



# Group Philosophy and Principles

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# AdviceIQ Partners Network

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## Introduction and Purpose

The AdviceIQ Partners Group Philosophy document has three purposes:

1. To help the clients of advisers who are part of our network understand AdviceIQ Partners and each of the financial advice practices that make up our group, and so have a better ability to assess whether one of our advisory firms is the right choice for them, and what to expect ongoing.
2. To help financial advisers and industry suppliers understand our group - what we stand for and our focus on making a positive difference in our client's lives.
3. To capture and document in one place our values, beliefs and how we operate.

## Who we are

AdviceIQ Partners is a boutique network of high calibre advice practices largely working with higher net worth clients with more complex needs. Our advisers all believe strongly in and have experienced the difference that excellent advice makes in people's lives. We have a relatively unique way of operating the Licensee which creates a strong culture with high levels of knowledge sharing, mutual obligations and peer support and accountability.

We have adopted a set of principles for the provision of advice to our clients to help ensure we live up to our aims.

## Principles for the provision of advice to our clients

AdviceIQ Partner Firm advisers are members of various professional organisations such as CAANZ (Chartered Accountants), CPA Australia, Financial Planning Association, SMSF Association and the Association of Financial Advisers.

As members of these Associations our advisers are subject to their respective Codes of Conduct. Common to all codes is the requirement to put the client's interest ahead of the adviser and to behave in an ethical manner

Whilst these Codes of Conduct are vital to professional organisations, and our advisers respect their relevant codes and hold themselves accountable to them, we think AdviceIQ Partner Firm advisers go further for our clients.

To help understand this difference we have developed a statement of our values and how they apply to our clients.

AdviceIQ Partner Firms start from the premise that each of our clients are unique, and we will always strive to keep our clients at the centre of why and what we do. Several factors are key and are common amongst our partner firms in this drive for rare and uncompromised advice:

- Our firms prefer to work with smaller numbers of clients. This is one of the ways we can ensure that our advice is personal – it is tailored to each of our clients and their families. Our clients usually are high income earning or have reasonably large asset wealth or both. They often have a higher degree of complexity in their affairs. For example, they may have a Trust or Company, an SMSF, varied family structures, are accumulating assets preparing for retirement, or are dealing with transitions to Aged Care.
- We take time to listen and understand each of our clients. People are special and individual. They are seeking clear, concise and smart financial strategies that protect and grow their wealth. Only by taking time, listening closely, asking personalised questions, can we continually build a deep understanding of our clients and their families and fulfil our goal of tailored holistic personal advice.
- Most important to achieving what a client needs and wants in their lives is the strategy. Our advice is driven by strategy and not by any product or service that may be part of the implemented solution. Nonetheless, we take great care in assessing and selecting any financial solution we recommend to our clients as it is an important part of the end outcomes.
- Each of our partner firms commits to sharing knowledge with each other, and with other professionals such as accountant and lawyers, about new ideas, techniques and solutions that can help all our clients.
- Our partner firms will not want a client to proceed unless they are confident that they clearly understand our fees and services.
- Financial advice is never provided in a vacuum. We will seek to work cooperatively with other professionals, especially lawyers and accountants who provide services which necessarily interact with the provision of financial planning and investment advice.

## **Unique Ownership Structure**

We believe that our unique structure plays a major role in our living up to our principles and values.

AdviceIQ Partners is owned equally by each practice. Each new firm that joins must contribute equity and a loan to ensure an adequate level of capital is maintained.

This structure – akin to a co-op – provides an equal seat at the table in the direction, philosophy, values and culture of the network. Our belief and shared view is that approximately ten to fifteen firms is the ideal size. This size provides a good level of collegiality along with a material seat at the table for each principal firm.

The mutual accountability between each practice and the Licensee is a compelling feature of the network. It is in the interest of each practice to protect the reputation and balance sheet of AdviceIQ and each other, and so it helps shape and protect our culture. This way of working drives a bottom up push for higher levels of compliance, and standards of advice and financial products recommended.

Our ownership structure is also reflective of the way in which other professionals such as accountants and lawyers operate.

## **Culture**

Many decades ago Peter Drucker (a famous business author) wrote something along the lines of “culture eats strategy for breakfast”. Today this lesson is finally being understood by business and the financial services regulators. Our culture is based on the shared accountability and shared desire for each firm’s success in helping their clients.

Each practice, being an equal owner of the Licensee, is vitally concerned with the reputation of the whole and of the individual parts. We all share a belief in outstanding advice and care for clients. With complex clients there come needs for strong levels of experience, knowledge and the sharing of that amongst the firms. Again – it is in the interests of all to help each other.

## **Adviser Principles**

AdviceIQ believes strongly that good advice makes a material difference to the wellbeing of our clients, and that each practice and each individual adviser has an obligation akin to a fiduciary. Our advisers aim to improve the wellbeing of their clients through their lives, and especially during the major times of transition such as into retirement.

Constantly improving adviser knowledge is a commitment expected by our culture and our mutual network. We believe in investing in this knowledge and doing so in as objective a manner as we can.

Our advice strategically, and on financial products, is shaped by our shared Principles, the individual philosophy and beliefs of each firm, and our Product Approval Guidelines. Naturally all facets of financial product advice are governed by the Corporations Act, and its associated regulations and ASIC guides as well as the Tax Practitioner Board.

# Governance of Network

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## Board Responsibilities

The Board is elected by and accountable to shareholders for **AdvicelQ** Group's performance. The Board's responsibilities include:

- Strategy - Review strategic direction and approve the strategic and business plan
- Financial oversight
- Review and adopt the annual budget
- Monitor management and financial performance
- Risk management and compliance frameworks and resources
- Oversee the effectiveness of risk management and compliance (with the Board committee)
- Financial and other reporting
- Board performance and composition
- Monitor the conduct of the Company's relationship and/or compliance with key regulators to ensure the Company's obligations are being met
- Approve expenditure in excess of any authority levels delegated outside the approved budget.
- Seek to generate economies of scale generated by the size of the AdvicelQ group for the benefit of partner firms and their clients.

## Financial Management

Cautious and prudent financial management driven by the "Co-op nature of the organisation. We prefer to operate without any debt. Our aim each year is to make a modest profit and keep a reasonable level of reserves on hand.

## Investment Philosophy

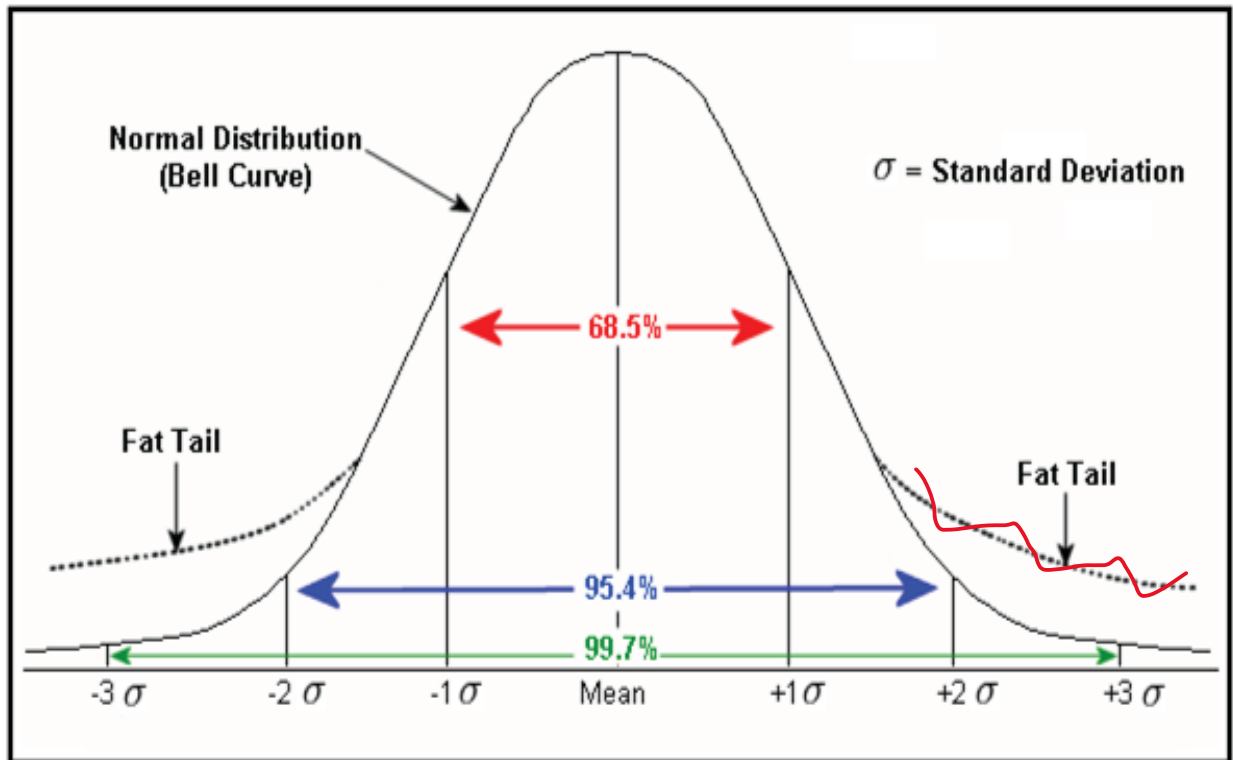
If you listen to any of the world's leading investors they will tell you that nothing is more important to long-term investment success than a clear investment philosophy. Strategy can evolve as circumstances might warrant; however, an investment philosophy is based on the belief you have in the principles and practices that guide your decision-making. In times of market upheaval and uncertainty, your investment philosophy enables you to control your emotions, shut out the noise and focus on the things that really matter over the long term.

Too often investors focus on the short-term outcome of their decisions when it has very little impact on the long-term results of a well-conceived investment strategy. A random drop in the market in reaction to the news of some calamitous event, while entertaining and maybe a little disconcerting, will be nothing more than a blip along the way in a long-term time horizon. An investment philosophy is in place to remind us of that.

AdviceIQ expects each of its practices to be able to articulate to their clients a clear investment philosophy and what they believe about investments. There is no one correct approach. What is unlikely to work is not having a clear philosophy and chopping and changing. Investing takes time.

Having said this there are a few things that we all agree on.

1. Spending time understanding people's tolerances to risk – whether objective or emotional - is vital to arriving at a sensible Strategic Asset Allocation.
2. Asset Allocation will over time determine the largest part of investment outcome.
3. Advisers make important recommendations about client's existing assets in arriving at a final portfolio.
4. Diversification equals systematically imposed discipline. It is an active component of a strategy and a potential source of adding value to client's portfolios. Perhaps even more importantly it is one of the most important tools for managing risk. In plain English as stated by the author of Don Quixote (Miguel Cervantes) "Don't put all your eggs in one basket". It works best when strategies have activity to capture price movements, whether this comes from active management or from rebalancing. Account dormancy is antagonistic to correct diversification implementation. Advisers need to keep their client's portfolios current.
5. Overall, to the great surprise of many outside the world of advice, investment is one of the lesser value adds of the advice process
6. Talent Exists. Talent in investment management exists however it is often not easy to spot, even if you look right at it.
7. Investors are human, and humans make emotionally-charged and often poor decisions. The growing body of work, known as behavioral economics, sheds important light on this and investors behavior does not change rapidly. One of our most valuable contributions to investment outcomes is to help our clients' (and ourselves) avoid these mistakes and stick to the long-term investment philosophy.
8. Being careful with the costs of investment is very important. Higher fees should only be paid for managers with genuine conviction who add a material level of value. Nonetheless we note the challenge of finding such talent.
9. The greatest challenge in risk management in investing is formally described as a "long fat tail". It is a statistical term relating to the chart below. This normal distribution curve shows long fat tails. In investment there really is only a long fat tail on the left – as you look at the chart. What this means to us in plain English is that avoiding loss is more important than beating the average.



Our Investment Committee keeps a clear focus on all these aspects – and more – as do each of our practices. All our practices' clients should feel able to understand what that firm believes about investing and be comfortable with that.

## Recruitment of new partner firms

Each new practice which joins AdviceIQ Partners fulfils multiple roles and needs to satisfy us as to its fit and appropriateness in each of them. In summary these are:

- Shareholder
- Practice Principal
- Individual Adviser(s)
- Industry participant.
- Contributor to AIQ

Potential practices will ideally have a similar profile to the current AdviceIQ Partner firms or fill a gap in our capabilities and demographics.

It is important that new practices and their principals work well with their peers and are equally constructive in sharing knowledge and holding them accountable.



## Due diligence

1. Management assessment of:
  - Cultural fit
  - Quality of advice philosophy
  - Quality of expertise
  - Sustainability of the practice
  - Potential contribution to the group.
  
2. Meet with at least two practices who will assess the practice to the above points.
  
3. Review of current advice practice:
  - SOA review by management and external compliance
  - Website review
  - Current compliance audit results.
  - Where appropriate or deemed needed – physical review of office and files
  - Two external references
  - Any other actions deemed necessary by directors, RMs, management and other practices.