LIPMAN BURGON & PARTNERS

SYDNEY | MELBOURNE | PERTH

private.advisers@lipmanburgon.com.au

Ten Principles for a new investing paradigm

The 'endowment model' of capital allocation stands out among portfolio approaches that have reshaped the pursuit of risk-adjusted returns. These are multi-asset class portfolios with higher allocations to private markets – now more accessible to family offices, accentuating their advantages over other investors. This is driven by two market trends that have ushered in a new paradigm for investors.

THE CHANGING INVESTMENT OPPORTUNITY SET
via semi-liquid, evergreen structures that have opened access to private markets. These span private equity, credit, real estate, and infrastructure across strategies, sectors, and regions.

NEW ASSET ALLOCATION FRAMEWORKS
supported by portfolio analysis tools. These modern techniques employ risk factor models, offering actionable insights and are robust enough to account for a range of listed and unlisted assets.

Principles for building enduring portfolios

To help family offices navigate the evolving landscape, Lipman Burgon & Partners has developed 10 investment principles. They draw from our experience and the latest ideas and innovations across wealth management, institutional investing, and behavioural finance.

Governance principles	1	**Establish portfolio goals and constraints:** Set realistic return goals, identify constraints, and set up structures and policies to guide capital allocation decisions effectively.
	2	**Redefine the asset class framework:** Integrate public and private assets based on shared risk and return drivers rather than traditional classifications.
Investment principles	3	**Adopt an evidence-based investment philosophy:** Base investment decisions on empirical data and research to enhance portfolio performance.
	4	**Embrace the value of beta:** Recognise the importance of market exposure (beta) in achieving long-term investment returns.
	5	**Diversify and set a risk budget:** Create a diversified portfolio by apportioning risk targets based on an investment's contribution at a portfolio, asset and risk factor level.
	6	**Conduct investment and operational due diligence:** Define a specific portfolio need and conduct thorough due diligence on investments and operational processes to anchor selection in that need.
	7	**Implement efficiently to improve outcomes:** Optimise portfolio implementation to balance trade-offs and enhance efficiency by employing passive or active strategies and managing active risk.
	8	**Review factor exposures and stress test:** Regularly assess exposures using factors and conduct portfolio stress tests to understand potential vulnerabilities.
Behavioural principles	9	**Separate behavioural alpha, signals and noise:** Identify and counteract cognitive biases to improve decision-making and achieve better investment outcomes.
	10	**Turn adversity into opportunity:** Leverage challenging market conditions as opportunities for patient and self-aware investors to target strategic investment and growth.

These principles reflect our investment philosophy and our experience working with family offices to build multi-asset portfolios that capitalise on the opportunity set. By embedding these principles in portfolio design, we have seen how they enhance portfolio outcomes.

To learn more about the **Ten Principles for a new investing paradigm**, you can download the full wealth strategies whitepaper here.