

# Managed Account

Managed  
Model Profiles

19 April 2018

## Quilla

Quilla Index Conservative Income Portfolio  
Quilla Index Moderate Portfolio  
Quilla Index Assertive Portfolio



 **QUILLA**

Netwealth Investments Limited ABN 85 090 569 109 AFSL 230975.  
Responsible Entity of the Netwealth Managed Account ARSN 604 930 252.

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This document describes the Quilla Managed Models for which Netwealth has appointed Quilla Consulting Pty Ltd ('**Quilla**') (ABN 99 600 052 659), an authorised representative of Caravel Consulting Services Pty Ltd ('**Caravel**') (ABN 94 108 198 858, AFS Licence No. 320842), as the Model Manager.

The information in this document is taken to be included in the Managed Account Product Disclosure Statement ('**PDS**') issued by Netwealth.

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The information in this document about Quilla and Caravel is based on information provided to us by Quilla and Caravel and:

- we have not independently verified the information provided by Quilla or Caravel and, to the extent permitted by law, take no responsibility for it;
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We may choose not to implement the advice provided by Quilla in relation to the investment portfolio for the Quilla Managed Models where we believe that doing so may breach relevant law or result in an outcome that is not consistent with the investment mandate of the Quilla Managed Models and we may adjust the investment portfolios of the Quilla Managed Models in our absolute discretion.

An investment in the Managed Account is not a deposit with or other liability of Quilla or Caravel or any of their related bodies corporate and is subject to investment risk including possible delays in repayment and loss of income or principal invested. Neither Quilla nor Caravel nor any of their related bodies corporate guarantees the performance of the Managed Account, the repayment of capital from the Managed Account or any particular rate of return.

Quilla and Caravel have given and not withdrawn their consent to be named in this document in the form and context in which they are named.

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## About the Model Manager

Quilla is the investment manager in relation to the establishment and implementation of the Quilla Managed Models. Quilla is an Australian owned, boutique investment group, which leverages the experience and skills of a team of highly experienced fund management professionals. They provide market leading investment services including dynamic asset allocation and investment manager research and selection. Quilla's vision is to assist clients achieve their investment objectives through the application of institutional investment management practices and close working relationships.

### Investment strategy

Quilla's investment style is categorised as active value management with quantitative foundations and qualitative decision-making. Unlike a traditional multi-asset investment approach which constructs portfolios around relatively static asset allocations, the portfolios use a dynamic approach to asset allocation to take full advantage of the opportunities presented in the markets. Quilla actively adjusts the allocations to seek to deliver a high probability of achieving the required return objective, whilst maintaining the stated risk profile. The Quilla Conservative Income Portfolio is an objective-based multi-asset investment strategy. The availability of a range of predominantly passive investment strategies coupled with broad investment ranges, provides the flexibility to choose assets that have the highest probability of achieving the portfolios objectives. This is further enhanced by the incorporation of a risk management framework designed to identify and mitigate downside risk within the portfolio. The resulting portfolio is diversified across an array of assets and securities, which is intended to leave it well placed to achieve its objectives.

### Investment philosophy and process

Quilla employs a 4-step investment process for portfolio design and investment selection:

#### 1. Asset allocation

Quilla uses forward-looking economic models to construct the right portfolio for the prospective investment environment. Quilla's process identifies a range of portfolio choices and the trade-offs between those choices. Central to the process is disciplined stress testing. The need for stress testing arises from significant uncertainty about what the future holds, and the recognition that a robust strategy cannot be designed from consideration of just one set of assumptions about the future. Quilla uses history as a guide only and recognises the possibility that extreme events can occur more frequently than history indicates. Quilla's asset allocation solutions are typically more detailed than traditional investment approaches. This helps give Quilla more flexibility in how it manages its portfolios in the face of dynamic investment markets.

#### 2. Investment selection

Quilla's research is not compromised by the need to promote internally managed products. Quilla conducts global research using proprietary processes to identify the best investment products to match the specific exposures identified by the asset allocation process. The investment selection process starts with detailed quantitative analysis of investment manager performance and exposures followed by qualitative reviews and meetings with the managers. Quilla will use a range of instruments including unit trusts, managed portfolios and ETF's. Portfolio construction is a quantitative exercise that explicitly calculates the expected risk and return properties of a portfolio to check against the portfolio's objectives.

#### 3. Dynamic management

From time to time Quilla's proprietary models identify market dynamics offering opportunities to enhance return and/or reduce risk. Quilla can incorporate these views into their portfolios by fine tuning asset class, sector or strategy weights. Consistent with the rest of Quilla's approach, potential dynamic tilts are quantitatively modelled to objectively illustrate the risk/return trade-offs they offer the portfolio and then qualitatively assessed for consistency with Quilla's thematic views and for risk management purposes before implementation.

#### 4. Monitoring and review

Quilla regularly updates asset allocation models and adjusts the portfolio when required. Quilla also runs a detailed monitoring program at the sub-asset class level to ensure that the investments used to populate the portfolio are performing according to expectations. This program leads to a structured set of actions to follow for investments which may not be meeting expectations.

## Quilla Managed Model Managed Funds List

The Managed Models referred to in this document may invest in managed funds. The managed funds that may currently be held in the Quilla Managed Models, along with their product disclosure statements, are listed in the Quilla Managed Model Managed Funds List available on our website at [netwealth.com.au/ManagedAccountForms](http://netwealth.com.au/ManagedAccountForms).

Before you invest using a Managed Model that can invest in managed funds, you must be given and read the current product disclosure statement for any managed funds that may be included in the Managed Model.

To use the Managed Account, you must first apply to open a Netwealth platform account. If you have appointed your adviser as your adviser representative in relation to your platform account, your adviser representative offers to act as your agent to receive on your behalf any documents relating to any of the assets acquired or held in your managed account and provide this information to you. By completing the Application, you accept your adviser representative's offer and appoint your adviser representative as your agent authorised to receive such documents. We agree to ensure that your adviser representative (in their capacity as your agent) receives the current product disclosure statement for any managed funds included in your managed account before those managed funds are acquired for you. Your financial adviser should give you the current product disclosure statements for those managed funds.

# Quilla Index Conservative Income Portfolio

## Managed Model Profile | Model code MACC000100

Model Manager	Quilla Consulting Pty Ltd
Investment objective and timeframe	To deliver a predominantly income-based investment return of 2% p.a. above inflation, before fees, over rolling 3-year periods. Inflation is defined as the Reserve Bank of Australia's trimmed mean measure (which is a measure of core or underlying inflation).
Benchmark	Morningstar Multi-Sector Balanced TR AUD Index

**Investment strategy and asset allocation ranges** This strategy is to invest in an actively managed diversified portfolio of securities across both growth asset classes such as Australian equities, property and global securities and income-oriented asset classes, such as cash and fixed interest securities. In general, the portfolio will hold around 45% in growth and alternative assets and 55% in income or defensive assets. However, these allocations will be actively managed within the allowable ranges depending on market conditions.

The model invests a minimum of 40% in defensive assets.

Asset class	Minimum allocation (%)	Neutral allocation (%)	Maximum allocation (%)
Australian shares	0	20	60
Global shares	0	10	60
Australian property	0	7.5	25
International property & infrastructure	0	7.5	25
Alternatives	0	0	50
Australian fixed interest	0	20	80
International fixed interest	0	20	80
Cash	0	15	100
<b>TOTAL</b>		<b>100</b>	

**Investment universe** The model invests in:

- ASX listed exchange traded products; and
- unlisted managed investment schemes ('**managed funds**').

The model will normally hold 10 to 20 assets.

The list of managed funds that may currently be held in this portfolio is available on our website at [netwealth.com.au/ManagedAccountForms](http://netwealth.com.au/ManagedAccountForms).

**Investment management fee** 0.385% p.a.

**Minimum investment amount** \$25,000

# Quilla Index Moderate Portfolio

## Managed Model Profile | Model code MACC000101

**Model Manager** Quilla Consulting Pty Ltd

**Investment objective and timeframe** To deliver an investment return of 3.5% p.a. above inflation, before fees, over rolling 5-year periods. Inflation is defined as the Reserve Bank of Australia's trimmed mean measure (which is a measure of core or underlying inflation).

**Benchmark** Morningstar Australia Multi-Sector Growth Index AUD

**Investment strategy and asset allocation ranges** This strategy is to invest in an actively managed diversified portfolio of securities across both growth asset classes such as Australian equities, property and global securities and income-oriented asset classes, such as cash and fixed interest securities. In general, the portfolio will hold around 65% in growth and alternative assets and 35% in income or defensive assets. However, these allocations will be actively managed within the allowable ranges depending on market conditions.

The model invests a minimum of 10% in defensive assets.

Asset class	Minimum allocation (%)	Neutral allocation (%)	Maximum allocation (%)
Australian shares	0	17.5	70
Global shares	0	27.5	70
Australian property	0	2.5	25
International property & infrastructure	0	5	25
Alternatives	0	12.5	50
Australian fixed interest	0	12.5	80
International fixed interest	0	12.5	80
Cash	0	10	100
<b>TOTAL</b>		<b>100</b>	

**Investment universe** The model invests in:

- ASX listed exchange traded products; and
- unlisted managed investment schemes ('**managed funds**').

The model will normally hold 10 to 20 assets.

The list of managed funds that may currently be held in this portfolio is available on our website at [netwealth.com.au/ManagedAccountForms](http://netwealth.com.au/ManagedAccountForms).

**Investment management fee** 0.385% p.a.

**Minimum investment amount** \$25,000

# Quilla Index Assertive Portfolio

## Managed Model Profile | Model code MACC000102

**Model Manager** Quilla Consulting Pty Ltd

**Investment objective and timeframe** To deliver an investment return of 4.5% p.a. above inflation, before fees, over rolling 7-year periods. Inflation is defined as the Reserve Bank of Australia's trimmed mean measure (which is a measure of core or underlying inflation).

**Benchmark** Morningstar Australia Multi-Sector Aggressive Index AUD

**Investment strategy and asset allocation ranges** This strategy is to invest in an actively managed diversified portfolio of securities across both growth asset classes such as Australian equities, property and global securities and income-oriented asset classes, such as cash and fixed interest securities. In general, the portfolio will hold around 85% in growth and alternative assets and 15% in income assets. However, these allocations will be actively managed within the allowable ranges depending on market conditions.

Asset class	Minimum allocation (%)	Neutral allocation (%)	Maximum allocation (%)
Australian shares	0	25	70
Global shares	0	40	70
Australian property	0	5	25
International property & infrastructure	0	5	25
Alternatives	0	10	50
Australian fixed interest	0	5	80
International fixed interest	0	5	80
Cash	0	5	100
<b>TOTAL</b>		<b>100</b>	

**Investment universe** The model invests in:

- ASX listed exchange traded products; and
- unlisted managed investment schemes ('**managed funds**').

The model will normally hold 10 to 20 assets.

The list of managed funds that may currently be held in this portfolio is available on our website at [netwealth.com.au/ManagedAccountForms](http://netwealth.com.au/ManagedAccountForms).

**Investment management fee** 0.385% p.a.

**Minimum investment amount** \$25,000