

Portfolio construction checklist



LOOK FOR FUND MANAGERS THAT HAVE STOOD THE TEST OF TIME

In a market fixated with short-term performance, look for reputable managers that have had sustained success over multiple investment cycles.

COMPARE FUNDS ON MULTI-DECADE PERFORMANCE

Some investors focus too much on one- and three-year returns, and not enough on annualised 10- and 20-year returns. Wealth accumulators who have a multi-decade horizon, such as Self-Managed Superannuation Fund (SMSF) trustees, should choose funds that deliver attractive multi-decade returns, provided the fund has consistency in style, process and portfolio management.

CHOOSE ACTIVE RATHER THAN PASSIVE MANAGEMENT

Investing in an index fund, such as an Exchange Traded Fund, means putting your money into a fund that buys and sells shares regardless of asset valuations. Active managed funds that assess company valuations are the key to building sustainable long-term wealth.

EMBRACE TRUE 'LONG-TERM' INVESTING

Too many investment experts regard long-term investing as "3-5 years", sometimes less. It can take up to a decade for an investment theme to play out, and for companies within that theme to move from bottom-quartile valuations to top-quartile. Patience is a trait of successful investors.

BE SCEPTICAL OF THE 'CONSENSUS' VIEW

Sustained wealth creation requires independent thinking, not the consensus view. Basing investment decisions primarily on 'top-down' views of industry or economic matters – such as central bank comments on inflation and interest rates – can destroy wealth.

GO GLOBAL

It makes no sense that Australian investors allocate a large proportion of their portfolio to domestic stocks when the Australian sharemarket comprises 2% of global equity markets. Do not ignore better-value opportunities that might be found overseas.

AVOID SHORT-TERM NOISE

Avoid kneejerk reactions to your investment strategy based on short-term market noise. Remain focused on long-term valuations.

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the 'Fund', or collectively the 'Funds' as the context requires.

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The Index for the PM Capital Global Companies Fund is the MSCI World Net Total Return Index in Australian dollars, net dividends reinvested. The Index for the PM Capital Asian Companies Fund is the MSCI AC Asia ex Japan Net Total Return Index in Australian dollars, net dividends reinvested. See www.msci.com for further

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1. The PM Capital Enhanced Yield Fund was named Money Magazine's 2020 Winner for Best Income Fund – High Yield and Credit.

2. Pro forma Fund performance has been calculated based on the new fee structure (implemented 1 December 2018), assuming it had applied from the Fund's inception. These returns do not represent the actual net Fund performance and are included for illustrative purposes only.