



Investment Principles

Summary

May 2026

Issued by EGU Wealth Management

Investment principles at EGU

EGU's investment framework draws from David Swensen's *Unconventional Success* (2005), refined through sustained application to wealth management. Five principles underpin every portfolio EGU constructs: an orientation toward listed equities, diversification across genuinely uncorrelated asset classes, structural protection against inflation through real assets, the management of cost and tax as compounding leakages, and disciplined rebalancing through market cycles.

Returns are made or lost in asset allocation. The choice of which asset classes a portfolio holds, in what proportions, over what horizon, accounts for the overwhelming majority of investment outcomes — security selection and market timing do not. This is the central insight on which everything that follows depends.

Portfolio construction is the work of decades, not quarters. The horizon is generational. The principles do not change with the cycle.

The five principles

Equity orientation

Long-horizon wealth is built by owning productive assets. EGU portfolios carry a structural tilt toward listed equities — domestic and global — because equity ownership is the only mechanism through which an investor participates directly in productive enterprise at scale. Over the long horizon, no other asset class produces comparable real returns.

Equity weighting is calibrated to the mandate. The orientation itself is not a tactical position. It does not move with sentiment, and it is not adjusted in response to market conditions.

Genuine diversification

Diversification works only when each holding carries material weight, and only when the holdings are exposed to genuinely independent return drivers. A portfolio holding Australian equities only — even across thirty separate securities — is concentrated, not diversified.

Two principles enforce the discipline. Every position must carry sufficient weight to influence portfolio outcomes; positions too small to do so are excluded. No single position grows so large that concentration overwhelms the diversification benefit. Within these bounds, diversification is sought across asset class, geography, and investment manager — selected so that the portfolio's holdings are exposed to genuinely uncorrelated return drivers.

Real assets and inflation protection

Inflation is the invisible tax. Over generational horizons, the erosion of real wealth from sustained inflation exceeds the loss from most market drawdowns. A portfolio that does not protect against inflation does not protect the client.

Four categories of real assets — tangible holdings, as distinct from financial securities — are deployed: gold, listed property, listed infrastructure, and broad-basket commodities. Each responds differently to inflationary stress, and the combination preserves real value across the range of plausible outcomes. The allocation scales with the portfolio mandate.

Cost and tax discipline

Cost and tax are the certainties of investment. Markets are uncertain; fees and tax are not. Sustained over a generational horizon, cost discipline produces more real wealth than most investment edges on offer.

On cost, EGU uses managers selected on merit, with deliberate preference for ownership structures that align manager incentives with the investor's interest. For indexing, cost discipline is the primary consideration. Active management is held to a higher standard of justification, and is used only where the evidence of net-of-fee outperformance is durable.

On tax, capital gains tax is treated as a cost to be managed, not an outcome to be tolerated. Portfolios are rebalanced through cashflow where possible, rather than by selling. CGT is realised when the client chooses to exit an investment, not as a consequence of overtrading, manager rotation, or style drift.

Considered rebalancing

Without rebalancing, every portfolio drifts — and the drift runs toward the asset classes that have most recently performed, which by definition carry the most embedded risk going forward. Rebalancing returns the portfolio to its mandate.

Portfolios are monitored routinely. Rebalancing is triggered when a holding or sleeve deviates materially from its mandated weight, or when the portfolio's overall risk profile no longer reflects the agreed risk and return objective. Trading occurs when the portfolio needs it, not on a calendar schedule. The principle is to act when action is warranted, and not otherwise — avoiding both the slow drift that erodes the risk profile, and the friction costs of trading without cause.

In closing

The principles are simple to state and demanding to apply. The application is what EGU does.

Three decades, two generations, one learned truth — a client who is truly known is truly served.
