cash.

The table on the next page demonstrates the significance of diversification and highlights the variability in performance among asset classes from year to year – this illustrates historical calendar year returns by asset class, highlighting the unpredictability of performance from year to year and the importance of maintaining a diversified portfolio.

01 FINANCIAL YEAR TOTAL RETURNS (%) FOR THE MAJOR ASSET CLASSES

Year	Aust. Shares	Int'l Shares	Int'l Shares (Hedged)	U.S. Shares	Aust. Bonds	Int'l Bonds (Hedged)	Cash	Aust. Listed Property	Int'l Listed Property
1996	14.3	6.7	27.7	13.5	9.5	11.2	7.8	3.6	2.4
1997	26.8	28.6	26.0	41.5	16.8	12.1	6.8	28.5	35.7
1998	1.0	42.2	22.1	57.5	10.9	11.0	5.1	10.0	25.0
1999	14.1	8.2	15.9	14.9	3.3	5.5	5.0	4.3	-6.8
2000	16.8	23.8	12.6	18.2	6.2	5.0	5.6	12.1	14.1
2001	8.8	-6.0	-16.0	0.6	7.4	9.0	6.1	14.1	38.2
2002	-4.5	-23.5	-19.3	-25.8	6.2	8.0	4.7	15.5	7.5
2003	-1.1	-18.5	-6.2	-16.1	9.8	12.2	5.0	12.1	-5.2
2004	22.4	19.4	20.2	14.7	2.3	3.5	5.3	17.2	28.7
2005	24.7	0.1	9.8	-2.8	7.8	12.3	5.6	18.1	21.2
2006	24.2	19.9	15.0	11.5	3.4	1.2	5.8	18.0	24.2
2007	30.3	7.8	21.4	5.6	4.0	5.2	6.4	25.9	3.0
2008	-12.1	-21.3	-15.7	-23.2	4.4	8.7	7.3	-36.3	-28.6
2009	-22.1	-16.2	-26.6	-12.4	10.8	11.5	5.5	-42.3	-31.2
2010	13.8	5.2	11.5	9.5	7.9	9.3	3.9	20.4	31.3
2011	12.2	2.7	22.3	3.1	5.5	5.7	5.0	5.8	9.2
2012	-7.0	-0.5	-2.1	10.1	12.4	11.9	4.7	11.0	7.5
2013	20.7	33.1	21.3	35.0	2.8	4.4	3.3	24.2	24.3
2014	17.6	20.4	21.9	20.8	6.1	7.2	2.7	11.1	11.8
2015	5.7	25.2	8.5	31.9	5.6	6.3	2.6	20.3	23.1
2016	2.0	0.4	-2.7	7.3	7.0	10.8	2.2	24.6	20.4
2017	13.1	14.7	18.9	16.4	0.2	-1.0	1.8	-4.3	-4.8
2018	13.7	15.4	10.8	18.7	3.1	2.5	1.8	13.0	9.0
2019	11.0	11.9	6.6	16.3	9.6	7.0	2.0	19.3	13.5
2020	-7.2	5.2	3.6	9.6	4.2	5.3	0.8	-21.3	-13.4
2021	30.2	27.5	37.1	29.1	-0.8	-1.4	0.1	33.2	23.3
2022	-7.4	-6.5	-11.3	-2.4	-10.5	-8.2	0.1	-12.3	-5.5
2023	14.8	22.6	18.3	23.5	1.2	-1.5	2.9	8.1	-1.5
2024	12.5	19.9	21.5	24.1	3.7	1.9	4.4	24.6	3.9
2025	13.2	18.6	13.7	17.4	6.8	4.8	4.4	14.0	12.7
Ave.	10.1%	9.6%	9.6%	12.2%	5.6%	6.0%	4.1%	9.7%	9.8%
Best	30.3% (2)	42.2% (2)	37.1% (6)	57.5% (7)	16.8% (1)	12.3% (3)	7.8% (1)	33.2% (4)	38.2% (4)
Worst	-22.1% (2)	-23.5% (2)	-26.6% (2)	-25.8% (2)	-10.5% (2)	-8.2% (4)	0.1% (7)	-42.3% (5)	-31.2% (5)

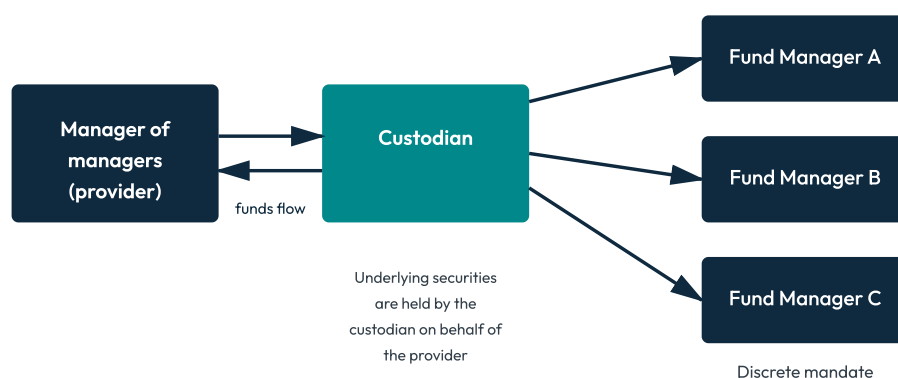
(X) denotes the number of times each asset class was the best/worst performer during a financial year ending between 1996 and 2025.

Source: Andex Charts Pty Ltd, June 2025.

Investment Style Diversification

Investment style diversification involves blending various approaches and/or investment factors, such as growth, momentum, quality, value, income, and alternative strategies, within a portfolio to further reduce risk and smooth returns. Multi-managers achieve this by selecting specialist managers, each with expertise in distinct investment styles and markets. By combining these managers, portfolios benefit from a broader range of perspectives and techniques, helping to avoid overexposure to any single style or market trend. This layered diversification helps weather market cycles and enhances long-term stability, ensuring that clients' investments are well-positioned regardless of changing economic conditions.

Example: Manager-of-managers structure



A passive multi-manager is an investment approach where a portfolio is constructed by combining several specialist managers who each invest in passive strategies across different markets and asset classes. Unlike active managers who aim to outperform the market through research and timing decisions, passive managers typically seek to replicate the performance of specific indices or benchmarks. By blending various passive managers, investors gain broad market exposure, reduce single-manager risk, and achieve cost-effective diversification. This approach is particularly valuable for investors seeking stable, long-term returns.

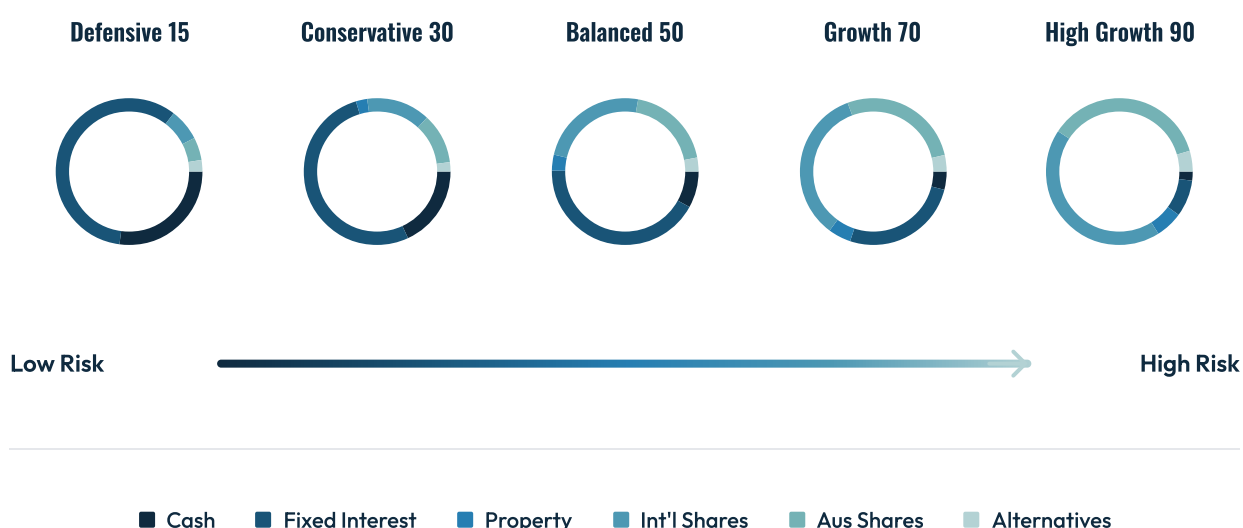
Determining Your Investment Risk Profile

As part of our process, you will undertake a risk assessment using Finametrica Risk Profiling. The purpose is to establish the level of risk most appropriate for your individual circumstances, considering:

- ◆ Your investment timeframe and investment objectives
- ◆ Previous investment experiences
- ◆ Liquidity needs and stage of life
- ◆ Income and overall wealth position

Your risk profile may change over time, particularly as you approach retirement. We will periodically re-assess your risk tolerance and alter your profile when required. A higher risk profile generally means more portfolio fluctuations in the short term, but also the potential for greater long-term returns.

Risk Profiles



Asset Allocation

Asset allocation describes the mix of bonds, shares, cash, property, and other asset types such as infrastructure and alternatives in a portfolio. The proportion of each asset class is determined by an individual's risk profile. For those with a higher risk tolerance, portfolios typically include a greater share of assets that may have more price fluctuations, such as domestic and global shares, and fewer assets with relatively stable values, such as cash and bonds.

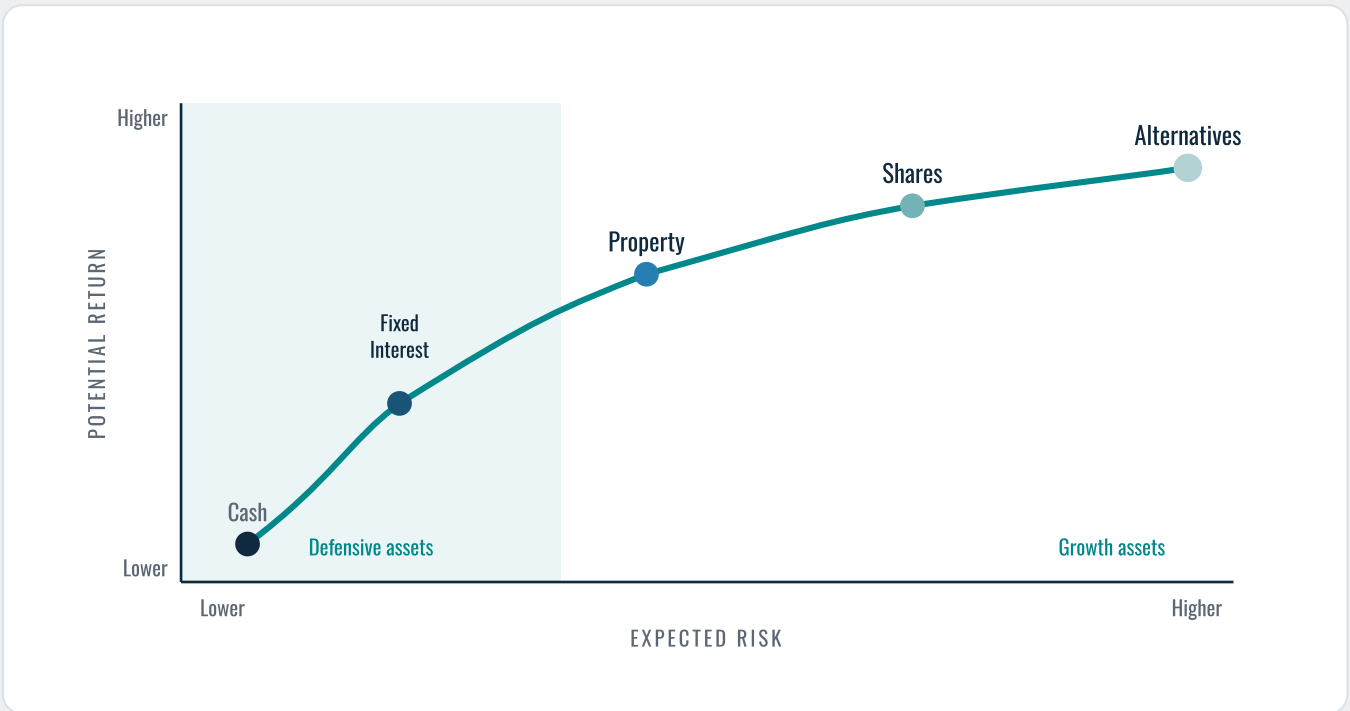
At all times we endeavour to ensure your asset allocation is aligned with your risk profile. The chart below illustrates the difference in performance between a typical balanced asset allocation and that of all growth allocation (100% equities).

Diversified portfolio vs 100% equities



Risk and Return Profile

The following risk-return chart (also known as the efficient frontier chart) visually represents the relationship between the expected return and risk (typically measured by standard deviation or volatility) of different investments or portfolios.



APRA's Standard Risk Measure (SRM) is a tool used to help superannuation fund members compare investment options based on the level of risk. The SRM categorises investment options into seven risk bands, ranging from very low to very high, based on the estimated number of negative annual returns over any 20-year period.

SRM 1SRM 4SRM 7



Very Low RiskMedium RiskVery High Risk

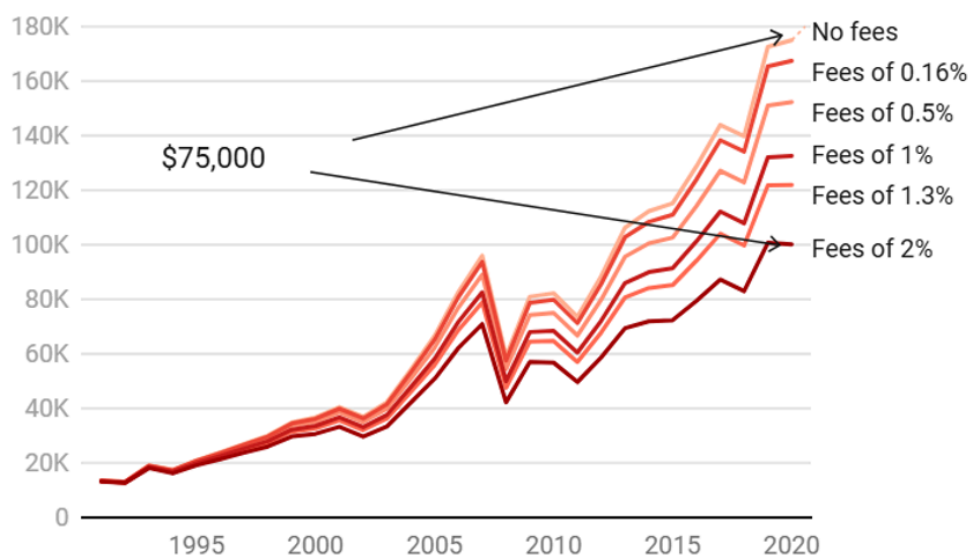
Cash	Fixed Interest	Property	Equities	Alternatives
SRM 1	SRM 2–3	SRM 4–6	SRM 6–7	SRM 4–7
Less than 0.5 negative returns	0.5 to 2 negative returns	2 to 6 negative returns	4 to 6+ negative returns	Varies by strategy

Fees & Cost Efficiency

Fees play an important role in portfolio construction, as high costs can reduce returns. We balance low-cost Vanguard SMA investments with actively managed InvestSense SMAs for diversification and potential outperformance, typically for balances over \$250,000. Clear fee structures and cost-effective platforms support better net returns.

Fees and thirty years of returns on the ASX 200

The impact of fees on an investment of \$10,000 in the ASX 200 between 1991 and 2020



Fees calculated on an annual basis

Source: Morningstar • Created with [Datawrapper](#)

Indexed Exchange Traded Funds (ETFs)

Indexed ETFs (also known as passive ETFs) track specific indexes such as the S&P 500 or ASX 200, with the aim of replicating those indexes' performance. They offer exposure to a broad market or specific sector at a low cost. Smart beta ETFs use a set of index construction rules to capture a specific factor in a transparent way. ETFs are also highly liquid and transparent.

Separately Managed Accounts (SMAs)

We use Separately Managed Accounts (SMAs) as our primary method for managing client funds. SMAs offer:

- ◆ **Timely, Professional Portfolio Management:** Your portfolio is expertly managed, monitored, and updated, with instructions from the portfolio manager implemented automatically.
- ◆ **Reduced Paperwork:** Changes are made according to your standing instructions, minimising the need for extensive advice documentation with each portfolio adjustment.
- ◆ **Transparency:** Managed portfolios provide greater visibility of your underlying investments.
- ◆ **Rebalancing:** As asset classes yield varying returns, your portfolio's asset allocation may drift from its original configuration. We will periodically execute rebalancing operations to restore and maintain the portfolio's designated risk-and-return profile.

Investment Approaches

Active versus Passive

Active management involves a portfolio manager making decisions about how to allocate assets to outperform the market. This approach relies on the manager's expertise to select individual stocks that they believe will perform better than the market average.

On the other hand, passive management, also known as indexing, involves creating a portfolio that mirrors a market index, such as the S&P 500 or ASX 200. The goal is to replicate the performance of the index rather than trying to outperform it.

Blending active and passive managers allows investors to get the best of both worlds. By combining active management, which seeks to outperform the market through strategic stock selection, with passive management, which tracks market indices at a lower cost, you can achieve diversification and cost efficiency. This approach helps balance the potential for higher returns from active strategies with the stability and transparency of passive investments, while reducing overall portfolio risk.

Dynamic Asset Allocation (DAA)

Due to inherent biases in investor behaviour, asset classes, like stocks and bonds, can deviate away from their fair values. It then becomes possible to identify and exploit these periods at the asset class level through a process known as dynamic asset allocation. This involves tilting the mix of asset classes in a portfolio to either generate additional returns or manage downside risk.

If we have determined you should hold a Separately Managed Account, this process will be completed by the appointed SMA manager on a quarterly basis.

Strategic Asset Allocation (SAA)

Strategic Asset Allocation (SAA) is a long-term investment strategy that involves setting target allocations for various asset classes—such as shares, bonds, and cash—based on your financial goals, risk tolerance, and investment horizon. The asset mix is determined through careful analysis and is designed to optimise returns while managing risk over time. Once established, the portfolio is periodically rebalanced to maintain these strategic allocations, ensuring that short-term market movements do not significantly alter the overall risk profile. SAA helps investors remain disciplined and focused on their long-term objectives, rather than reacting to market fluctuations.

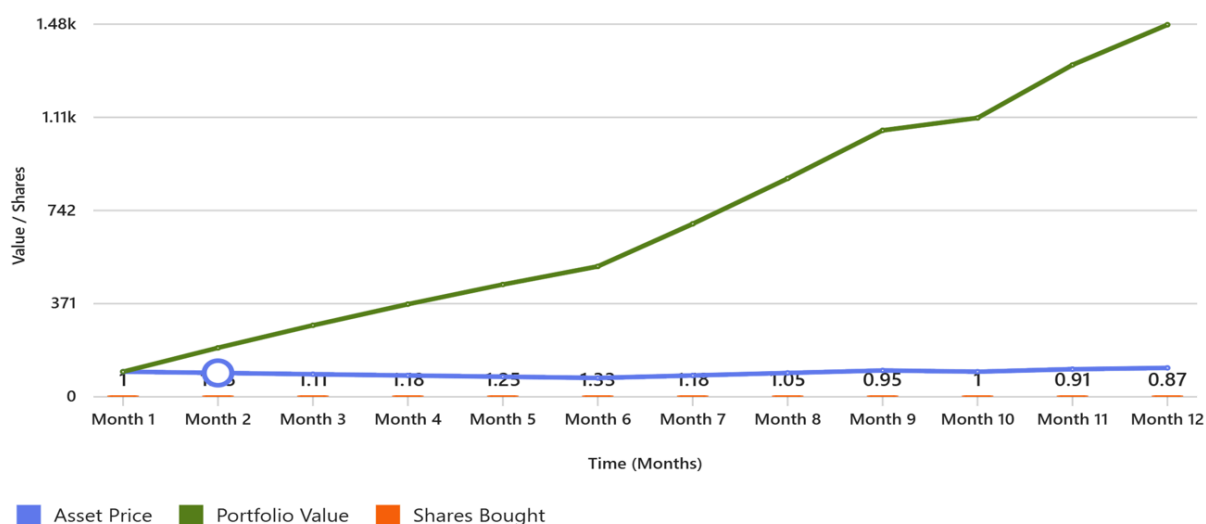
Combining SMAs (Separately Managed Accounts) gives you both types of asset allocation.

Dollar Cost Averaging

Investing can be tough, even for seasoned investors. Dollar-cost averaging simplifies dealing with market uncertainty by automating purchases. This strategy involves investing a fixed amount in a security at regular intervals, regardless of its price. It can lower the average cost per unit and reduce portfolio volatility, eliminating the need to time the market.

We will consider the appropriateness of this strategy when investing large lump sums such as those received from an inheritance. Generally we will not dollar cost average lump sums for any longer than a period of six months.

The chart below shows the value of purchasing investments regularly over time.



Other Strategies

Self-Managed Super Funds (SMSFs)

For clients wanting more involvement with their investments, or to hold business real property, we may consider using an SMSF. For the appropriate investor, SMSFs offer:

- ◆ **Effective Tax Management:** SMSF's have the same rates of tax as other superfunds but they offer greater control over tax outcomes, particularly with buying and selling direct shares.
- ◆ **Flexibility and Control:** as the members of the fund are also trustees, there is flexibility to tailor the fund rules to suit specific needs and circumstances.
- ◆ **Cost Efficiency:** SMSF's are much more cost-effective due to advances in technology and competition among providers.
- ◆ **Pooling:** SMSF's allow you to pool your superannuation with up to five other people. This opens the opportunity to invest in things and individual may to be able to afford on their own.

ESG Investing

ESG portfolios are investment selections that focus on companies and assets meeting specific Environmental, Social, and Governance (ESG) criteria. These portfolios seek to generate long-term financial returns while also considering the impact of investments on issues such as climate change, social responsibility, and ethical corporate governance. Investors can tailor their ESG portfolios to align with their personal values, for instance by prioritising renewable energy, fair labour practices, or transparent management structures. If you wish, we can incorporate ESG principles into your portfolio.

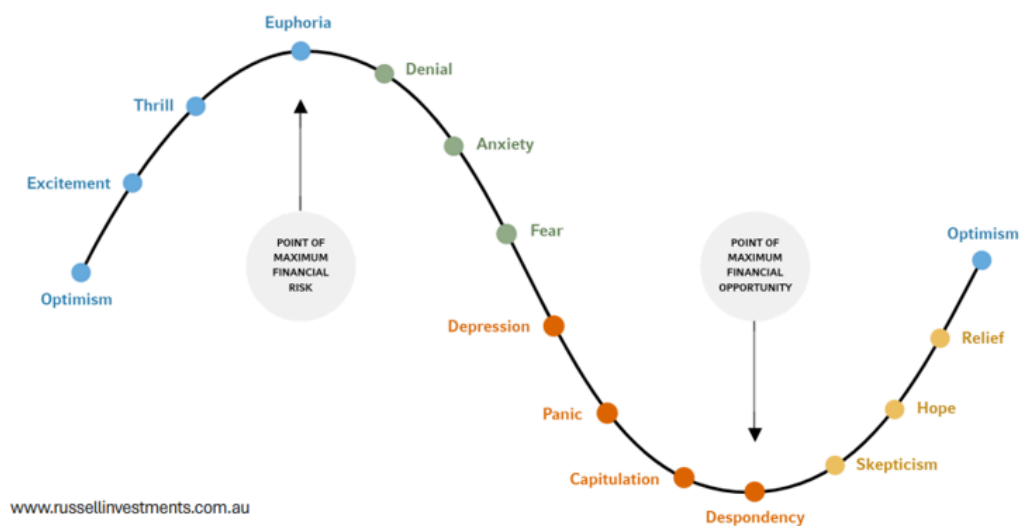
Behavioural Finance

People often make financial mistakes due to emotions, cognitive errors, and lack of discipline, hindering financial success. Many investors chase performance or mistime market movements without proper guidance, causing significant effects.

Emotions like fear, greed, and overconfidence can heavily impact investment choices. Fear during downturns might lead to premature asset sales, locking in losses. Greed during upswings can cause investment in overvalued assets, risking losses when the market corrects.

Understanding market emotions helps manage these effects and maintain discipline.

The Cycle of Market Emotions



Our role

At Progressive, we prioritise our clients through:

- ◆ Data guides our investment choices through market and company analysis.
- ◆ We focus on long-term growth and value rather than short-term gains.
- ◆ Risk is managed with advanced tools, matching portfolios to client goals.
- ◆ We maintain transparency, ethical conduct, and open communication.

We regularly review our preferred investment managers to ensure they meet our objectives, including:

- ◆ Assessing dealer group research
- ◆ Using third-party research (Lonsec, SQM, Morningstar)
- ◆ Conducting SMA and fund manager reviews
- ◆ Monitoring SMA portfolio changes and market conditions
- ◆ Benchmarking performance against relevant indices

Appointed Investment Managers

We prefer InvestSense and Vanguard for SMA management and use Colonial Index and Active multi-manager strategies for smaller balances.

We reserve the right to terminate any of the above appointed investment managers, for reasons including sustained underperformance and change of ownership or investment committee personnel.

invest | **sense**

Vanguard

Colonial
First State

Appointed Platform Managers

Our preferred platform managers are selected based on investment menu and fee determination (including family aggregation).

 **BT** Panorama



If you'd like to better understand our investment approach or discuss how it supports your financial goals, please speak with your adviser.



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