



FinClear Execution Ltd (ABN 56 061 751 102 AFSL 246842)

## Supplementary Financial Services Guide

Issue Date: 1 March 2017

## 1. Introduction

This Financial Services Guide (**FSG**) supplements the FinClear Execution Limited (**FinEx**) FSG dated 1 March 2017 and provides further information about FinEx's Managed Discretionary Account (**MDA**) service, also known as the **Managed Account Service** and is designed to assist you in making an informed decision about whether to use our Managed Account Service. Both our FSGs are important documents and should be read together and kept with your financial records.

FinEx has commercial arrangements in place with Lonsec Research Pty Ltd (**Lonsec**) to act as an Investment Manager. As the Investment Manager, Lonsec provides FinEx with Model Portfolios and Research which FinEx uses for its Managed Account Service. Other entities may also be appointed as Investment Managers.

Your financial adviser, whose name appears in the FinEx Managed Account Agreement (**Nominated Adviser**), has recommended a direct investment in an ASX listed portfolio using the FinEx Managed Account Service which gives you access to a number of notional portfolios maintained by FinEx. Each notional portfolio has different collective investment/risk characteristics and your Nominated Adviser has recommended the FinEx Model Portfolio (detailed in Section B as being appropriate for your investment strategy).

**The FinEx Model Portfolios are “notional” or hypothetical portfolios. They do not consider or take into account any tax considerations.**

Under the Managed Account Service, FinEx will establish a portfolio of financial products on your behalf which mirrors the selected Model Portfolio. Your portfolio will be held in either a Wrap account or a FinEx CHESS sponsored account as agreed with your Nominated Adviser. FinEx will monitor and manage the Model Portfolio and when changes are made to the notional portfolio, FinEx will (using its discretionary authority) implement any investment changes to your portfolio on your behalf. FinEx will report directly to you each quarter and will send you a Confirmation each time an investment change is made to your portfolio.

This Supplementary FSG complies with ASIC Class Order 04/194, dated 11 March 2004, a copy of which you may obtain either from us on request or from ASIC's website ([www.asic.gov.au](http://www.asic.gov.au)).

Before signing any documentation in relation to appointing us to manage and maintain a Managed Account Managed Account Service, it is most important that you understand all of the material completely. You should consider seeking advice from your Solicitor. Please feel free to ask your Nominated Adviser or FinEx for more information. Be sure to ask us for an explanation of anything in the documentation which is not clear to you.

## 2. What is the Purpose of This Supplementary Financial Services Guide?

The purpose of this Supplementary FSG is to provide information about:

- a) What a Managed Account Service is, and the significance of giving discretionary authority to us.
- b) The limited range of financial products which can be invested in through our Managed Account Service, and other limitations to the Service.
- c) How we are remunerated by you and others for providing our Managed Account Service.
- d) Significant risks associated with opening, maintaining and investing through a Managed Account Service.
- e) What you must do before we can provide our Managed Account Service to you.
- f) How a Managed Account Service is operated and administered, and how and what we will report to you.
- g) Tax treatment and advice.
- h) How an Investment Program is developed for your Managed Account Service, how frequently it is reviewed, and the nature of the review.
- i) How your portfolio would be held (i.e. in whose name and by whom)

j) How rights relating to your portfolio are to be exercised, including the right to vote at General Meetings.

### **a) What a Managed Account Service is and the significance of giving discretionary authority to us.**

The FinEx Managed Account Service is a managed discretionary account. If your Nominated Adviser has recommended that you invest in the FinEx Managed Account Service and recommended an approved Model Portfolio as arranged by FinEx, an account and associated portfolio (your **Portfolio**) will be established in your name, which is used to make investments on your behalf in a narrow range of financial products. The investments in your Portfolio are limited to financial products which mirror the Model Portfolio recommended to you by your Nominated Adviser from time to time. You can choose to have the securities in your Portfolio held by your nominated Wrap provider, or by FinEx in a CHESSE Sponsored Account. It is an essential element of the Managed Account Service that you open an account with FinEx and give FinEx a limited discretionary authority to implement change to your portfolio, as and when changes are made to the Model Portfolio without first having to refer the changes to you or your Nominated Adviser. Your authority is part of the Managed Account Service Agreement and is limited. For example, it does not grant authority to FinEx to apply for or give instructions on corporate actions resulting from any financial product within your Managed Account Service.

On a day to day basis, FinEx and its representatives are obliged to monitor and manage the Model Portfolio in accordance with the Model Portfolio's strategy. Your Nominated Adviser has completed an Investment Program for you which is presented as a Schedule to the Managed Account Agreement and forms part of the Managed Account Agreement.

The discretionary authority you provide to us, allows us to deal and invest on your behalf at any time and to bind you to those dealings or investments as if you'd given us the order or other instructions yourself.

Provided that we act in accordance with the discretionary authority you have given us, you must accept and settle any transaction to your portfolio. You cannot refuse to accept any transaction (e.g. a sale consistent with a change to the Model Portfolio) just because you didn't give us direct instructions for that transaction. At all times you will be the beneficial owner of holdings or funds in your portfolio via your nominated Wrap account or FinEx CHESSE Sponsored Account but we will control day-to-day trading or investment on your portfolio. FinEx will send transaction Confirmations (previously known as contract notes) to you after every market-executed transaction.

You will be able to monitor your portfolio by accessing your nominated Wrap Account or another service nominated by your Nominated Adviser. We will report to you directly each Quarter (or more frequently if you require and we agree). You are free to meet or consult with your Nominated Adviser regarding your portfolio, or you may contact FinEx directly. You must contact your Nominated Adviser to contribute further funds or holdings to your portfolio.

Subject to minimum portfolio value of \$50,000 requirements being met, you may withdraw holdings or funds. You may override any or all these discretions for any period you determine by instruction (either in person, by telephone, facsimile or post) to your Nominated Adviser. However, if you do this, FinEx reserves the right to terminate the Managed Account Service and change your portfolio and associated account to an ordinary account with FinEx held outside this service. You should always take an active interest in your portfolio, monitor its progress and consider our Reports carefully.

### **b) The limited range of financial products which can be invested in through our Managed Account Service, and other limitations to the Service.**

Your Nominated Adviser has recommended a direct investment in ASX listed financial products using the stocks selected for the recommended Model Portfolio. These stocks will be held in your nominated Wrap Account or FinEx CHESSE Sponsored Account and will not be pooled with any other assets.

Our Managed Account Service does not extend to dealings or investments in futures, commodity contracts, options or derivatives.

Although you have the right to give us instructions on your account at any time, to withdraw funds or override the discretionary authorities given to us in the Managed Account Service Agreement, you should consider this carefully before doing so.

Your portfolio is constructed to strictly follow the recommended Model Portfolio developed by the Investment Manager and actions are taken on your Portfolio to mirror any investment changes made by the Investment Manager to the Model Portfolio. The Managed Account Service involves a very narrow authority and requires us to constantly monitor the Model Portfolio. These arrangements have been designed with limited client contact in mind and to minimise the administration necessary (and related costs) in support of the Managed Account Service.

Your Nominated Adviser has recommended one or more of the following FinEx Model Portfolio as being appropriate for your investment strategy. Please refer to schedule 1 for the investment profile of each portfolio.

- Lonsec Australian Equities Core Model Portfolio (“Core Model Portfolio”).
- Lonsec Australian Equities Income Model Portfolio (“Income Model Portfolio”).
- Lonsec Australian Equities Listed Income Securities Model Portfolio (“Hybrids Model Portfolio”).
- Lonsec Australian Equities Emerging Leaders Model Portfolio (“Emerging Leaders Model Portfolio”).
- Lonsec Australian Equities ETF Model Portfolio (“ETF Model Portfolio”).
- Lonsec Diversified Direct Model Portfolio (“Diversified Model Portfolio”).

The FinEx Model Portfolios are “notional” or hypothetical portfolios and they do not consider or take into account any tax considerations.

## **Trading**

FinEx will only trade under the discretionary authority when either an investment change has been made to the FinEx Approved Model Portfolio or if a change has not been made to the model for three (3) months and you have made Contributions to your Managed Account. You will receive a confirmation for each transaction in your Managed Account Service.

Other trading may occur under instruction from your Nominated Adviser or from you directly.

Historically, the Lonsec Model Portfolios have had low turnover of 20-30% of the total Model Portfolio per annum.

## **Minimum Investment and Withdrawals**

The minimum contribution required to establish your Portfolio under the Managed Account Service is **\$50,000**. This can be made in cash, or you may contribute in specie your own existing stock which is one of the existing Model Portfolio stocks.

Once established, your portfolio balance must remain above \$50,000. Your requests to withdraw funds must be directed to your Nominated Adviser for processing and authorization. You can withdraw either by requesting particular stock(s) be sold to release the required funds, or by requesting a fixed value withdrawal (i.e. /\$20,000). If a withdrawal results in your Portfolio balance falling below the \$50,000 minimum, FinEx will terminate these arrangements and cease to provide the Managed Account Service to you. If you give an instruction or make a withdrawal of financial product(s) which in FinEx’s opinion causes your Portfolio to deviate from the recommended Model Portfolio strategy, FinEx may choose to terminate these arrangements. In these circumstances, termination means that FinEx will cease to provide the Managed Account Service, will cancel your discretionary authority and change your Portfolio and associated account to a non-discretionary account with FinEx. We will (though your Nominated Adviser) inform you in writing of this occurs. In all cases, your Portfolio will remain registered in your Wrap or as a FinEx CHESS Sponsored account and will not be pooled with other assets.

### **c) How are we remunerated by you and others for providing the Managed Account Service?**

Fees payable by you:

- Brokerage will be charged whenever a purchase or sale of securities is completed on your behalf, and the actual amount you pay will be detailed on the Confirmations you receive. Your brokerage rate is determined by your Nominated Adviser.
- A Management Fee is charged on the value of your FinEx Managed Account Portfolio at the end of each month and this charge will be detailed in full on your quarterly reports. Details of the fee and how FinEx will receive the fee (e.g. directly from your nominated bank account or via your Nominated Adviser) will be agreed with you on establishment of your account.

These fees will be collected by FinEx's third party Clearing agent (Clearing Agent) and will be remitted to FinEx once the Clearing Agent has taken their fees and FinEx will in turn pass on these fees to your Nominated Adviser once FinEx has collected its fees.

FinEx is remunerated by the Management Fees it charges and the fees it charges your FSP for executing your transaction (Execution Fee). The Execution Fee that it charges your FSP is transaction based and is a fee per trade. This fee is negotiated between your FSP and FinEx and will be passed on to you. For every transaction you enter into you will be charged a brokerage fee that is determined by your FSP and this brokerage fee will include FinEx's Execution Fee (which your FSP will pass on to you) and may also include the fee that your FSP charges. FinEx's Third Party Clearer will collect the brokerage and remit this brokerage to FinEx (less their fees) and FinEx will then remit this to your FSP less the fees that is payable by the FSP to FinEx.

FinEx will charge and retain the Management Fee that is charged based on the value of your FinEx Managed Account Portfolio. Your Nominated Adviser may also mark up the Management Fee and retain their portion of the Management Fee (details of which should be in your Nominated Adviser's FSG).

FinEx may from time to time participate in the placement, underwriting or sub-underwriting of financial products. For its role, FinEx usually receives a fee of up to 5% of the value of the issue from the issuer of the Financial Product. This fee will cover the placement of Financial Products, balance sheet risk, processing of applications and distribution and administration functions. These fees are not payable by you.

### **d) Significant risks associated with opening, maintaining and investing through a Managed Account Service**

The various categories of risk summarised in our FSG, which are applicable to any direct investment in financial products traded on financial markets (e.g. ASX), apply to your portfolio. Model Portfolio investment philosophy is designed to reduce risk, but there can never be 'no risk'. A point you should consider carefully is that even though we confirm transactions and regularly report to you in detail, your portfolio assets are invested without your direct involvement. All investment activity by FinEx must be in accordance with the discretionary authority specified in the Managed Account Service Agreement and the Investment Program for the Managed Account Service. Any unauthorised dealings by FinEx, its representatives or agents are prohibited, and should they occur they would be reversed or refunded to your portfolio in full. Our review processes, professional indemnity and other insurance cover, our membership of FOS and your legal rights ensure protection against unauthorised investments or transfers of funds.

As you are the beneficial holder of all holdings and funds which make up your portfolio, any investment growth or profits are yours, and any losses are yours. We do not, and the nature of investing in financial markets is such that we cannot, guarantee any investment performance or outcome.

### **e) What you must do before we can provide the Managed Account Service to you.**

Before the Managed Account Service can be provided to you, your Nominated Adviser will:

- arrange to complete our New Account Pack. This is made up of an Account Application Form (which you must complete and sign) and includes a copy of the terms and conditions of opening an account with FinEx and FinEx's Financial Services Guide;
- give you a Managed Account Service s pack (which you must complete and sign). This includes the terms
- and conditions of the Managed Account Service account, the limited discretionary authority which allows us to make changes to your portfolio, and this Supplementary FSG;
- (If relevant) ask that you appoint FinEx as your agent for the purpose of accessing your portfolio and transaction history within your Wrap account;
- request you complete and return a Client Profile Questionnaire. This is an essential part of opening a LMP account as it is used to develop your Investment Strategy and Investment Program, and to confirm a LMP is appropriate for you;
- discuss the scope of the discretionary authorities necessary for the Managed Account Service;

You must then:

- read and consider our Financial Services Guide and this Supplementary FSG carefully;
- read and consider the New Account Pack and the FinEx LMP Agreement;
- if you are satisfied, then sign the Account forms and Agreement and return them to your Nominated Adviser,
- contribute at least the minimum funds and/or stock holdings required.

All Agreements and Account Application material must be completed in full, signed and returned to your Nominated Adviser, who will deliver it to us. Upon receipt, FinEx will authorize the opening of your FinEx account open your FinEx account and we will send to you directly an executed copy of the Managed Account Service. Once your FinEx account has been opened, we can purchase investments for your portfolio. We will send you and your Nominated Adviser copies of Confirmations of each transaction on your portfolio.

Please retain for your records the terms and conditions of opening your account, the FinEx FSG and this Supplementary FSG.

## **f) How a Managed Account Service is operated and administered, and how and what we will report to you.**

Monitoring and review of the FinEx Approved Model Portfolio (which your portfolio follows) is conducted by representatives of the Investment Manager.

FinEx and its representatives monitor and review the notional Model Portfolios daily. Any proposed changes to the notional Model Portfolios are discussed and approved by the Investment Manager's equity investment committee prior to acceptance and implementation. Investment changes made by the Investment Manager to the Model Portfolio, do not take into consideration any person's personal objectives needs or financial situation; changes are based purely on stock selection, performance and the investment strategy of the Model Portfolio.

FinEx is authorised to take up or action any proposed corporate actions as advised by the Investment Manager without approval from your Nominated Adviser.

Each transaction executed on-market on your portfolio on your behalf will be confirmed to you by means of a Confirmation.

We will report to you at least Quarterly (more frequently if you require and we agree) the following information for your portfolio:

- all transactions effected;
- all holdings and funds held at the end of the period;
- total assets and liabilities held at the beginning and end of the period; and
- all fees whether payable by you or third- parties, all brokerage or other charges or expenses relating to the operation of the Managed Account Service.

You may request a copy of a previous quarterly report.

We will also provide an annual financial year report that will include:

- a summary of the transactions effected on your behalf, including a summary of the nature and purpose of those transactions;
- an Auditor's Report regarding the adequacy of our Managed Account Service procedures and internal controls, the accuracy of Reports provided to you, and expressing an opinion whether any Report has been materially misstated.
- any other reports as requested by Nominated Adviser.

At least annually your Nominated Adviser should discuss with you the on-going suitability of your Investment Program for your Portfolio (included as a Schedule to your Managed Account Service Agreement with FinEx). This will take into account your relevant investment objectives, financial situation and needs (i.e. your relevant personal circumstances). For further details regarding this please refer to section H below.

## **g) Tax Treatment and Advice**

FinEx will not provide tax advice to you, nor will it consider any tax requirements or obligations providing the Managed Account Service to you or generally in considering changes to the recommended Model Portfolio. **!** Should your Nominated Adviser determine that an investment change is not appropriate for you, they will advise FinEx accordingly. Should FinEx receive notification from your Nominated Adviser that the change is not appropriate, FinEx will not implement the change.

## **h) How an Investment Program is developed for your portfolio, how frequently it is reviewed, and the nature of the review.**

Your Nominated Adviser will first consider the appropriateness of your direct investment in the Model Portfolio and the use of FinEx's Managed Account Service. To this end, your Nominated Adviser may request that you complete a comprehensive Client Profile Questionnaire. This profile captures your particular financial situation and needs and facilitates development of an Investment Strategy, all of which is necessary to ensure the Model Portfolio is personally appropriate for you,

The 'profile' may be completed in consultation with your Nominated Adviser. It allows you to specify your tolerance to risk, investment preferences and performance goals. It will usually relate to your entire financial situation and needs, and will be wider than the Managed Account Service that you obtain from FinEx.

Your Nominated Adviser will develop an Investment Program for you, and this may include a separate Investment Program relating to your proposed investment in the portfolio dealt with under the Managed Account (Managed Account Investment Program)

FinEx confirm with your Nominated Adviser that the Managed Account Investment Program has been completed under the terms of agreement between FinEx and your Nominated Adviser.

The Managed Account Investment Program developed by your Nominated Adviser should comply with the 'reasonable basis for personal advice' and Statement of Advice requirements of the Corporations Act (i.e. Division 3 of Part 7.7 of the Corporations Act).

It should, amongst other information, also:

- state the nature and scope of the discretions FinEx will be authorised and required to exercise in pursuit of the LMP Investment Program;
- state the investment strategy to be applied in exercising those discretions;
- include information about any significant risks associated with signing the Managed Account Agreement and investing in a Managed Account Service;
- set out why the Managed Account Service including your Managed Account Investment Program, is suitable for you; and
- include warnings that the Managed Account Service may not be suitable for you if you have only provided your Nominated Adviser with limited or inaccurate profile information, and that the Managed Account Service may cease to be suitable if your financial situation, investment objectives or needs change.

Your Managed Account Investment Program will be reviewed at least annually by your Nominated Adviser and provided to FinEx, and presented to you by your Nominated Adviser as a Statement of Advice. You may request your Nominated Adviser to conduct a review at any time, particularly if your circumstances or needs have changed materially. Your Nominated Adviser would then again request that you to complete a comprehensive Client Profile Questionnaire. You should advise your Nominated Adviser of material changes to your financial situation, particular financial needs and investment objectives so the appropriateness of your LMP Investment Program can be reviewed.

### **i) How your portfolio would be held (i.e. in whose name and by whom).**

Your FinEx account and portfolio will be established in your name by FinEx. You have a choice to have your portfolio holdings administered by FinEx or by your nominated Wrap provider. If you choose FinEx, the shares will be held directly in your name and the registration address of your portfolio holding will be FinEx's address.

If you choose a Wrap provider, the shares will be held directly in your name or via the custody service. The registration address for your portfolio holdings will be the Wrap provider's address.

The mailing address we use for the Managed Account Service (for Confirmations, Quarterly Reports and Annual Reports) will be your residential or postal address as nominated by you. If you have an email address, Confirmations, Quarterly Reports and Annual Reports may be emailed to you directly unless you reach alternative arrangements with FinEx and your Nominated Adviser.

### **j) How rights relating to your portfolio are to be exercised, including the right to vote at General Meetings.**

Corporate actions include such matters as dividend reinvestment plans, share purchase plans, rights issues, takeover offers, mergers, share buy-backs and voting at company general meetings. Your Portfolio holdings will change as we pursue the investment strategy of the Core Model Portfolio or respond to your direct instructions regarding contributions, withdrawal of funds or particular holdings.

The discretionary authority that you have given to us limits our discretion to deal with dividends or other "corporate actions".

If you choose to have your portfolio administered by a Wrap provider:

- We will not act on any corporate action. We will refer to your Nominated Adviser for the instructions on how action any matter on your holdings according the Investment Manager's recommendations.
- As your Portfolio will be managed and administered within the Wrap you will not receive Annual or other Reports, and Notices of Annual or Extraordinary General Meetings in the usual manner by post from the Issuer of each financial product held at that time.
- Your Nominated Adviser will manage this process directly with the Wrap as per the current authority or agreement granted to them by you.

If you choose to have your portfolio administered by FinEx:

- We will manage all corporate actions which affect your portfolio subject to instructions of the Investment Manager.
- You will not receive Annual or other Reports, and Notices of Annual or Extraordinary General Meetings in the usual manner by post from the Issuer of each financial product held at that time.

## k) Fee Schedule

### Brokerage on financial products traded on ASX markets

Flat fee of \$30.00 per transaction + GST

### FinEx Managed Account Service Fee

Management Fee per annum:	0.35% + GST
Minimum Managed Account Service Fee per annum	\$500.00 +GST

*The Management Fee is calculated monthly on the value of the portfolio at the end of each month.*

### Example 1- based on a total Managed Account Service fee payable of 0.35% per annum:

Initial Contribution	\$250,000
Portfolio Valuation as at month end:	\$260,000
Portfolio Valuation at 30 June	\$260,000
Calculation @ 0.35% per annum:	\$910.00
Fee per annum ÷ 12:	\$75.83
GST payable:	\$7.58
<b>Total Fee Payable for June:</b>	<b>\$83.41</b>

### Example 2- based on a total Managed Account Service fee payable of 0.35% per annum or the minimum of \$500.00 per annum

Initial Contribution	\$50,000
Portfolio Valuation as at month end:	\$60,000
Portfolio Valuation at 30 June	\$60,000
Calculated fee per annum:	\$210.00
Minimum fee per annum:	\$500.00
Fee per annum ÷ 12:	\$41.66
GST payable:	\$4.17
<b>Total Fee Payable for June:</b>	<b>\$45.83</b>

Please refer to your Nominated Adviser for further details on the fees and how you will be charged

### 3. The Model Portfolios

#### a) Lonsec Australian Equities Core Model Portfolio (Core Model Portfolio)

The Core Model Portfolio investment profile is as follows:

**Objective**

The Core Model Portfolio aims to deliver strong returns above benchmark, over the medium to long term, by investing in a concentrated portfolio of large-cap Australian listed companies.

**Benchmark**

S&P/ASX 200 Accumulation Index

**Time horizon**

Your investment time-horizon for the Core Model Portfolio should be at least 3 to 5 years.

**Investment strategy**

To add value over the benchmark by constructing a concentrated equity portfolio of quality large-cap Australian shares with low portfolio turnover.

**Investment approach**

The portfolio process combines top-down views with bottom-up 'quality at a reasonable price' stock filters. Portfolios are concentrated between 10-20 stocks and portfolio turnover is low. Lastly, a number of risk management tools are employed to mitigate portfolio risk.

**Investment universe**

ASX 200 stocks.

**Portfolio construction rules**

- Minimum stock weight 2.5%, maximum stock weight 15.0%
- Active stock limit, stock weight +10%
- GICS sector limit, sector weight +20%
- Non-index limit 10% (allows for new floats)
- Cash limit 10% (allows for rapid removal of a stock before a replacement is identified)

#### b) Lonsec Australian Equities Income Model Portfolio (Income Model Portfolio)

The Income Model Portfolio investment profile is as follows:

**Objective**

To deliver an above-benchmark, tax effective income stream and reasonable capital growth, over the medium to long term, by investing in a concentrated portfolio of large-cap Australian companies.

**Benchmark**

S&P/ASX 200 Accumulation Index

**Time horizon**

Your investment time-horizon for the Income Model Portfolio should be at least 3 to 5 years.

**Investment strategy**

Construct a concentrated portfolio of quality large-cap stocks with a focus on income and then growth.

**Investment approach**

The portfolio process combines top-down views with bottom-up 'quality at a reasonable price' stock filters. Portfolios are concentrated between 10-20 stocks and portfolio turnover is low. Lastly, a number of risk management tools are employed to mitigate portfolio risk.

**Investment universe**

ASX 200 stocks

**Portfolio construction rules**

- Minimum stock weight 2.5%, maximum stock weight 15.0%
- Active stock limit, stock weight +10%
- GICS sector limit, sector weight +20%
- Non-index limit 10% (allows for new floats)
- Cash limit 10% (allows for rapid removal of a stock before a replacement is identified)

**c) Lonsec Listed Income Securities Model Portfolio (Hybrids Model Portfolio)**

The Hybrids Model Portfolio investment profile is as follows:

**Objective**

The objective of the portfolio is to deliver a sustainable income stream, greater than cash and inflation, which exceeds the benchmark (Bloomberg AusBond Bank Bill Index) by +1.5%p.a., while maintaining capital stability over the medium to long term.

The portfolio is suitable for investors seeking a relatively high level of capital security from a diversified portfolio of listed debt securities with returns that should exceed those available from cash and other forms of short-term income investments.

**Benchmark**

Bloomberg Ausbond Bank Bill Index

**Time horizon**

Your investment time-horizon for the Hybrids Model Portfolio should be at least 3 to 5 years.

**Investment strategy**

Construct a concentrated portfolio of quality hybrid securities with a focus on income and capital stability.

**Investment approach**

The portfolio process combines top-down views with bottom-up 'quality at a reasonable price' stock filters. Portfolios are concentrated between 10-20 stocks and portfolio turnover is low. Lastly, a number of risk management tools are employed to mitigate portfolio risk.

**Investment universe**

ASX Listed debt securities with a minimum market cap of \$150m.

**Portfolio construction rules**

- Maximum stock weighting – 20%
- Minimum number of stocks – 5
- Maximum number of Stocks -10
- Minimum market cap of \$150m

**d) Lonsec Australian Equities Emerging Leaders Model Portfolio (Emerging Leaders Model Portfolio)**

The Emerging Leaders Model Portfolio investment profile is as follows:

**Objective**

The Emerging Leaders Model Portfolio aims to deliver strong returns above benchmark, over the medium to long term, by investing in a diversified portfolio of emerging Australian listed companies.

**Benchmark**

S&P/ASX Small Ordinaries Accumulation Index

**Time horizon**

Your investment time-horizon for the Emerging Leaders Model Portfolio should be at least 3 to 5 years.

#### **Investment strategy**

To add value over the benchmark by constructing a concentrated equity portfolio of quality mid-cap and small-cap Australian shares with low portfolio turnover.

#### **Investment approach**

FinEx's portfolio process combines top-down views with bottom-up 'quality at a reasonable price' stock filters. Portfolios are concentrated between 10-20 stocks and portfolio turnover is low. Lastly, FinEx employs a number of risk management tools to mitigate portfolio risk.

#### **Investment universe**

Stocks outside the ASX 100 with a minimum market cap of \$150m.

#### **Portfolio construction rules**

- Minimum stock weight 2.5%, maximum stock weight 15.0%
- GICS sector limit, sector weight +25%
- Non-index limit 20% (allows for stocks outside of benchmark and transition out of stocks entering the ASX 100)
- Cash limit 10% (allows for rapid removal of a stock before a replacement is identified)
- Minimum diversification of 8 GICS industry sectors
- Minimum market cap of \$150m
- 

## **e) Lonsec Diversified Direct Model Portfolio (Diversified Model Portfolio)**

The Diversified Model Portfolio investment profile is as follows:

#### **Objective**

The Diversified Direct Model Portfolios aim to provide a diversified portfolio solution, based solely on the use of listed investment vehicles. Specifically, the FinEx Diversified Direct Model Portfolios aim to;

- provide a holistic diversified portfolio solution to clients who have elected to use the FinEx Australian Equity Core Model Portfolio as the cornerstone of their domestic equity portfolio
- deliver a listed portfolio solution that remains broadly consistent with the Investment Manager's Risk Profile framework
- deliver a highly liquid, low cost diversified portfolio solution
- provide a tax efficient and transparent portfolio solution
- allow investors to maintain beneficial ownership of their diversified portfolio

#### **Time horizon**

Your investment time-horizon for the Diversified Model Portfolio should be at least 3 to 5 years.

#### **Investment universe**

Four types of listed vehicles have been used within the model portfolio structures across various asset classes. These are Australian Equities, Exchange Traded Funds (ETFs), Listed Investment Companies (LICs) and Listed Income Securities / Hybrid Securities.

The criteria for selecting the most appropriate listed vehicles to complement the FinEx Australian Equity Core Model Portfolio within a diversified portfolio include;

- ETFs rated Approved by the Investment Manager
- LICs that represent listed versions of the Investment Manager's highest rated managed fund products (i.e. the corresponding managed fund is rated Recommended or Highly Recommended)

- The Investment Manager's preferred hybrid securities, with priority given to quality corporate structures ahead of yield (i.e. avoiding exposure to more speculative exposures offering higher yields)

The asset allocation (weightings) within the portfolio will be determined by your Nominated Adviser in accordance with your investment strategy.