



**INNOVA**  
ASSET MANAGEMENT

**INNOVA CFS FIRST  
CHOICE MANAGED  
ACCOUNT RANGE**

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RETURNS MATTER, BUT BEHAVIOUR MATTERS MORE

## ABOUT INNOVA

Innova Asset Management Pty Ltd (ABN 99 141 597 104, CAR No 402207) ('Innova') a Corporate Authorised Representative of Innova Investment Management Pty Ltd (ABN 39 626 539 455, AFSL 509 578) is the portfolio manager in relation to the establishment and implementation of this portfolio.

Innova is a multi-disciplinary boutique investment management firm which offers a range of risk focused portfolio solutions. Innova approach risk in a multifaceted way, understanding that each investor has a series of risks they are exposed to in their lives, and differing tolerances to these risks. Innova believe this should be reflected in outcomes-focused portfolio construction.

Innova was founded on the principles of providing robust and research-intensive insights to help investors meet their financial goals. They focus on understanding the intricacies of investment risk and have built a proprietary risk management framework based on rigorous academic research to support their process. They have a successful history of navigating global markets through a rules based, systematic approach to portfolio construction.



### INVESTMENT PHILOSOPHY

Innova have built a new paradigm of investing, we think differently. We follow an evidence driven approach that has been tested extensively. This process was developed based on rigorous academic research, it is repeatable and not prone to behavioral biases.

Our core beliefs are shown below:



**Returns matter, but behaviour matters more**



**Price drives long-term returns**



**Asset allocation is the most effective tool for managing risk**



**Asset class risks are driven by their underlying risk factors**



**Diversify by underlying risk factor, not asset class**



**Diversify when it makes sense, not merely for the sake of it**



**Build robust rather than optimal portfolios**

## INVESTMENT PROCESS

The core of Innova's risk management process is understanding that there are interdependencies between risks. Therefore, Innova first break asset classes up into the main drivers of the variability in their returns (i.e. their risk factors) and then construct portfolios based on these specific risk factors. This rigorous process allows Innova to use the underlying casual drivers of return to understand and assess the true level of diversification within their portfolios.

An overview of our portfolio construction process is shown below:



### LONG TERM FORECASTS

Asset class and sub asset class forecasts for risk return are calculated over a 10-year time horizon



### SPECIFIC RISK CONSTRAINTS

Specific risk constraints are applied to each portfolio to determine a best fit portfolio based on our forecasts



### ROBUST OVER OPTIMAL PORTFOLIOS

A maximum risk contribution for interrelated asset classes is applied to ensure our end portfolios are adequately diversified



### SHORTER-TERM RISK FORECASTS

We incorporate our forecast distribution of returns to control for potential low probability/high impact events (left tail risk)



### STRESS TESTS

We test the portfolios robustness over many different stressed economic environments



### COMMON SENSE OVERLAY

We apply a common sense overlay to ensure our portfolio outputs are reasonable and are incorporating all available information

## COMMUNICATION

Our core part of our value proposition is our regular Adviser and client friendly communication.

### Regular Adviser communication:

- Weekly newsletter which includes market insights & investment research
- Monthly performance reports
- Quarterly webinar
- Portfolio changes summary and detailed explanation whenever changes are made
- Access to our Adviser portal
  - Current portfolio snapshot & fee estimate
  - SOA inserts & additional advice material
  - Marketing material & whitepapers

### Regular client-friendly communication:

- Monthly portfolio insights article
- Quarterly outlook and positioning
- Quarterly portfolio changes report

## BENEFITS OF PARTNERING WITH INNOVA

- ✓ Strong performance track record
- ✓ Have managed risk successfully through various market cycles
- ✓ Core team have worked together running managed accounts for 10+ years
- ✓ Boutique firm with institutional grade investment capability
- ✓ Systematic investment process based on rigorous academic research
- ✓ Accessibility of the investment team for portfolio queries
- ✓ Portfolio construction process developed and built in house

## MODEL PROFILES

### INNOVA CONSERVATIVE MODEL

<b>Investment objective</b>	To deliver a total investment return in line with the benchmark, after fees, over a rolling three-year period.		
<b>Benchmark</b>	Reserve Bank of Australia's cash rate + 1.50% pa		
<b>Designed for investors who</b>	Seek income returns by investing in a diversified mix of predominately defensive assets. They are prepared to accept a low to medium level of risk to achieve this objective.		
<b>Investment strategy</b>	<p>The portfolio investment strategy is to diversify by asset class, investment strategy of the fund managers and their sources of return.</p> <p>In general, the portfolio will have a long-term average exposure of around 73% to defensive assets (including fixed interest and cash) and 27% to growth assets (including shares, property, infrastructure, and alternatives). However, these allocations will be actively managed within the allowable ranges depending on market conditions.</p>		
<b>Risk label (SRM)</b>	Low to Medium (3)		
<b>Minimum investment horizon</b>	3 years		
<b>Estimated costs</b>	0.83%		
<b>Investment universe</b>	Australian registered managed funds and exchange traded funds		
<b>Asset allocation ranges</b>	Asset class	Minimum allocation (%)	Maximum allocation (%)
	International equities	5	20
	Australian equities	5	20
	Real assets	0	15
	Alternatives	0	10
	Fixed interest & cash	60	80
	Cash	20	50
	<b>Defensive</b>	<b>60</b>	<b>80</b>
	<b>Growth</b>	<b>20</b>	<b>40</b>

## INNOVA MODERATELY CONSERVATIVE MODEL

<b>Investment objective</b>	To deliver a total investment return in line with the benchmark, after fees, over a rolling five-year period.		
<b>Benchmark</b>	Reserve Bank of Australia's cash rate + 2.50% pa		
<b>Designed for investors who</b>	Seek income returns with some potential for capital growth by investing in a diversified mix of defensive and growth assets. They are prepared to accept a medium level of risk to achieve this objective.		
<b>Investment strategy</b>	<p>The portfolio investment strategy is to diversify by asset class, investment strategy of the fund managers and their sources of return.</p> <p>In general, the portfolio will have a long-term average exposure of around 52% to defensive assets (including fixed interest and cash) and 27% to growth assets (including shares, property, infrastructure, and alternatives). However, these allocations will be actively managed within the allowable ranges depending on market conditions.</p>		
<b>Risk label (SRM)</b>	Medium (4)		
<b>Minimum investment horizon</b>	5 years		
<b>Estimated costs</b>	0.87%		
<b>Investment universe</b>	Australian registered managed funds and exchange traded funds		
<b>Asset allocation ranges</b>	Asset class	Minimum allocation (%)	Maximum allocation (%)
	International equities	10	25
	Australian equities	10	25
	Real assets	0	20
	Alternatives	0	15
	Fixed interest & cash	40	60
	Cash	10	30
	<b>Defensive</b>	<b>40</b>	<b>60</b>
	<b>Growth</b>	<b>40</b>	<b>60</b>

## INNOVA BALANCED MODEL

<b>Investment objective</b>	To deliver a total investment return in line with the benchmark, after fees, over a rolling six-year period.		
<b>Benchmark</b>	Reserve Bank of Australia's cash rate + 3.00% pa		
<b>Designed for investors who</b>	Seek income returns with potential for capital growth by investing in a diversified mix of defensive and growth assets. They are prepared to accept a medium to high level of risk to achieve this objective.		
<b>Investment strategy</b>	<p>The portfolio investment strategy is to diversify by asset class, investment strategy of the fund managers and their sources of return.</p> <p>In general, the portfolio will have a long-term average exposure of around 32% to defensive assets (including fixed interest and cash) and 68% to growth assets (including shares, property, infrastructure, and alternatives). However, these allocations will be actively managed within the allowable ranges depending on market conditions.</p>		
<b>Risk label (SRM)</b>	Medium to high (5)		
<b>Minimum investment horizon</b>	6 years		
<b>Estimated costs</b>	0.94%		
<b>Investment universe</b>	Australian registered managed funds and exchange traded funds		
<b>Asset allocation ranges</b>	Asset class	Minimum allocation (%)	Maximum allocation (%)
	International equities	15	30
	Australian equities	15	30
	Real assets	0	20
	Alternatives	0	15
	Fixed interest & cash	30	50
	Cash	10	30
	<b>Defensive</b>	<b>30</b>	<b>50</b>
	<b>Growth</b>	<b>50</b>	<b>70</b>

## INNOVA GROWTH MODEL

<b>Investment objective</b>	To deliver a total investment return in line with the benchmark, after fees, over a rolling seven-year period.		
<b>Benchmark</b>	Reserve Bank of Australia's cash rate + 3.5% pa		
<b>Designed for investors who</b>	Seek some income returns with a high potential for capital growth by investing in predominately growth assets. They are prepared to accept a high level of risk to achieve this objective.		
<b>Investment strategy</b>	<p>The portfolio investment strategy is to diversify by asset class, investment strategy of the fund managers and their sources of return.</p> <p>In general, the portfolio will have a long-term average exposure of around 22% to defensive assets (including fixed interest and cash) and 78% to growth assets (including shares, property, infrastructure, and alternatives). However, these allocations will be actively managed within the allowable ranges depending on market conditions.</p>		
<b>Risk label (SRM)</b>	High (6)		
<b>Minimum investment horizon</b>	7 years		
<b>Estimated costs</b>	1.00%		
<b>Investment universe</b>	Australian registered managed funds and exchange traded funds		
<b>Asset allocation ranges</b>	Asset class	Minimum allocation (%)	Maximum allocation (%)
	International equities	15	40
	Australian equities	15	40
	Real assets	0	20
	Alternatives	0	20
	Fixed interest & cash	20	40
	Cash	0	10
	<b>Defensive</b>	<b>20</b>	<b>40</b>
	<b>Growth</b>	<b>60</b>	<b>80</b>

## INNOVA HIGH GROWTH MODEL

**Investment objective** To deliver a total investment return in line with the benchmark, after fees, over a rolling eight-year period.

**Benchmark** Reserve Bank of Australia's cash rate + 5.00% pa

**Designed for investors who** Seek a very high potential for capital growth by investing in growth assets. They are prepared to accept a very high level of risk to achieve this objective.

**Investment strategy**

The portfolio investment strategy is to diversify by asset class, investment strategy of the fund managers and their sources of return.

In general, the portfolio will have a long-term average exposure of around 2% to defensive assets (including fixed interest and cash) and 98% to growth assets (including shares, property, infrastructure, and alternatives). However, these allocations will be actively managed within the allowable ranges depending on market conditions.

**Risk label (SRM)** Very high (7)

**Minimum investment horizon** 8 years

**Estimated costs** 1.01%

**Investment universe** Australian registered managed funds and exchange traded funds

Asset class	Minimum allocation (%)	Maximum allocation (%)
International equities	25	60
Australian equities	25	50
Real assets	0	20
Alternatives	0	20
Fixed interest & cash	0	20
Cash	0	10
<b>Defensive</b>	<b>0</b>	<b>20</b>
<b>Growth</b>	<b>80</b>	<b>100</b>







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#### **Important Information**

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