

Philosophy and Strategy Workbook

AN INVESTMENT PHILOSOPHY IS A SET OF CORE BELIEFS THAT YOU CAN USE TO GENERATE YOUR INVESTMENT STRATEGY. IT IS A COHERENT WAY OF THINKING ABOUT HOW YOU FIT INTO YOUR INVESTMENT PLAN, GIVING YOU AN OUTLINE OF A MISSION STATEMENT WHEN IT COMES TO INVESTING.

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Investment philosophy vs. Investment strategy

An investment philosophy is simply a set of principles that will guide your actions when making portfolio decisions. An investment strategy is much narrower. It is a way of articulating how you will live by your investment philosophy, and helps to define the actions you will implement in your investment plan.

Questions to ask yourself to help determine your investment philosophy, investment strategy and plan.

To form an Investment Philosophy statement, you will need to explore what your investment beliefs are, along with your ultimate purpose for investing.

1. Investment Beliefs and your Purpose of investing – What are investments to you, and how can they help you to achieve your ideal financial situation?
2. To form Investment strategy statements, you will need to determine a general outline for your investment plan. This can be broken into three general statements.
 - a. What you are trying to achieve: Goals and Timeframes – What do you want to achieve, and by when?
 - b. How will this be achieved: Strategy and investment outline – Who will be responsible for your investment strategy, and what type of investments (broken down between growth or defensive asset classes) are appropriate for you?
 - c. Your attitude towards risk and behaviours: What are your investment behaviours and views towards investment risk - How much Risk (volatility) are you willing to expose your investments to, and what behaviours you will implement to help keep you on track?

How to complete the workbook:

1. Utilise some of your answers from the **Goals and Risk Profile Workbook** for guidance when completing each of the questions in this workbook. Rewrite your previously selected answers into something personalised that relates to you.
2. The code references next to each question shows where to find your previous answers in the **Goals and Risk Profile Workbook**. The following is an explanation of how the reference codes work:
 - a. The code refers to if it can be found in the Financial Goal Setting or Risk Profile Questionnaire sections of the workbook, the page and the question number.
 - b. Key: **Financial Goal Setting – G | Risk Profile Questionnaire – R | Page number - # | Question # – Q#**
 - c. Example – If the answer can be found in Question 2 of the Risk Profile section on page 7, the code would be **R7Q2**.
3. Use your answers to construct your investment philosophy and strategy statements in the spaces provided in this workbook.
 - a. Keep rewriting each of your answers that relate best into a coherent statement that you are happy with.

Just remember that nothing is set in stone. This workbook is designed to help provide examples to questions that are important to answer when it comes to investing. If there are questions, or answers which aren't relevant to your situation or don't accurately represent you, feel free to rewrite these how you see fit.

Investment Philosophy

	Question	Code	Answer
Investment Beliefs	What is an investment to you?	N/A	
	What has your experience with investments been like?	R6Q2	
Purpose of investing	Why do you want to invest?	G4Q6	
	What do you want your investments to provide for you?	G3Q5	
	What do you want your financial situation to look like?	G3Q3	

Investment Philosophy statement

Combine some of your investment beliefs and purposes of investing to make a coherent statement

Investment Beliefs	Purpose of investing

As an example, the following is my Investment Philosophy statement – “I believe that investing provides me greater future financial security through building diversified passive income streams”. This comes from my belief that investments help to provide financial security, and that the purpose of investing for myself is to build a range of passive income streams.



Investment Strategy

	<u>Question</u>	<u>Code</u>	<u>Answer</u>
Goals	What are your long-term Investment Goals?	G5Q3	
	What is the desired outcome from investing?	G5Q4	
Investment timeline	How long do you have before you will need to use your investments for a passive income?	N/A	
Strategy	Who will do the investment strategy and implementation?	R9Q1	
	Would you prefer to be an active investor, or invest in 'passive' investments?	R6Q5	
Type of investments	What is your risk tolerance?	R9Q2	
	Long Term Rate of return required	R8Q1	
	What are your current requirements for any investments you own, or plan to purchase?	R8Q2	
View on volatility (risk)	Volatility levels acceptable to you over a one-year timeframe	R7Q5	
	Can you accept short term losses, for larger long-term real returns?	R8Q4	
	What percentage would your investments have to fall in value before you feel concerned?	R7Q1	
Behaviours/Emotions	If your investments were to fall by 25%, how concerned would you be?	R7Q2	
	At what point would you consider selling your investments after a loss?	R8Q5	
	If a correction in financial markets lead to a decrease in your investment value by 20%, how would you respond?	R8Q3	

Investment Strategy statements

Combine some of your answers to each of the sections to form coherent statements in each of the spaces below:

Desired outcome – What you are trying to Achieve?

Goals	Investment timelines

How will this be achieved?

Strategy	Types of Investment

What are your views on investment risk and investment behaviours?

Views on Volatility	Behaviours and emotions

As an Example – The following are my Investment Strategy statements

“I will continue investing throughout my life however, by the time I am 45, my investment passive income will be able to cover all mine and my family’s lifestyle costs”

“I will actively invest into a portfolio of high growth investments targeting returns of 8% per annum (or above), while also reinvesting all investment income earned.”

“I consider myself a high growth investor, and understand that volatility in investments is my friend as without volatility, markets wouldn’t be able to grow in value.

I am unconcerned about short term declines in my investment values, and will purchase larger ad hoc amounts after a market correction.”