Pursuing a better investment experience

Key principles to improve your odds of success

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Investing is something we all need to do.

It's also hugely important to get it right.

If you do, it can help you realise your dreams and ambitions and enjoy life to the full. Get it wrong, and you risk being unable to afford the life you desire.

With so much resting on doing it well, you'd expect investing would have been exposed to thorough empirical research. You'd expect there to be a broad academic consensus on the best way to invest, firmly based on what has been proven to work in the past. You'd also think that all financial professionals would have studied this evidence in detail and applying it to their daily work.

Well, there's good and bad news.

The good news is that, yes, investing has been thoroughly researched by the academic community.

There's plenty of independent, peer-reviewed and time-tested evidence, dating back to the 1950s. Several of the academics responsible for it have won a Nobel Prize in the process.

The bad news is that the bulk of the traditional financial services industry – private banks, brokers and advisers – continue to recommend strategies that ignore the evidence altogether.

While every business will tell you they're different, AES believes the entire system is broken and needs to be turned upon its head.

Our process will give you privileged access to an extraordinary Nobel prize-winning evidence-based investment strategy unavailable to ordinary investors.

This is all about doing a few things exceptionally well, common sense and the basic principles to follow.

Most importantly, it's all about you.

Sam Instone
Co-CEO

A scientific framework for investing

Science and technology have produced many tremendous advances, from life-saving medical treatments to instant communication.

Historically, though, science has had little influence on investing.

Despite advancements in modern portfolio theory and historical evidence, investors and money managers often rely on outdated methods. These include traditional wisdom, emotions and flawed assumptions promoted by those with vested interests.

The systematic, evidence-based investment movement exposes the many shortcomings of this conventional approach and provides a tested road map to successful investing.

The objective is to maximise your net returns and optimise expected outcomes – all while minimising risk and protecting portfolios from market downturns.

Key principles to improve your chances of success

The most common investment objective is to increase the probability of meeting your future life objectives.

Improving the odds a little every year creates a high probability of success in the long run.

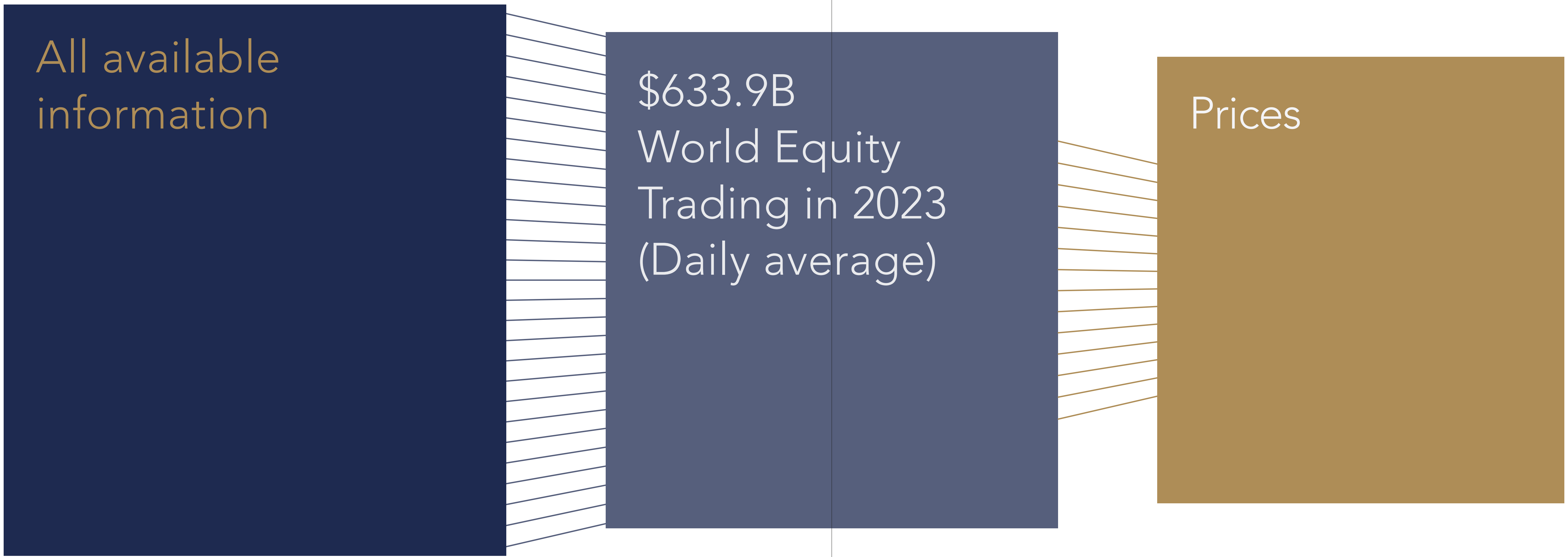
The **ten principles next** will help you avoid the dangers of market timing, stock picking, high costs, and ad hoc investment decisions.

They will help you take advantage of opportunities provided by efficient capital markets and provide a systematic, time-proven way to reach your financial goals.

1.

Embrace market pricing

The market is an effective information-processing machine. Each day, the world equity markets process billions of pounds in trades between buyers and sellers — and the real-time information they bring helps set prices.



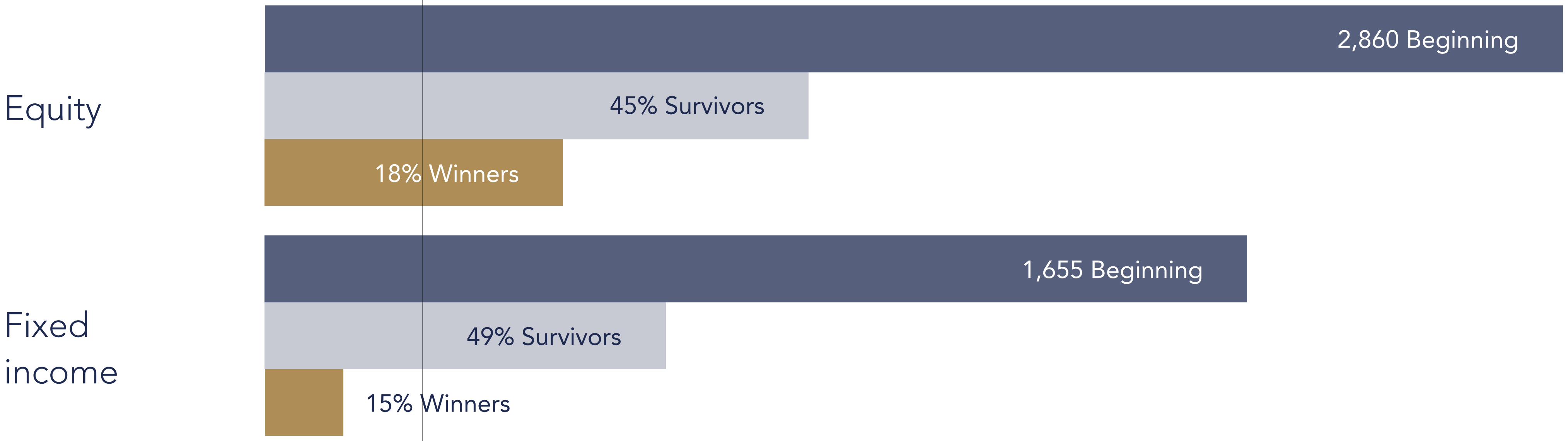
2.

Don't try to outguess the market

The market's pricing power works against fund managers who try to outperform through stock picking or market timing.

As evidence, only 18% of US-domiciled equity funds and 15% of fixed income funds have survived and outperformed their benchmarks over the past 20 years.

US-domiciled fund performance, 2004–2023



3.

Resist chasing performance

Some investors select funds based on their past returns. Yet, past performance offers little insight into a fund's future returns.

For example, most funds in the top quartile of previous five-year returns did not maintain a top-quartile ranking in the following five years.

Percentage of top-ranked funds that stayed on top

Previous 5 years

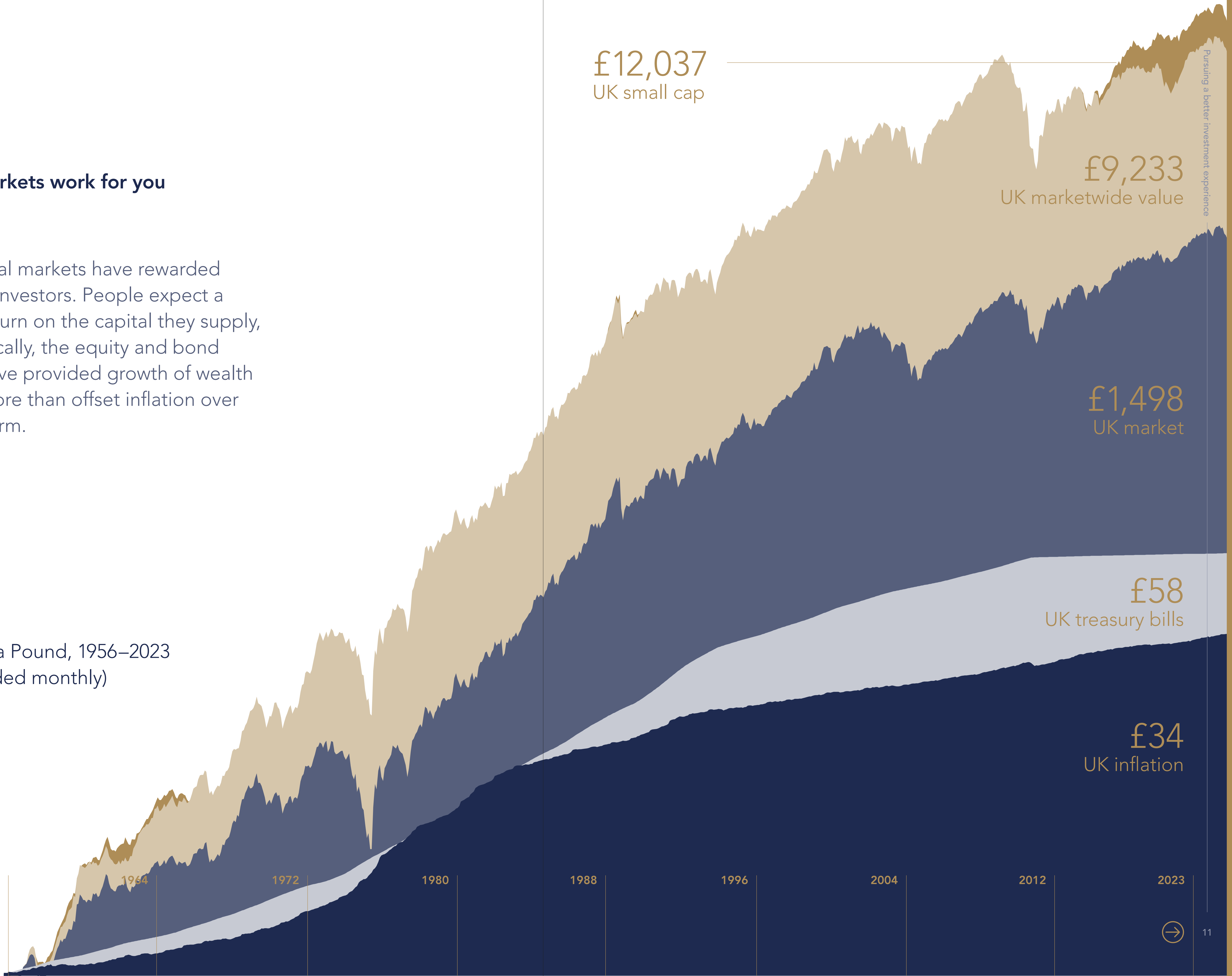
Funds remaining in top quartile of returns in the following five-year period (2013–2023 average)

4.

Let the markets work for you

The financial markets have rewarded long-term investors. People expect a positive return on the capital they supply, and historically, the equity and bond markets have provided growth of wealth that has more than offset inflation over the long term.

Growth of a Pound, 1956–2023
(compounded monthly)



5.

Consider the drivers of returns

There is a wealth of academic research into what drives returns. Expected returns depend on current market prices and expected future cash flows.

Investors can use this information to pursue higher expected returns in their portfolios.

Equities

Company size	Small company stocks outperform large company stocks over time.
Relative price	Value stocks outperform growth stocks, or those with relatively higher prices, over time.
Profitability	High-profitability company stocks outperform low profitability company stocks over time.

Fixed income

Term	Wider term spreads generally lead to higher expected returns for longer duration bonds.
Credit	Wider credit spreads generally lead to higher expected returns for lower-rated bonds.
Currency	Global currencies offer opportunities for higher expected returns and reduced volatility.

6.

Practise smart diversification

Holding securities across many market segments can help manage overall risk. But diversifying within your home market may not be enough. Global diversification can broaden your investment universe.

Single market example

MSCI United Kingdom Investable Market Index (IMI)

1 country, **322 companies**

Global market example

MSCI ACWI Investable Market Index (IMI)

47 countries, **8,977 companies**

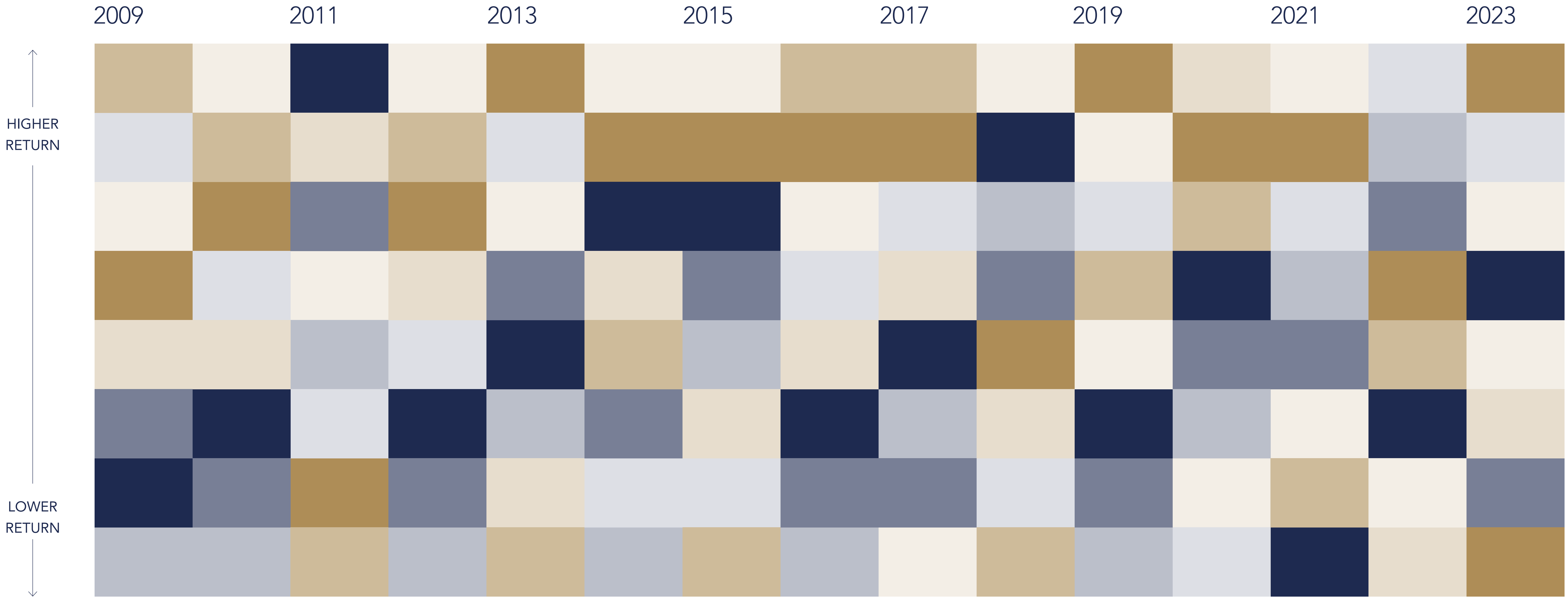
7.

Avoid market timing

You never know which market segments will outperform from year to year. By holding a globally diversified portfolio, investors are well positioned to seek returns, wherever they occur.

Annual returns by market index

- Developed markets ex UK
- Emerging markets
- Global credit
- Global real estate
- Government bonds
- Short-term government bonds
- UK treasury bills
- UK equities



8.

Manage your emotions

Many people struggle to separate their emotions from investing. Markets go up and down. Reacting to current market conditions may lead to making poor investment decisions.

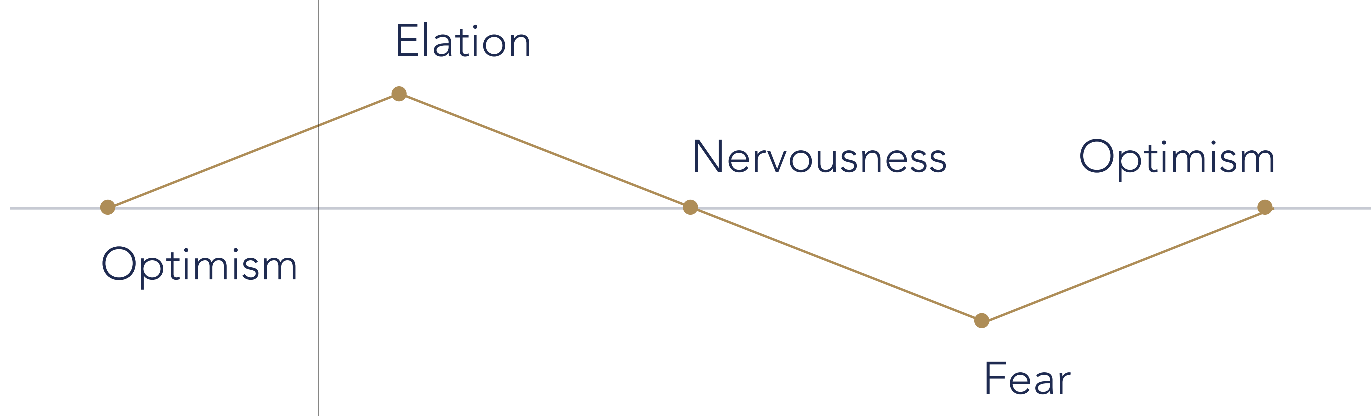
9.

Look beyond the headlines

Daily market news and commentary can challenge your investment discipline. Some messages stir anxiety about the future, while others tempt you to chase the latest investment fad.

When headlines unsettle you, consider the source and maintain a long-term perspective.

Avoid reactive investing

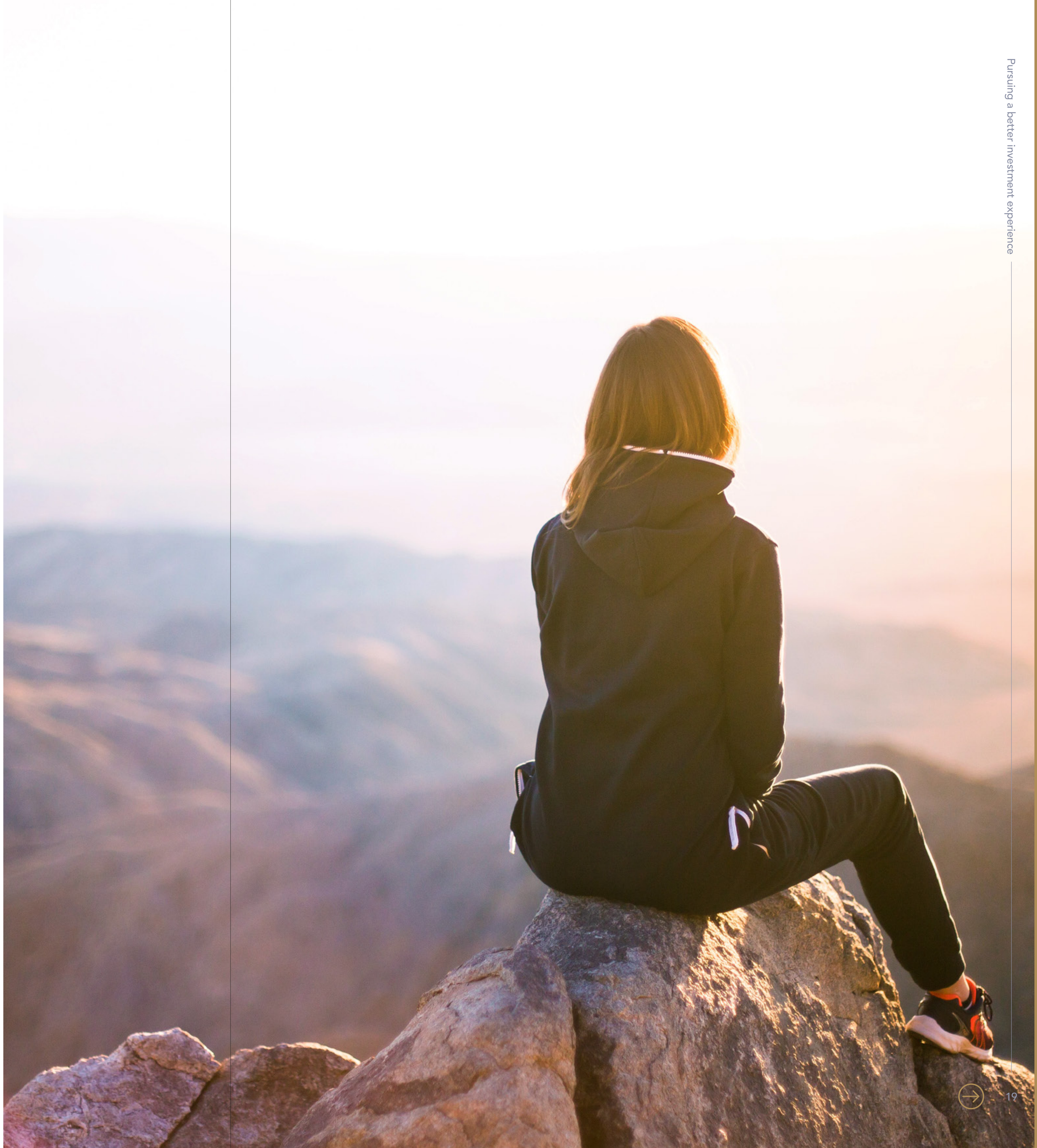


10.

Focus on what you can control

A financial life manager can offer expertise and sage guidance to help you focus on actions that add value. This can lead to a better investment experience.

- Create a Life Strategy to fit your life needs and risk tolerance
- Structure a portfolio along the dimensions of expected returns
- Diversify globally
- Manage expenses, turnover and taxes
- Stay disciplined through market dips and swings



The AES process is built upon a systematic investment approach.

On evidence, not speculation. Here's what the experts say:

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In science, what you want is the minimum number of factors that will explain something, not the maximum number.

Eugene Fama

Distinguished Professor of Finance at the University of Chicago Booth School of Business, Nobel laureate and a member of the Board of Directors of Dimensional Fund Advisors

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This investment approach is easy to communicate, is verifiable, and is eminently defensible.

Rex Sinquefield

American businessman, investor, and philanthropist who has been called an "index-fund pioneer"

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Everything in life, individually or socially, is a trade-off. We determine the risk levels we're willing to tolerate.

Robert Merton

Distinguished Professor of Finance at MIT Sloan School of Management and University Professor Emeritus at Harvard

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Control what you can control.

Dave Butler

Co-Chief Executive Officer and Head of Global Financial Advisor Services at Dimensional Fund Advisors

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All the time and effort that people devote to picking the right fund, the hot hand, the great manager, have in most cases led to no advantage."

Peter Lynch

American investor, mutual fund manager, and philanthropist. Legendary manager of the Fidelity Magellan Fund

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Modern finance is based primarily on scientific reasoning guided by theory, not subjectivity and speculation.

John "Mac" McQuown

Member of the Board of Directors of the general partner of an affiliate of Dimensional Fund Advisors

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Sometimes in life, it's not developing the best answers, but developing the right questions.

David Booth

Founder and Executive Chairman of Dimensional Fund Advisors

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Doubt is not a pleasant condition, but certainty is an absurd one.

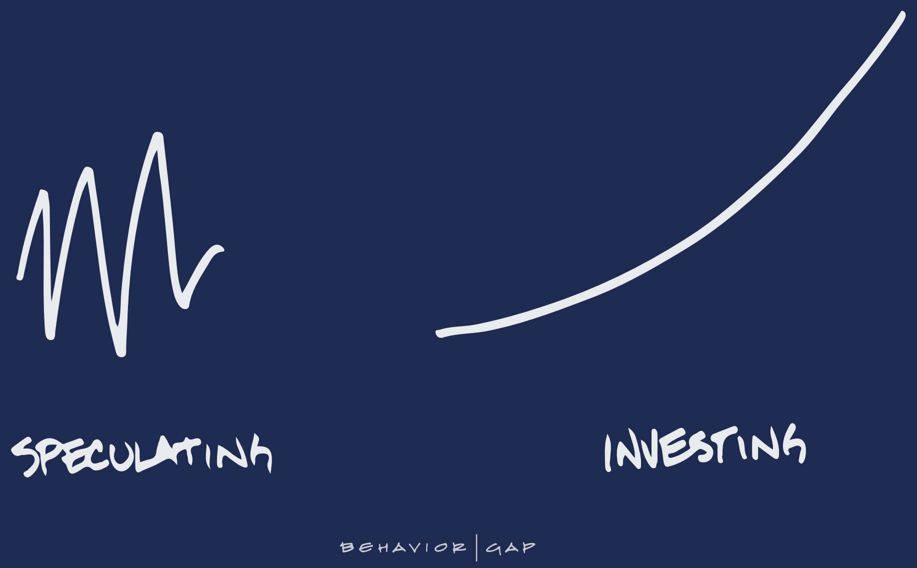
Voltaire

66 Do you know what investing for the long run but listening to market news every day is like?

It's like a man walking up a big hill with a yo-yo and keeping his eyes fixed on the yo-yo instead of the hill.

Alan Abelson

Financial journalist, and longtime writer of the influential Up and Down Wall Street column in Barron's Magazine



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AES Investment Policy Statement