



# Use these Wealth Principles to keep your investing on the right track

How you manage, grow and protect your wealth is important. SC Wealth Select uses guiding principles to help ensure your investment decisions remain robust and consistently applied throughout your wealth journey, to meet your goals Today, Tomorrow, and Forever.

## 1 DISCIPLINE

**Ensure consistency and prudence over your emotions**

- Short term market movements are very difficult to predict, therefore it is important to stay focused on the long term
- Reacting to emotions such as optimism and fear can lead to poor investment decisions at the worst times
- Staying disciplined and true to your investment goals helps to remove emotions and biases

**What does investing discipline look like in practice?**

- Instil discipline through an investment plan e.g., what you want to invest in, how regularly you will invest, how often you will monitor and review your portfolio, and how frequently you will rebalance
- Regularly review and rebalance your portfolio
- Invest systematically and regularly
- Maintain some cash for opportunities
- Avoid distractions that result in emotional buying and selling



## 2 DIVERSIFICATION

**Simply put, don't put all your eggs in the one basket**

- Diversification is important to help manage and reduce risk in your portfolio
- By holding a variety of financial assets in your portfolio, you can reduce the risk of losing money if one investment underperforms, as this may be offset by gains in other investments
- As a guide, make sure your portfolio contains a variety of asset classes and investments that have low correlation to one another



### How can you build a diversified portfolio?

- Start with a strong and diverse Foundation Portfolio using our Tactical Asset Allocation (TAA) as a guide, to deliver longer term returns over investment cycles
- Overlay your Foundation Portfolio with short term Opportunistic ideas (0-12 months) to enhance returns, or add extra income to diversify further
- The amount of your portfolio that you allocate to your Foundation will differ from investor to investor and depends on your needs and goals.



## 3 TIME IN THE MARKET

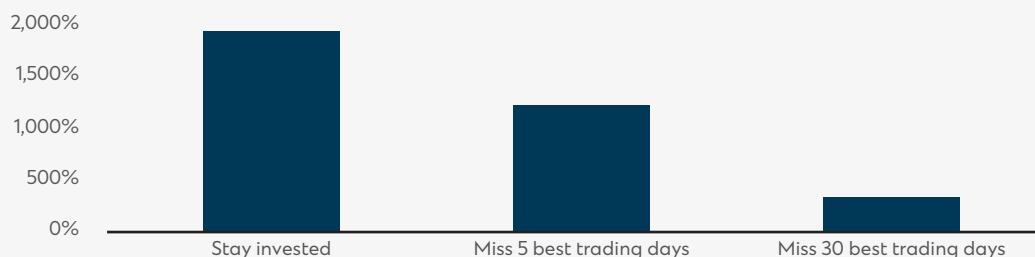
### A much better strategy than trying to time the market

- 'Time in the market' means buying the market with a long-term view, rather than trying to guess when the market is at its lowest or highest point
- 'Time in the market' is a much better strategy as it provides more consistent returns that can ride out bumps along the way
- Market selloffs can be difficult to predict, and timing your exit and re-entry is challenging
- Missing out on the best performing days of a market can have a significantly detrimental impact on your portfolio



### Example of \$1000 invested in the S&P 500 index from 1 Jan 1988 to 31 Dec 2021

Remaining invested over time versus trying to time the market and missing out on the best performing days



Source: Bloomberg. Data as of 31 December 2021.

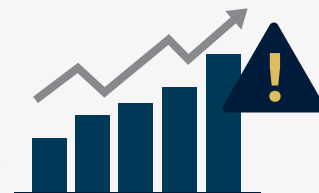
### How do you avoid timing risk?

- Apply the 'Dollar Cost Averaging' method by drip-feeding savings into investments on a regular basis, and agreeing in advance the frequency of your purchases
- This will provide you with an average entry price over time and reduces the impact of market fluctuations and timing
- If any of these investments fall in price, you can accelerate your purchases taking advantage of the lower prices

## 4 RISK AND RETURN

### Make sure the risk is worth the return

- To achieve higher investment returns, it is likely that you will have to accept a greater level of risk in your portfolio
- Every investor has a different tolerance for risk, and therefore must weigh up the amount of risk they are willing to take, against the potential return to decide if it's worth it



### What are the ways you can manage risks in your portfolio?

- It's important to understand the risks in your portfolio and manage these risks on an ongoing basis
- Ensure you have sufficient diversification to reduce risk and reduce the chances of loss if your investment underperforms
- Undertake regular portfolio reviews and rebalance to ensure your portfolio remains aligned to your risk tolerance and return expectations

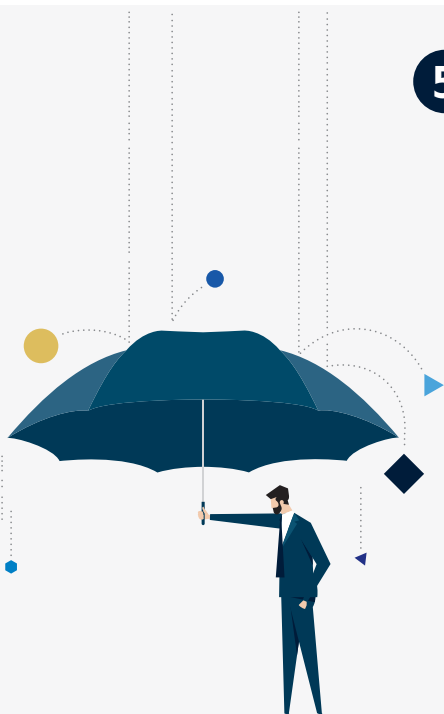
## 5 PROTECTION

### Don't let unexpected catch you unprepared

- Even though you may feel healthy, or financially stable now, protection offers the ability to overcome times of financial uncertainty and mitigate the long-term impact of unforeseen events on your wealth
- A good protection plan not only protects your wealth today, but also considers the value of your future earnings over your lifetime, in today's terms

### What can a focus on protection in your wealth plan offer you?

- A protection plan looks after yourself and loved ones should you lose your income from illness, disability or accident
- By incorporating protection into your overall wealth plan, you can:
  - Provide protection against life's uncertainties
  - Bring peace of mind
  - Bring more certainty and discipline to financial planning



To read our white paper 'Wealth Principles to Guide you on your Wealth Journey'

[Click here](#)

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