INVESTMENT PHILOSOPHY

Our documented set of core beliefs and principles that guide decisions about how we invest our clients' portfolios.

Updated October 2025

KLM FINANCIAL PLANNERS
SECURING YOUR FUTURE

OUR INVESTMENT PHILSOPHY

At KLM, our clients are at the heart of everything we do. As part of our financial planning service, our role is to support you throughout your financial journey, providing expertise and clarity every step of the way.

To support this, we believe in a logically applied set of investment principles to guide our investment portfolio decision making and in turn, provide consistency and discipline to your investment objectives.

4 core values

LONG TERM FOCUS

DIVERSIFICATION IS THE RISK SHIELD

ASSET ALLOCATION DRIVES RESULTS

COSTS COUNT

LONG TERM FOCUS

We believe your investment journey should be guided by long-term goals, not distracted by short-term market swings. Markets can be unpredictable in the short run, but history shows that patience and discipline are rewarded over time. That's why we encourage you to “stay the course” and avoid making emotional decisions when markets are volatile. This approach helps ensure your portfolio is positioned to benefit from long-term growth, rather than reacting to temporary downturns.

ASSET ALLOCATION DRIVES RESULTS

Strategic asset allocation is critical for both downside protection and capturing opportunities through different market cycles. The right mix of assets helps manage risk and ensures portfolios are aligned with client goals and risk tolerance.

To achieve these outcomes efficiently, we primarily use passive strategies—allowing asset allocation to do the heavy lifting while keeping costs low and portfolios transparent, diversified, and disciplined.

DIVERSIFICATION IS THE RISK SHIELD

Your portfolio is built to spread risk across different asset classes and markets, so no single investment can make or break your results. Diversification is a proven way to reduce the impact of market ups and downs, helping you achieve more stable returns.

We use managed accounts where experienced investment managers—selected for their track record and research partnerships—construct portfolios using a mix of investments tailored to your goals. Their expertise helps ensure your wealth is protected and your financial plan stays on course.

COSTS COUNT

Every dollar invested should work hard for the client. That's why we pay close attention to investment costs—because lower fees can mean more money staying in the portfolio. But cost alone isn't the goal; it's about delivering strong, long-term outcomes. We focus on strategies that align with client goals and deliver consistent value over time.

SOME EXAMPLES IN ACTION

It's unlikely anyone can pick the asset class winner, in any given year. Diversification is key.

This chart highlights the unpredictability of asset class performance. The best and worst performers change dramatically from year to year, with no consistent pattern. It shows why trying to pick the top-performing asset class in advance is highly unlikely—and reinforces the value of diversification.

Financial year total returns (%) for the major asset classes

YEAR	AUST. SHARES	INT'L SHARES	INT'L SHARES (HEDGED)[1]	U.S. SHARES	AUST. BONDS	INT'L BONDS (HEDGED)[2]	CASH	AUST. LISTED PROPERTY	INT'L LISTED PROPERTY[3]
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**	14.4	0.2	–1.0	1.8	**–6.3**	–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% (4)**

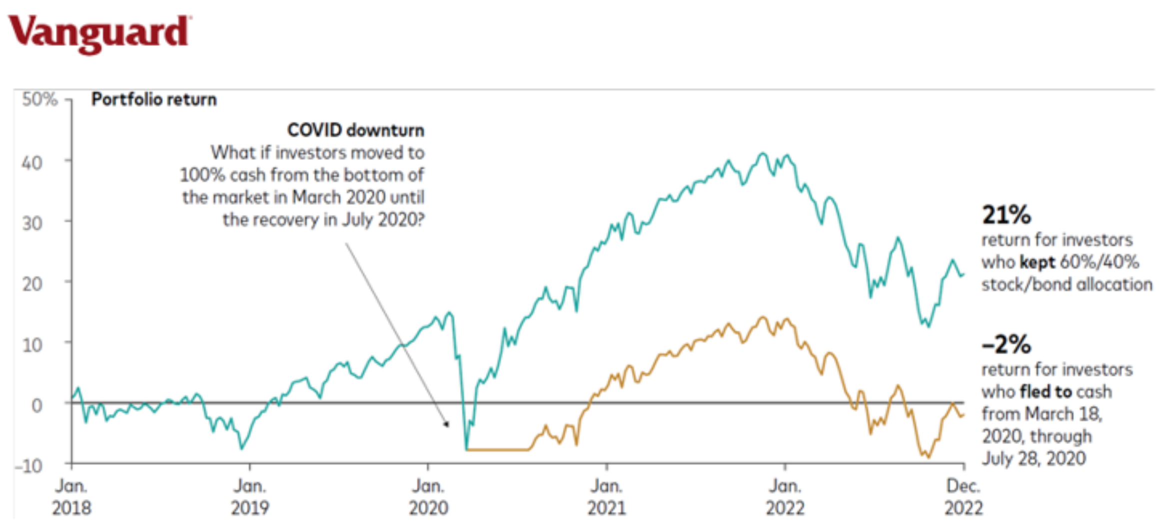
(X) denotes the number of times each asset class was the best/worst performer during a financial year ending between 1996 and 2025.

Source: Andex Charts Pty Ltd, June 2025.

2025 Vanguard Index Chart

Making emotional decisions about your portfolios, can be a costly mistake.

This chart clearly shows how emotional investing—especially during market downturns—can significantly impact long-term returns.
During the COVID market shock in March 2020, investors who stayed invested in a balanced 60/40 equity/bond portfolio saw a 21% return by December 2022. In contrast, those who moved to cash during the panic only earned -2% over the same period.
This 23% gap underscores the cost of reacting emotionally to short-term volatility. A quality adviser plays a crucial role in helping investors navigate uncertainty, stay focused on their long-term goals, and avoid decisions that may feel safe in the moment but prove costly over time.



Notes: Stocks are represented by the MSCI All Country World Index; bonds are represented by the Bloomberg Global Aggregate Bond Index (USD Hedged). Cash is represented by the Bloomberg U.S. Treasury 1–3 Month U.S. Treasury Bill Index. Returns are in nominal terms.

Sources: Vanguard calculations, using data from Morningstar, Inc.

INDEX VERSUS ACTIVE INVESTING: A STRATEGIC TRADE-OFF

At the heart of portfolio construction lies a key decision: whether to invest via index funds or ETFs, which aim to match market performance, or actively managed funds, which seek to outperform it. Each approach has distinct advantages and trade-offs that advisers and clients must weigh carefully.

Index funds and ETFs are designed to replicate the performance of a specific benchmark—such as the S&P 500 or MSCI World—by holding all or a representative sample of the securities in that index. This passive strategy offers several benefits:

- **Lower fees**: With no need for active stock selection or research teams, index funds typically carry significantly lower management costs.
- **Tax efficiency**: Due to lower turnover, index funds tend to generate fewer capital gains, which can enhance after-tax returns.
- **Transparency and predictability**: Investors know exactly what they're getting, and performance tends to closely track the market.

However, index investing also has limitations. Because it mirrors the market, it cannot outperform it. In volatile or inefficient markets, this can mean missing opportunities that a skilled active manager might capture.

Actively managed funds, on the other hand, rely on professional managers to select investments they believe will outperform the market. This strategy offers:

- **Potential for outperformance**: Especially in niche or less efficient markets, active managers may identify undervalued opportunities.
- **Flexibility**: Active managers can adjust portfolios in response to market conditions, economic shifts, or emerging risks.

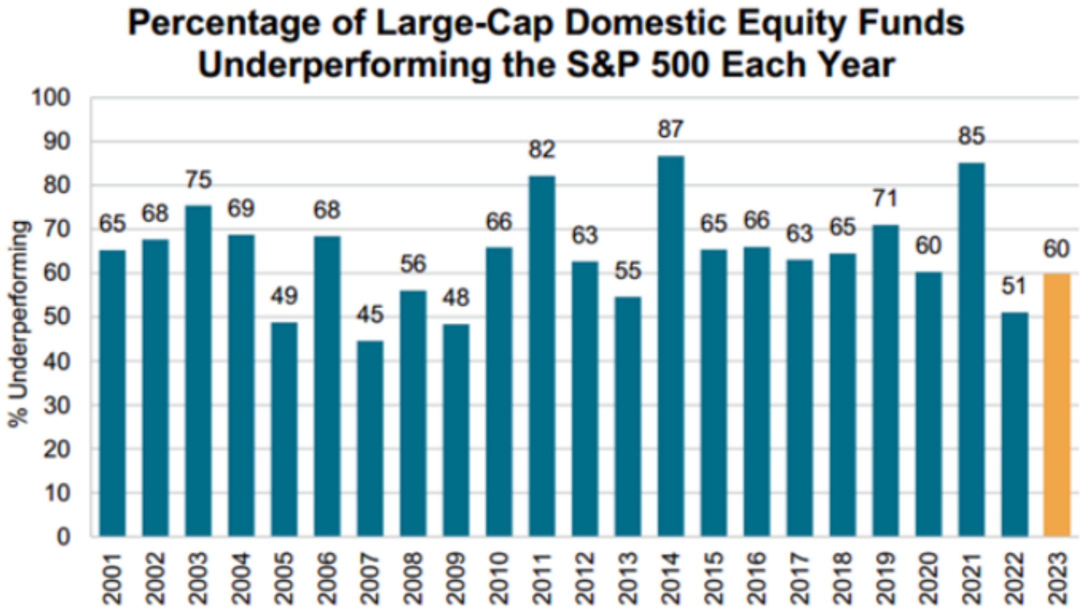
Yet the evidence shows that consistent outperformance is rare (NOTE: US data and examples used here). According to the latest SPIVA Scorecard, 60% of active U.S. large-cap equity funds underperformed the S&P 500 in 2023, and over a 10-year period, 96% failed to beat the benchmark. This underperformance is compounded by:

- **Higher fees**: Active funds often charge significantly more due to the cost of research, trading, and portfolio management.
- **Tax drag**: Frequent trading can lead to higher capital gains distributions, reducing net returns for investors.

Blended Approaches and SMA Structures

In practice, advisers often use passive strategies for broad market exposure and active strategies in areas where they believe skilled managers can add value—such as small-cap equities, emerging markets, or thematic investments.

SMA (Separately Managed Account) managers can also combine approaches within the same portfolio, aiming to balance cost efficiency with the potential for outperformance. This hybrid model allows advisers to tailor portfolios to client preferences, risk profiles, and tax considerations.



Source: S&P Dow Jones Indices LLC, CRSP. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

April 5, 2024

S&P released their annual SPIVA (S&P Indices Vs. Active) U.S. Scorecard, measuring the performance of actively managed equity funds versus an equivalent index benchmark. SPIVA is one of the many studies that The Mather Group, LLC (TMG) use to continually evaluate evidence-based investment strategy. The data typically shows similar outcomes on a yearly basis, and 2023 was no exception, as 60% of active U.S. Large Cap Equity funds underperformed the S&P 500.[1] This tracks closely against the 64% average of funds underperforming over a 12 month basis, during the 23 years of data that S&P tracks.

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