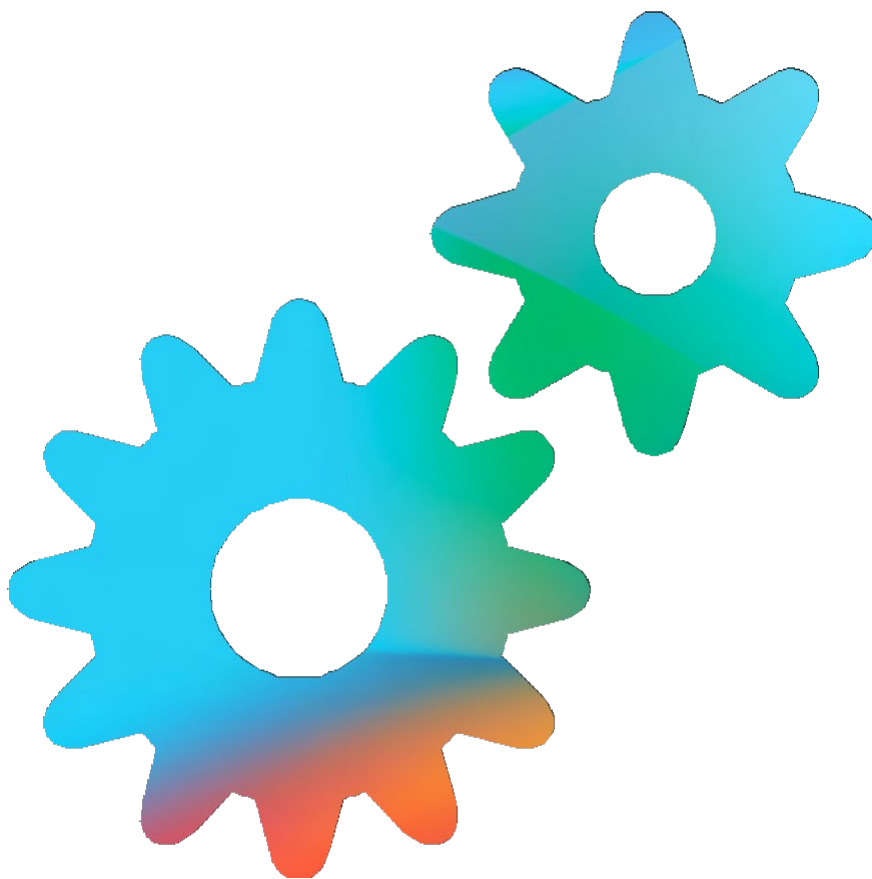


# Netwealth Managed Account Service

## Managed Account Guide

25 October 2021



# Managed Account Supplementary Product Disclosure Statement

25 October 2021

This Supplementary Product Disclosure Statement for Netwealth Managed Account dated 25 October 2021 (referred to as '**this Supplementary PDS**') supplements the Netwealth Managed Account Product Disclosure Statement dated 17 October 2019 (referred to as '**the Original PDS**') and the Netwealth Managed Account Service Managed Account Guide dated 1 July 2019 (referred to as '**the Original Guide**'). This Supplementary PDS is to be read in conjunction with the Original PDS and the Original Guide.

This Supplementary PDS has been prepared and issued by Netwealth Investments Limited (ABN 85 090 569 109, AFS Licence No. 230975) (referred to in this Supplementary PDS as '**Netwealth**', '**we**', '**our**' or '**us**') in its capacity as the Responsible Entity of the Netwealth Managed Account Service ('**Managed Account**') which is a registered managed investment scheme (ARSN 633 923 887).

If you have received this Supplementary PDS electronically we will provide a paper copy free upon request. If you have an electronic copy of this Supplementary PDS, you should ensure you also have a complete copy of the Original PDS and the Original Guide. You can obtain a copy of this Supplementary PDS, the Original PDS and the Original Guide from [netwealth.com.au](http://netwealth.com.au) or by calling Netwealth on Freecall 1800 888 223.

## General information only

The information provided in this Supplementary PDS is general information only and is not intended to imply any recommendation or opinion about a financial product. This information does not take into account your personal objectives, financial situation or needs. You should consider whether the information is appropriate for you in light of your personal objectives, financial situation and needs, and you should consider consulting a financial adviser before making a decision about whether to invest in the Managed Account or any of the Managed Models.

Information in the Managed Account disclosure documents is based on taxation and other relevant laws and their current interpretation at the date of issue.

### Issuer:

Netwealth Investments Limited

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AFSL 230975

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South Melbourne VIC 3205

To request a printed copy of this Supplementary PDS, please contact us on:

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Web [netwealth.com.au](http://netwealth.com.au)

## The Original PDS is amended as set out below

### Change of trustee for the Netwealth Superannuation Master Fund

As communicated via an online product disclosure update on 1 July 2021, Netwealth Superannuation Services Pty Ltd was appointed as the new trustee of the Netwealth Superannuation Master Fund ('NSMF') on 1 July 2021. Netwealth Investments Limited continues to act in its capacity as the Responsible Entity of the Managed Account and holds an interest in the Managed Account as custodian appointed by the new trustee of the NSMF. In the section headed 'About the Managed Account disclosure documents' and under subsection 'Disclosure documents for your platform account' on page 6 of the Original PDS, reference to Netwealth acting in its capacity as a trustee (of the NSMF) is no longer applicable.

### Change to minimum holding size

In the section headed 'Features at a glance' on page 9 of the Original PDS, the row in the table describing the 'Minimum holding size' is replaced with the following row:

Minimum holding size	There is a minimum holding of \$100 in any single investment bought for your managed account. You can choose to set a higher minimum holding size which then applies to all investments in your managed account.	Managed Account Guide
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### Investment preferences you can nominate in a Core platform account

As communicated via an online product disclosure update on 24 September 2020, clients using the Core option in Wealth Accelerator and Super Accelerator have, since 24 September 2020, been able to nominate additional investment preferences such as 'substitute', 'don't hold' and 'lock'. In the section headed 'Features at a glance' and under subsection 'Investment preferences you can nominate' on page 10 of the Original PDS, footnote 3 is deleted.

## Illiquid investments

In the section headed 'Risks' on page 11 of the Original PDS, subsection 'Investment risks' is replaced as follows:

### Investment risks

Investments made through the Managed Account carry investment risks. These risks may impact on the value of the investments and/or limit your ability to have the investments sold or redeemed. Investment markets are affected by numerous factors. These include market risk, currency risk and interest rate risk. There is a risk that investments in your managed account may experience negative investment returns and you should understand that the higher the expected return, the more likely that negative returns may be experienced in the short term.

Certain models available in the Managed Account may include investments that are illiquid. An investment is treated as being illiquid if it cannot be converted to cash within 30 days. If a model contains an investment that is illiquid, this may limit your ability to withdraw or transfer funds from your platform account.

Models which may contain illiquid investments are indicated in the Investment Menu for your platform account as being illiquid.

Where a model is indicated as being illiquid, at any point in time it may be that none, some or all of the underlying investments of the model are illiquid. The level of illiquid investments in the model will depend on the decisions of the Model Manager in relation to the holdings of the model and this changes from time to time. An investment held in the model may be illiquid for a number of reasons, which include but are not limited to:

- the investment has either a fixed term of longer than 30 days or can only be redeemed when underlying assets are realised - for example, this may apply to investments that hold direct property or infrastructure assets; or
- the investment has limited withdrawal timeframes (eg. monthly, quarterly or annually) - for example, this may apply to investments in products that invest in a portfolio of less tradable assets such as alternative investments, private equity or credit strategies.

Please refer to the disclosure document for your platform account for more information about illiquid investments.

## Changes to fees and costs for models investing in international securities

As communicated via an online product disclosure update on 9 January 2020, we have changed the way the Management costs – international securities fee is calculated and introduced a tiered fee structure. This fee only applies if international securities are held as an underlying investment within your managed account.

The section headed 'Fees and other costs' on pages 12 to 14 (inclusive) of the Original PDS is replaced as follows:

## Fees and other costs

### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Information about taxes is set out on page 20.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Fees and costs for particular models are set out in the Managed Models Menu and the relevant Managed Model Profiles documents.

#### Netwealth Managed Account Service

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of your managed account</b>		
<b>Establishment fee</b> The fee to open your investment	Nil	—
<b>Contribution fee</b> The fee on each amount contributed to your investment	Nil	—
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	—
<b>Exit fee</b> The fee to close your investment	Nil	—

Type of fee or cost	Amount	How and when paid
<b>Management costs<sup>1</sup></b>		
<p><b>The fees and costs for managing your investment</b></p> <p>The amount you pay for specific models is set out in the Managed Models Menu.</p>	<p><b>Investment management fee</b></p> <p>An investment management fee is payable for each model. The fee is up to 2.0% p.a. of the value of investments in your managed account.</p> <p><b>PLUS</b></p> <p><b>Cash fee</b></p> <p>The cash fee is equal to the rate of interest we earn in relation to the cash held in your managed account, less the rate of interest that we credit to the cash held in your managed account. The interest we credit to the cash in your managed account is no less than the official cash rate less 0.50% p.a.</p> <p>We estimate that the cash fee will be less than 1.45% p.a. of the amount of cash held in your managed account.</p> <p>The amount of the cash fee depends on how much cash is held in your managed account and may change if there are changes in the official cash rate and/or the interest rate we receive. For the 12 months to 30 June 2021, the cash fee has been estimated to be 1.10% p.a.</p> <p><b>PLUS</b></p> <p><b>Performance fee</b></p> <p>A performance fee of up to 20% of any positive Model Performance on certain models.<sup>2</sup></p>	<p>Calculated daily and deducted monthly in arrears from your managed account based on the value of investments that are subject to management in accordance with the relevant model.</p> <p>Calculated daily and deducted monthly in arrears from the interest we earn on pooled cash held on deposit by us, before we credit interest to your managed account. This fee is not deducted directly from your managed account.</p> <p>The performance fee is calculated based on the Model Performance of the relevant model, and if the performance fee is due, the performance fee is deducted monthly in arrears from your managed account. Where applicable, the performance fee for each model and the period for</p>

<sup>1</sup> A Model Fee may also apply depending on which model you choose. See the section headed 'Model Fee' on page 17.

<sup>2</sup> See the 'Performance fees' section on page 15 for further details of how performance fees are calculated and the circumstances in which they are payable.

Type of fee or cost	Amount	How and when paid										
		which any performance fee is determined, is shown in the relevant Managed Model Profiles document.										
	<p><b>PLUS</b></p> <p><b>International securities fee</b></p> <p>The international securities fee applies only to models that hold international securities. The international securities fee is a tiered fee based on a percentage or percentages of the value of international securities held within your managed account. This fee is calculated as follows:</p> <table border="1"> <thead> <tr> <th>Value of international securities</th> <th>% applicable</th> </tr> </thead> <tbody> <tr> <td>\$0 to \$1,000,000</td> <td>0.150% p.a.</td> </tr> <tr> <td>\$1,000,000 to \$2,000,000</td> <td>0.125% p.a.</td> </tr> <tr> <td>\$2,000,000 to \$3,000,000</td> <td>0.100% p.a.</td> </tr> <tr> <td>Balance over \$3,000,000</td> <td>0.050% p.a.</td> </tr> </tbody> </table>	Value of international securities	% applicable	\$0 to \$1,000,000	0.150% p.a.	\$1,000,000 to \$2,000,000	0.125% p.a.	\$2,000,000 to \$3,000,000	0.100% p.a.	Balance over \$3,000,000	0.050% p.a.	<p>The international securities fee is calculated daily and deducted monthly in arrears from your managed account cash account.</p> <p>The amount of this fee may be negotiated.</p> <p>The '% applicable' shown applies to the value of international securities held within your managed account, based on the Australian dollar value of the securities. For example, if we hold \$2 million worth of international securities for you, the annual fee is 0.150% of the first \$1 million plus 0.125% of the next \$1 million.</p>
Value of international securities	% applicable											
\$0 to \$1,000,000	0.150% p.a.											
\$1,000,000 to \$2,000,000	0.125% p.a.											
\$2,000,000 to \$3,000,000	0.100% p.a.											
Balance over \$3,000,000	0.050% p.a.											
	<p><b>PLUS</b></p> <p><b>Indirect costs</b></p> <p>Estimated indirect costs of 0% p.a. to 1.60% p.a. of your managed account balance.</p>	<p>Indirect costs are costs not charged by us in relation to the model or models and are deducted from the investments held in your managed account. In the case of investments in your managed account such as managed funds, indirect costs are reflected in the unit price of the relevant managed fund.</p>										
<b>Service fees</b>												
<b>Switching fee</b>	Nil.											
The fee for changing models	We do not charge a switching fee, but transaction costs may apply when investments are traded within your managed account - see section 'Transaction costs' on page 16.											

## Introduction of a new fee

Under the heading 'Transaction costs' on page 16 of the Original PDS, the following text is inserted above subheading 'Other transactional and operational costs':

### International securities – currency conversion fee

When international securities are bought or sold in your managed account, currency is converted. A margin may be applied to the prevailing 'value today' rate available in wholesale/inter-bank foreign exchange markets. Netwealth retains this margin, less any margin it pays to third parties to complete this conversion, as a fee. This fee is up to 0.12% of the value of the trade.

## Changes to the dispute resolution timeframe

As communicated via an online product disclosure update on 5 October 2021, if you have a complaint about us, the Managed Account or our other services, the timeframe for providing a response to a new complaint has been reduced due to regulatory changes and we will seek to resolve your complaint within 30 days of receiving it. In the section headed 'Further information' on pages 20 and 21 of the Original PDS, the subsection 'What if you have a complaint?' is replaced as follows:

### What if you have a complaint?

We have arrangements in place to consider and seek to resolve any complaints about the services we provide to you. If you have a complaint about us, the Managed Account, or our other services, you may contact us by email or telephone as shown on page 2 or by writing to:

The Complaints Manager – Investor Services  
Netwealth Investments Limited  
PO Box 336  
South Melbourne VIC 3205

Freecall: 1800 888 223 (within Australia)  
Phone: 03 9655 1300  
Email: [complaints@netwealth.com.au](mailto:complaints@netwealth.com.au)

We will seek to resolve your complaint within 30 days of receiving it. During this time we will update you on the progress of your complaint.

We are a member of the Australian Financial Complaints Authority ('**AFCA**'). AFCA is an independent external dispute resolution service established by the Federal Government, which deals with complaints from customers involving financial services and products. If you are not satisfied with the result of our internal complaints procedure, or it has taken longer than 30 days to receive a response, you may be able to refer your complaint to AFCA. AFCA will review your complaint without charge. AFCA may be contacted by email, telephone or in writing to:

Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001

Phone 1800 931 678 (free call)  
Email [info@afca.org.au](mailto:info@afca.org.au)  
Website [www.afca.org.au](http://www.afca.org.au)

To allow AFCA to easily identify us, please quote our code number 10709. If you have a complaint about advice that you have received from a financial adviser, you need to contact the adviser or their AFS Licensee. The Financial Services Guide provided by the adviser should outline their dispute resolution procedure. We are not responsible for your Nominated Financial Adviser or any other financial adviser, the advice that they provide or the actions that they may take.



# The Original Guide, which is taken to be included in the Original PDS, is amended as set out below

## Change of trustee for the Netwealth Superannuation Master Fund

As communicated via an online product disclosure update on 1 July 2021, Netwealth Superannuation Services Pty Ltd was appointed as the new trustee of the Netwealth Superannuation Master Fund ('NSMF') on 1 July 2021. Netwealth Investments Limited continues to act in its capacity as the Responsible Entity of Managed Account and holds an interest in the Managed Account as custodian appointed by the new trustee of the NSMF. On pages 2 and 17 of the Original Guide, reference to Netwealth acting in its capacity as a trustee (of the NSMF) is no longer applicable.

## Change to minimum holding size

On pages 7 and 8 of the Original Guide, the section headed 'Minimum holding size' is replaced with the following:

### Minimum holding size

The minimum holding for any investment in your managed account is \$100. Refer to 'Rebalancing your managed account' on page 6 for information about how the minimum holding impacts on the rebalance.

Where an investment is held in your managed account and the reference allocation to that investment falls below the minimum holding, the investment will be retained unless the Model Manager decides to redeem that investment.

You may specify a higher minimum holding size to apply to all investments in your managed account. A higher minimum may reduce the frequency of investment transactions and the associated costs, but it may also increase mismatches between the holdings and investment performance of your managed account and the models. Where you specify a higher minimum holding size and the reference allocation to an investment in your managed account falls below the minimum holding size by more than the minimum trade size, any existing holding in that investment may be sold or redeemed entirely.

Sometimes market conditions may mean that we do not fill all the necessary trades required for a rebalance. In this instance, there may be trades in your managed account that result in holdings of less than the minimum holding size.

## Investment preferences you can nominate in a Core platform account

As communicated via an online product disclosure update on 24 September 2020, clients using the Core option in Wealth Accelerator and Super Accelerator, since 24 September 2020, have been able to nominate additional investment preferences such as 'substitute', 'don't hold' and 'lock'.

- On page 3 of the Original Guide, footnote 1 is deleted.
- On page 13 of the Original Guide, the final paragraph under subheading 'Substitute' and 'Don't hold' is deleted.
- On page 13 and 14 of the Original Guide, the final paragraph under subheading 'Lock' is deleted.

# Netwealth Managed Account Service

## Managed Account Guide

1 July 2019

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The information in this Guide is taken to be included in the Product Disclosure Statement for the Managed Account ('PDS'). It has been prepared and issued by Netwealth Investments Limited (ABN 85 090 569 109, AFS Licence No. 230975) ('Netwealth', 'we', 'us' or 'our') as the Responsible Entity of the Netwealth Managed Account Service ('Managed Account') which is a registered managed investment scheme, ARSN 633 923 887.

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Netwealth Investments Limited  
ABN 85 090 569 109  
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PO Box 336  
South Melbourne VIC 3205

### About this Guide

This Managed Account Guide ('Guide') contains important information about how your managed account works and some of the procedures we follow when you operate your managed account. It also includes information about Netwealth's role as the responsible entity of the Managed Account, the role of the Model Managers and the risks associated with investing in the Managed Account. This Guide should be read in conjunction with the PDS and the other disclosure documents referred to in the PDS. The PDS sets out some defined words and important terms which are also used in this Guide.

### Contents

Setting up your managed account	2
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Our role as the responsible entity	16
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## Setting up your managed account

### How to invest in the Managed Account

The Managed Account is currently only available via the Netwealth Wrap Service or the Netwealth Superannuation Master Fund (**platform services**). If you do not have an account in these platform services, you need to open an account with Super Accelerator or Wealth Accelerator. To do this you need to obtain and read the appropriate disclosure document and complete an application for Super Accelerator or Wealth Accelerator.

The Managed Account is an accessible investment that can be accessed through your platform account. Because you invest in the Managed Account using your platform account, we, as the platform operator or trustee, hold an interest in the Managed Account on your behalf.

You can select one or more Managed Models (**models**) when you complete your platform account application or, if you already have a platform account, you can select models either online or by completing an 'Investment instruction' form. When you select a model you are instructing us, as the platform operator, to acquire an interest in the Managed Account on your behalf.

Each model has a minimum investment amount. This minimum differs depending on the model and is set out in the Managed Models Menu and the relevant Managed Model Profiles document.

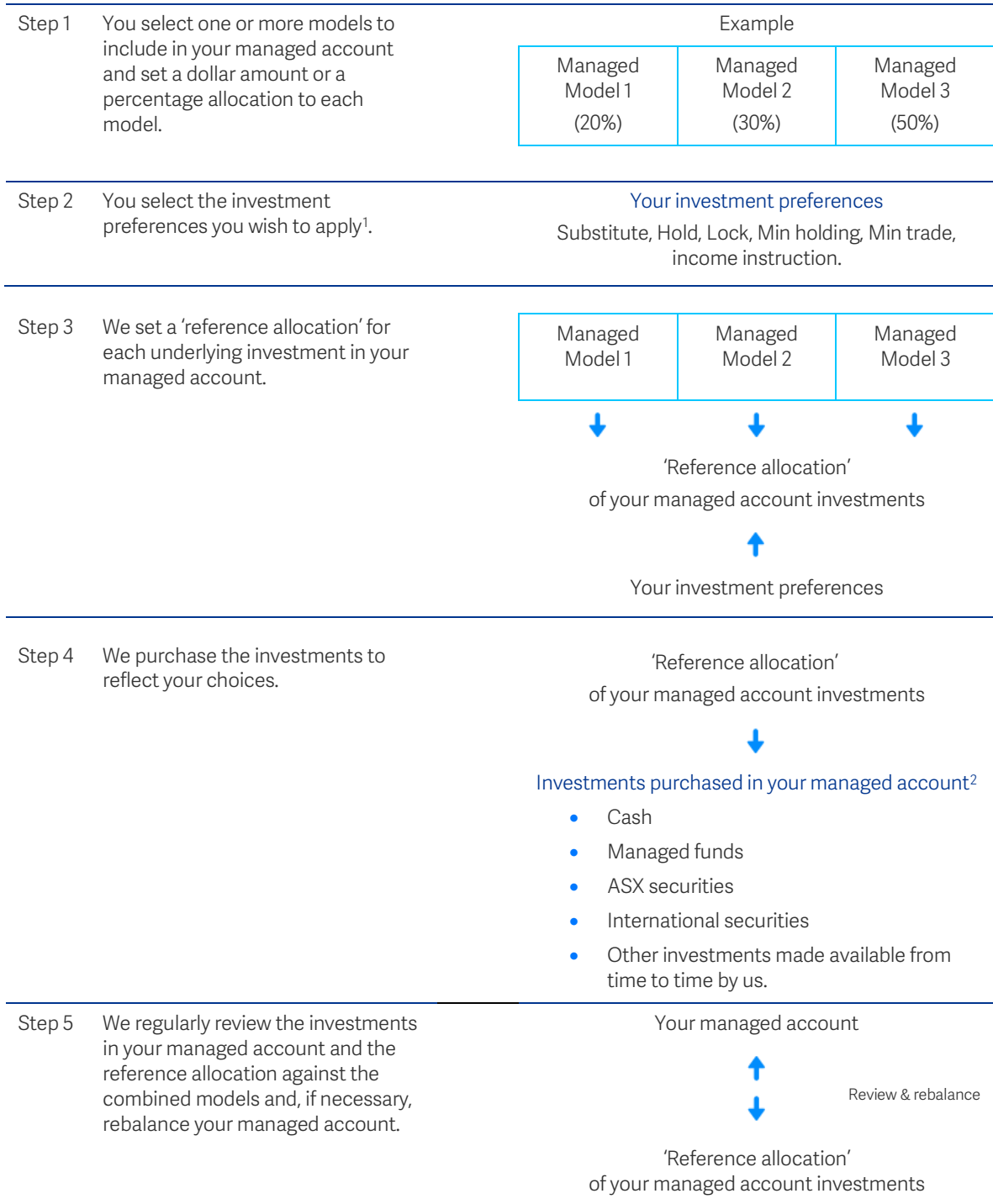
### How to provide instructions for your managed account

You can only invest in the Managed Account through an account you hold in one of the platform services. To set up and operate your managed account, you can provide your instructions to Netwealth as operator of the relevant platform service, either through your online platform account or by completing the relevant forms.

In this Guide any reference to an instruction provided by you to us in relation to your managed account means an instruction you provide to Netwealth as operator of the platform service to implement in relation to your managed account.

## How is your managed account set up?

When you choose models, you specify an amount to be allocated to each model. You may also set personal investment preferences, as described on page 13. We then establish a reference allocation to each investment that matches your chosen combination of models and investment preferences. Once funds are available in your managed account and any investment transfers are completed, investments are rebalanced to as closely as possible reflect that reference allocation.



<sup>1</sup> Some investment preferences are not available if you have chosen the Core option in Wealth Accelerator or Super Accelerator.

<sup>2</sup> Not all investment options are available if you choose the Core option in Wealth Accelerator or Super Accelerator.

The investments held in your managed account at any one time are likely to differ from the allocation to investments in your chosen models. There are a number of reasons for this, including:

- you may instruct us to apply certain personal investment preferences to your managed account;
- we require your managed account to include a minimum amount of cash in each rebalance (see page 5 for more information);
- there is a minimum holding size in each investment;
- there is a minimum trade size for each transaction;
- the actual value or price at which investments are traded may not be equal to the value or price used to calculate your investment allocation; and
- we cannot acquire partial units in certain investments, including ASX listed or international securities, which means that if the amount allocated to such an investment is not equal to an exact multiple of the unit price there is some cash left over.

When you invest in the Managed Account you should consider the number of investments that may be held in the models you choose and the possible size of holdings in any one investment. Smaller allocations to models may result in holdings or trades in an investment that would otherwise be less than the minimums and which may therefore not be implemented. This may result in differences between the investment holdings in your managed account and the allocation to investments in your chosen model and therefore differences between the investment performance of your managed account and that of your chosen models.

## Managed account cash account

Your managed account includes an allocation to cash to provide short term liquidity, to assist in the effective rebalancing of your managed account and to provide a buffer for the efficient settlement of trades. We have discretion to set the minimum allocation to cash, and this is currently set at up to 2% of the value of your managed account.

The amount of cash held in your managed account cash account may be more than the minimum allocation set by us where cash is included in a model and/or where there are pending transactions that have not been completed. The allocation to cash for your managed account does not form part of your platform account cash account, and cash held in your managed account cash account is not included in meeting the minimum cash requirement for your platform account.

## Operating your managed account

### Transacting

#### Minimum investment amount

Each model has a minimum investment amount. When you select one or more models, you must allocate to each chosen model an amount equal to or above the minimum investment amount required for that model.

The minimum investment amount may vary between models and is set taking into consideration the investment strategy and the number and type of investments to be held in the model. Investing the minimum investment amount may not be sufficient for you to acquire every investment in the model. If you have close to the minimum amount allocated to a model, this may result in holdings in an investment that would be less than the minimum holding size, which may therefore not be implemented. This may increase the differences between the investment performance of your managed account and that of your chosen models.

You cannot reduce the value of the investments held in your managed account in a particular model to less than the minimum investment amount applicable to that model (unless you remove the model from your managed account entirely).

If the value of your allocation to a model falls below the minimum investment amount due to market movement, then you should consider reviewing your model allocations. An allocation to a model

#### Trading timeframes:

More information about the time taken to sell particular types of assets is available in the Information Guides and Wrap Service Guides which are part of the relevant platform disclosure document.

## Operating your managed account

below the minimum investment amount increases the likelihood and the size of mismatches between the holdings and investment performance of your managed account and those of the model.

From time to time we may review your model allocations and, where your allocation is below the minimum investment amount for any model, we may require that you change your allocation. If you do not then change the allocation within 30 days, we may remove the model from your managed account and rebalance your managed account based on the other models in your managed account. If there are no other models in your managed account, the investments in your managed account may (at our discretion) be redeemed or sold or transferred from your managed account and then retained in your platform account.

### Minimum addition

You may add amounts to the investments in your managed account. The minimum addition to any model is \$1,000.

### Transferring investments into your managed account

You can transfer existing investments held in your platform account into your managed account. We may, at our absolute discretion, refuse to accept the transfer of an investment into your managed account.

When you instruct us to transfer one or more investments into your managed account, once the transfer or transfers is/are complete, any investment that you have transferred into your managed account is included in the next rebalance. If the value of that investment is different from your reference allocation, then the investment is traded to reflect the allocation to that investment in the models<sup>3</sup>.

If investments that you wish to include in your managed account are held in your own name or with another service provider, this can be done by transferring the investments into your platform account and subsequently instructing us to transfer them into your managed account. Transferring investments into your platform account is subject to any restrictions on transfers or contributions and to timeframes as described in the relevant disclosure document for the platform. There may also be tax consequences of making such a transfer. We do not transfer investments from your platform account to your managed account or change your model allocations until the transfer into your platform account has been completed.

### Withdrawing cash from your managed account

You can instruct us to withdraw cash at any time from the investments that are managed in accordance with a particular model in your managed account. When you withdraw cash, your model allocation is adjusted accordingly and investments in your managed account are sold or redeemed when your managed account is next rebalanced. There is a minimum withdrawal of \$1,000 from any model and you must continue to meet the minimum investment amount for each model in your managed account.

Cash withdrawals from a model are held in your platform cash account and are subject to any restrictions applicable to the platform product you are using. Refer to the disclosure document for your platform account for information about making cash withdrawals from that account.

### Transferring investments out of your managed account

You may be able to transfer investments out of your managed account into your platform account without the investment being sold by placing an online instruction through your platform account. When you instruct us to transfer one or more investments from your managed account, we suspend any rebalances until all investment transfers are complete. You should take care when transferring investments out of your managed account, as this may cause a rebalance to occur at the next review

#### Warning:

If you transfer existing investments into your managed account and the value of the investments exceed the required allocation in your managed account, when your managed account is rebalanced, part or all of the investments may be sold down.

#### Warning:

If you transfer an investment out of your managed account, unless you change your personal preferences, when the next rebalance occurs, more of this investment may be purchased.

<sup>3</sup> When you instruct us to transfer an investment into your managed account, the investment is transferred to the Managed Account and held by Netwealth in your managed account as responsible entity of the Managed Account.

## Operating your managed account

(once rebalancing of your managed account is no longer suspended) and more of the transferred investment may be purchased and other investments in your managed account may be sold.

You can only transfer investments from your managed account to your platform account where the investment is an allowable investment in your platform account. The minimum value of an investment transfer out of your managed account is \$1,000 for each investment transferred. If the holding of the investment is less than \$1,000 then the entire holding must be transferred.

### Changing your Managed Models

You can change your allocation to selected models at any time by switching models through your online platform account or by completing and submitting an 'Managed Account Investment Instruction' form. If you change your model allocation, the investments in your managed account are likely to be rebalanced when your managed account is next reviewed by us.

The investment management fee, as described in the PDS, is based on your daily model allocation. If you change your model allocation, the investment management fee is subsequently applied based on your new allocation.

## Rebalancing

### Rebalancing your managed account

We review the investments held in your managed account against your chosen models and, if the actual holdings in your managed account do not align with the reference allocation, your managed account is rebalanced. This review occurs at least weekly and generally occurs every week day, unless the rebalance has been suspended as described below. A rebalance may not occur every time we review your managed account. A rebalance occurs if there have been changes to your chosen models by the Model Manager or you have made changes to your managed account. A rebalance may also occur if there has been income paid from investments in your managed account, depending on your income instruction and the model income setting, as described under "distribution of income" on page 14. If you apply other personal investment preferences to your managed account as described on page 13, this may also change the frequency of rebalances.

For example, a rebalance may occur if a Model Manager has made an investment decision that changes the investments of a model that applies to your managed account. A rebalance may also occur if you have transacted on your platform account, by adding to, withdrawing from or switching between models, by changing your investment preferences or by transferring investments to or from your managed account.

Where the only investments in your managed account are ASX listed securities, a rebalance is normally completed within 24 hours. Where you have international securities or managed funds in your managed account, the rebalance may take a number of days. This depends on the time it takes for us to receive confirmation of the details of any investment being traded.

Where a delay in trading a particular investment causes a delay to the rebalance process we may, at our discretion and in consultation with the Model Manager, recommence rebalances, excluding that particular investment.

Following a rebalance, the investments held in your managed account are unlikely to exactly match the reference allocation of your chosen models. If a rebalance requires a trade of less than the minimum trade size, then this trade generally does not occur. If a rebalance results in an existing investment holding being less than the minimum holding size, then generally the investment is either held at the minimum or it may be sold down entirely. If a rebalance requires the acquisition of a new investment and this would otherwise result in a holding of less than the minimum holding size, then that investment may not be acquired. If a trade in a particular investment does not occur as a result of these restrictions, then the allocation to other investments is adjusted to reflect the resulting divergence and the available funds.

## Operating your managed account

Sometimes market conditions may mean that we do not fill all the necessary trades required for a rebalance. In this instance there may be trades or holdings in your managed account of less than the minimum and a further rebalance may be required when we next review your managed account.

We generally exercise our discretion to implement the transactions that we believe best approximate the reference allocation corresponding to your chosen models and any investment preferences you have nominated.

The price at which ASX and international listed securities are traded in your managed account is the average price obtained by us for the type of trade (buy or sell) performed on the day the trade occurs. The price at which managed fund units within your managed account are bought or redeemed is the price set by the fund manager for the business day on which the trade occurs.

Although we regularly review your managed account as described above, your managed account is not kept under constant review. Our review and rebalancing does not prevent your managed account from being impacted by sudden changes in the value of an investment or general market corrections or 'crashes'.

### Can we suspend rebalances?

We may suspend the rebalance process at any time at our absolute discretion and we do so in circumstances where we believe that it is in the interests of investors. A suspension may apply to your entire managed account or to certain investments within your managed account.

The rebalance process for your managed account may also be suspended when there are outstanding activities from corporate actions applying to investments in your managed account. Rebalances recommence once the corporate action activity is completed.

Where there are outstanding corporate actions we may, at our discretion and in consultation with the Model Manager, recommence rebalances, excluding that particular investment.

If rebalances are suspended, the investment management fee described in the PDS continues to apply based on your current model allocation and the value of your managed account on each day.

### Can you suspend rebalances?

If you have online access to your platform account, with the ability to transact online, you can suspend the rebalance process through your online platform account. You can also suspend the rebalance process when you complete your platform account application or by using a 'Managed Account Change of investment preferences/cancellation' form. This instructs us to stop any future rebalance trades occurring until you instruct us to recommence the rebalance process.

This may be useful when you wish to transfer investments into or out of your managed account, make changes to your investment preferences or change your model allocation.

You should take care when recommencing the rebalance process if you have transferred investments to or from your managed account, as changes you have made to your investment holdings that do not match the models may be altered by the next rebalance.

If rebalances are suspended, the investment management fee described in the PDS continues to apply, based on your model allocation and the value of your managed account on each day.

## Minimum holding size

The minimum holding for any investment in your managed account is \$250. Refer to 'Rebalancing your managed account' on page 6 for information about how the minimum holding impacts on the rebalance.

Where the reference allocation to an investment in your managed account falls below the minimum holding size by more than the minimum trade size, any existing holding in that investment may be sold or redeemed entirely. Where the reference allocation to an investment in your managed account falls



## Operating your managed account

below the minimum holding by less than the minimum trade size, the investment may be retained at the minimum holding size.

You may specify a higher minimum holding size to apply to all investments in your managed account. A higher minimum may reduce the frequency of investment transactions and the associated costs, but it may also increase mismatches between the holdings and investment performance of your managed account and the models.

Sometimes market conditions may mean that we do not fill all the necessary trades required for a rebalance. In this instance, there may be trades in your managed account that result in holdings of less than the minimum holding size.

### Examples of minimum trades and holdings

Value of investment before rebalance	\$300	The reference allocation is below the minimum holding of \$250. Selling down the holding to the minimum would result in a trade of \$50 which is less than the minimum trade size, so no trade occurs.
Reference allocation after rebalance	\$200	
The allocation remains at	\$300	
Value of investment before rebalance	\$300	The reference allocation is more than \$100 below the minimum holding of \$250, so the investment is sold down entirely (assuming a minimum trade size of \$100).
Reference allocation after rebalance	\$100	
The allocation is sold to	nil	
Value of investment before rebalance	\$400	The reference allocation is below the minimum holding of \$250. The required trade is \$150 which is more than the minimum trade size, so the trade occurs (assuming a minimum trade size of \$100).
Reference allocation after rebalance	\$200	
The allocation is sold to	\$250	

## Minimum trade size

The minimum size of any trade in your managed account is \$100, or 0.05% of your total managed account balance, whichever is higher (**minimum trade size**). We do not generally trade an investment where the value of the transaction is projected to be less than the minimum trade size, except where your total investment is less than the minimum trade size and the entire investment is sold. Refer to 'Rebalancing your managed account' on page 6 for information about how the minimum trade size impacts on the rebalance.

You may specify a higher minimum trade size to apply to all trades in your managed account. A higher minimum trade size may reduce the frequency of investment transactions and the associated costs, but it may also increase mismatches between the holdings and investment performance of your managed account and those of the models.

Where you have a large amount allocated to a model and a relatively low minimum trade size, this may result in frequent relatively small trades and additional transaction costs. To avoid this, you may wish to consider setting a higher minimum trade size in your investment preferences.

Sometimes market conditions or the price of certain investments may mean that we do not fill all the expected trades required for a rebalance. In these instances, there may be trades in your managed account that are less than the minimum trade size.

## Floating allocation

A rebalance generally occurs when the actual holdings in your managed account do not align with the reference allocation for your managed account but the reference allocation is allowed to 'float' which prevents the holdings being rebalanced (i.e. bought and sold).

## Operating your managed account

Your reference allocation for investments in your managed account is based on your chosen model allocation and the underlying investment allocations in the models. The model allocation and the underlying investment allocation in the models are allowed to float and change as a result of the following things:

- the market value of investments in your managed account changes constantly and the allocation to investments within each model and your reference allocation are adjusted to reflect those changes in the market value. This prevents a rebalance occurring simply due to a change in market value;
- from time to time income is received from investments held in each model. When this occurs, if the model is set to accumulate income (refer to model income setting on page 14), the allocation to investments in the model and your reference allocation are changed to reflect the income received. This prevents a rebalance occurring simply due to cash being added to your managed account. The income is allocated to that model as cash and is not invested until the Model Manager alters the allocation to investments held in the model; and
- if you make an additional cash investment into or a cash withdrawal from a particular model, your model allocation is adjusted to reflect the change. This means that only investments in that model are traded and other holdings in other models are not likely to be rebalanced as a result of the addition or withdrawal.

### Rebalance examples

The following tables provide examples of how the floating allocation and rebalancing operates assuming an initial investment of \$100,000 in two models. For simplicity, these examples make no allowance for any fees or any required allocation to cash. These examples demonstrate the way a rebalance occurs when the actual holdings in your managed account do not align with the reference allocation for your managed account.

## Operating your managed account

### Example 1 – Impact of market movement in value of investment

	Managed Model	Reference allocation	Managed account holdings	
The reference allocation floats with movements in prices and no rebalance occurs.	Opening investments:			
	Model A (50% model allocation)			
	50% Investment 1, price \$1.00	25.0%	\$25,000	25.0%
	50% Investment 2, price \$1.00	25.0%	\$25,000	25.0%
		(50.0%)		
	Model B (50% model allocation)			
	50% Investment 3, price \$1.00	25.0%	\$25,000	25.0%
	50% Investment 4, price \$1.00	25.0%	\$25,000	25.0%
		(50.0%)		
	Total	100%	\$100,000	100%
After review:			<b>No trades required.</b>	
<b>Model A</b>				
<b>Investment 1, price \$1.20</b>	<b>27.4%</b>	<b>\$30,000</b>	27.4%	
<b>Investment 2, price \$1.18</b>	<b>26.9%</b>	<b>\$29,500</b>	26.9%	
	<b>(54.3%)</b>			
<b>Model B</b>				
<b>Investment 3, price \$0.95</b>	<b>21.7%</b>	<b>\$23,750</b>	21.7%	
<b>Investment 4, price \$1.05</b>	<b>24.0%</b>	<b>\$26,250</b>	24.0%	
	<b>(45.7%)</b>			
Total	100%	\$109,500	100%	

The prices for each investment have changed due to market movement. Both the reference allocation and the value of the portfolio holdings have floated with the change of prices and no rebalance is required when the account is reviewed.

## Operating your managed account

### Example 2 – Impact of an additional investment in the Managed Account

	Managed Model	Reference allocation	Managed account holdings	
	Before review:			
	Model A			
	Investment 1, price \$1.20	27.4%	\$30,000	25.1%
	Investment 2, price \$1.18	26.9%	\$29,500	24.7%
		(54.3%)		
	Model B			
	Investment 3, price \$0.95	21.7%	\$23,750	19.9%
	Investment 4, price \$1.05	24.0%	\$26,250	22.0%
		(45.7%)		
	<b>Plus additional cash to be allocated</b>		<b>\$10,000</b>	8.4%
	Total	100%	\$119,500	100%
Additional cash of \$10,000 results in a rebalance.	After review:			
				<b>Trades are made to rebalance portfolio.</b>
	Model A			
	Investment 1, price \$1.20	27.4%	<b>\$32,740</b>	27.4%
	Investment 2, price \$1.18	26.9%	<b>\$32,194</b>	26.9%
		(54.3%)		
	Model B			
	Investment 3, price \$0.95	21.7%	<b>\$25,919</b>	21.7%
	Investment 4, price \$1.05	24.0%	<b>\$28,647</b>	24.0%
		(45.7%)		
	Total	100%	\$119,500	100%

\$10,000 cash is added to the managed account prior to the review. This causes a rebalance to occur when the account is reviewed, with the \$10,000 allocated across investments in line with the reference allocation (this assumes no change in market prices).

## Operating your managed account

### Example 3 – Impact of change by Model Manager to investment portfolio

	Managed Model	Reference allocation	Managed account holdings	
	Before review:			
	Model A			
	<b>60% Investment 1, price \$1.20</b>	<b>32.6%</b>	\$32,740	27.4%
	<b>40% Investment 2, price \$1.18</b>	<b>21.7%</b>	\$32,194	26.9%
		<b>(54.3%)</b>		
	Model B			
	Investment 3, price \$0.95	<b>21.7%</b>	\$25,919	21.7%
	Investment 4, price \$1.05	<b>24.0%</b>	\$28,647	24.0%
		<b>(45.7%)</b>		
	Total	100%	\$119,500	100%
Changes to Model A by the Model Manager alter the reference allocation and result in rebalance.	After review:		<b>Trades are made to rebalance portfolio.</b>	
	Model A			
	Investment 1, price \$1.20	32.6%	<b>\$38,960</b>	32.6%
	Investment 2, price \$1.18	21.7%	<b>\$25,974</b>	21.7%
		<b>(54.3%)</b>		
	Model B			
	Investment 3, price \$0.95	21.7%	<b>\$25,919</b>	21.7%
	Investment 4, price \$1.05	24.0%	<b>\$28,647</b>	24.0%
		<b>(45.7%)</b>		
	Total	100%	\$119,500	100%

The Model Manager for Model A decides to change the allocations to each investment. This changes the reference allocation and causes a rebalance to occur when the account is reviewed (this assumes no change in market prices).

### Investment preferences you can nominate

There are a number of investment preferences you can use to customise your managed account, to suit your personal needs and objectives. These investment preferences apply to your entire managed account and cannot be applied to particular models. Investment preferences can be implemented by providing instructions to your platform service operator, through your online platform account or by completing and lodging a 'Managed Account Change of Investment Preferences/Cancellation' form.

Any personal investment preferences that you apply may alter the investment performance and behaviour of your managed account compared to that of your chosen models. Model Managers make no allowance for your investment preferences when they make investment decisions.

#### Substitute

You may instruct us not to buy or hold a particular investment in your managed account and, where this investment is included in your selected models, to hold another specific investment instead. An investment being substituted may be replaced by either cash or an allowable investment option of the same type as the investment being substituted. For example, an ASX-listed share may be substituted by either cash or another ASX-listed share that is available in your platform account.

If you substitute an investment, the replacement investment is traded as if it is the investment for which it has been substituted. The Model Manager does not consider the substitution and rebalances do not take into account differences in investment values or expected income that may result from your substitution. As a consequence, there are likely to be a greater number of rebalance trades in your managed account and higher transaction costs if you substitute an investment.

The option to substitute assets is not available if you have chosen the Core option in Wealth Accelerator or Super Accelerator.

#### Don't hold

You may instruct us not to buy or hold a particular investment in your managed account and, where this investment is included in your selected models, to spread its allocation proportionally across the other investments included in each model which has an allocation to the 'don't hold' investment.

If you have this investment in your managed account when you give the 'don't hold' instruction, or you transfer the investment into your managed account, without revoking the 'don't hold' instruction, the investment is sold down or redeemed when the next rebalance occurs. No consideration is given by the Model Manager as to how the exclusion of that investment may impact on the investment strategy or performance, or to differences in income, that may result from your 'don't hold' instruction. As a consequence, there are likely to be a greater number of rebalance trades in your managed account and higher transaction costs if you don't hold an investment.

The option to not hold specified assets in your managed account is not available if you have chosen the Core option in Wealth Accelerator or Super Accelerator.

#### Lock

You may instruct us not to trade (buy or sell) a particular investment that you have in your managed account. A rebalance takes into account the market value of the investment but none of the locked investment is bought or sold. Any excess or shortfall to the locked investment's reference allocation in your managed account is spread across the other investments in your managed account when your managed account is rebalanced.

A lock applies to the entire holding of the locked investment in your managed account. You cannot lock part of a holding in an investment. The units or shares held in the investment that are not otherwise committed at the time it is locked are retained until the lock is removed.

No consideration is given by the Model Manager as to how locking that investment may impact on the investment strategy or performance, or to differences in income, that may result from your 'lock' instruction. As a consequence, there are likely to be a greater number of rebalance trades in your managed account and higher transaction costs if you lock an investment.



**Warning:**  
If you instruct us to apply investment preferences, this may increase the number of trades and the transaction costs applied to your managed account.

## Operating your managed account

The option to lock assets is not available if you have chosen the Core option in Wealth Accelerator or Super Accelerator.

### Distribution of income

#### Income instruction

You may set an income instruction for your managed account through your online platform account. You can choose between the following options:

- Reinvest income in your managed account; or
- Pay income to your platform account cash account.

If you choose to reinvest income in the managed account, income received remains as cash in your managed account. If you choose to pay income to your platform account cash account, all income received from investments in your managed account is withdrawn from your managed account and paid into your platform account cash account. If you do not provide an income instruction, then income accumulates in your managed account.

Your income instruction impacts on the rebalancing of assets in your managed account. The impact depends on the model income settings that apply to each of your chosen models.

#### Model income setting

Each model has an income setting, which is shown in the relevant Managed Model Profiles document. This setting determines how the income generated by assets in the model is treated when your managed account floats and is rebalanced. The model income setting is fixed for each model and is one of the following:

- **Accumulate income:** Income from investments held in the model accumulates in your managed account in the form of cash and is attributed to the model. As a result, the allocation to cash in the model is increased. The income remains as cash until the Model Manager alters the allocation to investments held in the model. This means that if your income instruction is set to pay income to your platform account cash account, then at the next review there may be less cash in your managed account than the cash allocation in the reference allocation. Your managed account may be rebalanced and investments may be sold across all the models you hold to satisfy the increased cash allocation; or
- **Unallocated income:** Income from investments held in the model accumulates in your managed account, however the allocation to cash in the model is not adjusted to reflect the income. If you have set your income instruction to pay to your platform account cash account, the cash is transferred to your platform account cash account. If your income instruction is set to reinvest in the managed account (or no income instruction has been provided), at the next review a rebalance occurs and the cash is reinvested across all the investments and models in your managed account, in line with the reference allocation.

How do income settings impact the rebalance?

	<b>Model setting - accumulate income.</b>	<b>Model setting - unallocated income.</b>
	The allocation to cash in the relevant model is increased when income is received.	The allocation to cash in the relevant model does not change when income is received.
<b>You choose to reinvest income in your managed account.</b>	<b>Rebalance transactions are not likely to occur.</b>	<b>Rebalance transactions are likely to occur.</b>
Income remains in your managed account as cash.	The amount of income remaining in your managed account is consistent with the increased cash allocation in the model and no rebalance transactions occur until the Model Manger determines how to use the additional cash.	The amount of income remaining in your managed account is higher than the cash allocation in your managed account. Investments may be purchased across all the models you hold.
<b>You choose to pay income to your platform account cash account.</b>	<b>Rebalance transactions are likely to occur.</b>	<b>Rebalance transactions are not likely to occur.</b>
Income received in your managed account is withdrawn from your managed account and paid to your platform cash account.	As the income has been transferred out there is a shortfall of expected cash in your managed account. Investments may be sold across all the models you hold to satisfy the increased cash allocation at the next rebalance.	As the income has been transferred to your platform cash account, your cash holdings are consistent with the cash allocation in the model and no rebalance transactions occur.

Can you change the investments in your managed account?

You can instruct us through your online platform account to change the amount held in particular models as described on page 4 and you can set investment preferences as described on page 13. You can also instruct us to transfer a particular investment to or from your managed account as described on page 5.

You cannot provide any other investment instructions regarding particular investments held in your managed account. You cannot tell us to buy or sell a particular investment in your managed account.

If you wish to implement a transaction in relation to a particular investment that is held in your managed account (for example, have a particular investment bought or sold or participate in a corporate action), you can suspend the rebalance process, request us to transfer the investment out of your managed account into your platform account and undertake the required transactions in your platform account. If necessary you can then transfer investments back into your managed account and subsequently instruct us to resume the rebalancing process. When the rebalance process resumes, if the value of any transferred investment is different from your reference allocation, then investments are traded to reflect the reference allocation.

Communication about your platform account

The disclosure document for your platform account explains how we communicate with you about your platform account and the reports and statements you are sent or have access to in your online platform account. Information about the investments you hold in your managed account is included in these communications and you do not receive separate communications about the Managed Account investments.



If you have online access, you can access information about your transactions in your online platform account, including trades associated with rebalancing your managed account.

## Corporate actions and voting rights

Investments held in your managed account may be subject to corporate actions or provide entitlements to vote in relation to certain matters. Corporate actions may include, but are not limited to, takeover offers, schemes of arrangement, rights issues, bonus issues, share purchase plans or share buy backs. Decisions about corporate actions applying to investments held in your managed account are made by us at our discretion and the outcomes are applied to the models accordingly. Generally, you are not provided with information about corporate actions in relation to investments held in your managed account. Where there are outstanding activities on corporate actions applying to investments in your managed account we may suspend rebalances as described on page 7. We generally do not vote or seek your instructions on how to vote in relation to investments held in your managed account.

## Our role as the responsible entity

The Managed Account is a registered managed investment scheme operated by us in accordance with a constitution dated 14 May 2019 as amended from time to time (**'the constitution'**). You may obtain a copy of the constitution free of charge from our website, by calling Freecall 1800 888 223 or contacting us at our address on the cover page of this Guide. We, in our capacity as responsible entity of the Managed Account, manage the investments in your managed account in accordance with the investment strategy of your chosen models and your nominated investment preferences. In our capacity, as responsible entity of the Managed Account, we:

- determine the models to be made available in the Managed Account and appoint a Model Manager for each model (or perform the role ourselves);
- regularly review the investments in your managed account to identify whether a rebalance is required;
- implement the rebalances in your managed account in accordance with your chosen investment preferences and the instructions provided by the Model Manager; and
- monitor and supervise the performance of Model Managers and, for each model, ensure compliance with the investment mandate for that model.

As the responsible entity of the Managed Account:

- we seek to implement the advice provided by the Model Manager in a timely and efficient way;
- we review decisions of the Model Manager to ensure they are consistent with the investment mandate of the relevant model, although it is Model Manager, not us (unless we are the Model Manager), who makes decisions as to what investments are bought, held or sold in the models they manage (see 'The role of the Model Manager' section below);
- we may choose not to implement the advice provided by the Model Manager 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 relevant model; and
- we have certain duties under the *Corporations Act 2001* and the constitution for the Managed Account, including the following:
  - we must act honestly and with reasonable care and diligence in performing our duties as responsible entity;
  - if another party (including a Model Manager) carries out functions for us, we must pay any compensation arising out of acts of the agents engaged by it;
  - we must generally act in accordance with your instructions; and
  - we must keep your investments separately identified as far as practicable in our own records.

Under the constitution, we are not liable to you for any loss suffered in any way relating to the Managed Account, except to the extent that the Corporations Act imposes such liability.

As the responsible entity of the Managed Account, we are entitled to be indemnified out of the relevant investments in your managed account for any liability, loss, claim, demand and cost incurred by us or our agents or our delegate in properly performing or exercising any of our powers or duties in relation to the Managed Account for you.

The assets of the Managed Account may, to the extent permitted by law, be commingled with assets held by Netwealth in its capacity as custodian or trustee of other IDPSs, funds or schemes it operates and, in certain circumstances, its own assets.

## The role of the Model Manager

The models are made available by us as the responsible entity of the Managed Account. Each model has a Model Manager who determines the investments of the model. We may be the Model Manager for a model, or we may appoint another investment manager to act as Model Manager. If another Model Manager is appointed, the role of the Model Manager includes:

- providing advice to us regarding the investment objectives and strategy of the model;
- providing advice to us regarding the investments to be held in the model;
- making changes to the investments to be held in the model and providing us with advice as to any changes made in order to allow us to rebalance the investments held in your managed account; and
- providing regular reports to us regarding the investments, the investment strategy and investment performance of the model.

The Model Manager must exercise due diligence and vigilance in carrying out their role.

## Closure of models and removal of Model Managers

We may close a model or remove a Model Manager, without prior notice to investors at our discretion. Circumstances where we would close a model or remove a Model Manager include if we believe it is in the interests of investors or where the Model Manager breaches their agreement with us.

If we remove a Model Manager or a Model Manager resigns, we determine an appropriate course of action, which may include the appointment of another Model Manager to provide ongoing advice in relation to investments of the model or discontinuing the model.

If you have investments in a model that is closed, upon closure we seek instructions from you regarding those investments. For example, you could instruct us to transfer them to another model or transfer them from your managed account to your platform account or dispose of them.

## Risks

It is important that you understand the applicable risks before investing in the Managed Account.

All investing involves some degree of risk. The values and returns of most investments fluctuate. Generally, the higher the potential return from an investment, the greater the associated risk.

You should consider getting professional investment advice that is tailored to your investment objectives, financial situation and particular needs, as this will assist you in deciding whether you are comfortable with the risks involved. If you do not understand all of the risks associated with the Managed Account, as described in this Guide and the PDS, you should ask your Nominated Financial Adviser, or an investment professional, to explain them to you.

## Risks associated with the Managed Account

There are risks associated with the operation of your managed account. Whilst we take reasonable steps to minimise or control risks where we can, these risks cannot be eliminated and may affect the performance of your managed account. Risks associated with the operation of your managed account include the following:

**Other risks of your platform account:**  
There are risks associated in investing through the platform services. Refer to the disclosure documents for your platform account for more information.

## Risks

**Investment diversification:** some of the models available in the Managed Account operate using relatively concentrated investment portfolios. Having a small number of investments enables the Model Manager to focus on those particular securities, companies or funds and enables the operation of smaller investment portfolios necessary to enable you to hold the underlying investments in your managed account. [ However, this may lead to greater volatility in investment returns because the returns from a few investments can impact the investment returns of your portfolio as a whole.

**Model Manager investment decisions:** the investments in your managed account are based on the decisions of Model Managers. Investment management decisions are highly subjective, and while Model Managers are required to exercise reasonable care and diligence, there is a risk that their investment decisions may result in the model not achieving their objectives or your expectations.

**Model mismatching:** the actual investment holdings in your managed account are unlikely to exactly match the holdings of your chosen models. This can be caused by the implementation of the minimum trade sizes and minimum holding sizes, the required allocation to cash, differences in timing and prices achieved for trades and any personal investment preferences you instruct us to apply. As a result, the investment performance of your managed account is likely to differ from the reported outcomes of the models.

**Model Manager risk:** there may be changes to a model manager of a model, such as loss of significant staff, or a model manager may not apply their stated investment philosophy effectively.

**Trading costs:** the amount of trading associated with rebalances has an impact on your trading costs and investment performance. Trading may be caused by investment decisions of your Model Managers as well as by changes you make to your managed account such as additions, withdrawals and model allocations. The application of minimum trade sizes, minimum holding sizes, investment preferences and income accrual or withdraw instructions may also cause more frequent trading to occur as part of the rebalance, particularly on smaller account balances.

**Suspension of rebalances:** if rebalances are suspended (as described on page 7) then your managed account may not reflect the most recent investment decisions made by your chosen Model Managers because they have not been implemented in your managed account during the suspension. This means you may miss out on investment gains on investments acquired in the model or you may incur losses on investments that have been sold down in the model whilst the rebalancing of your managed account model is suspended.

**Trading delays:** during the rebalance process, it is possible that the completion of a trade may be delayed by more than a day, as described on page 5. This means that you may be 'out of the market' and you may not experience gains from a particular investment or market whilst trades are incomplete. We have processes in place that seek to mitigate or contain this risk but cannot eliminate the possibility entirely.

**Operator and systems risk:** operation of your managed account relies on our systems and processes to effectively and efficiently establish and rebalance models. In addition, as the Managed Account is held using your platform account, the operator and systems risks described in the disclosure documents for your platform account are relevant in assessing the risks with your managed account. If we experience an interruption or fault in our systems, this may cause the establishment of your managed account or a rebalance to be delayed or not occur, in which case trades may not be implemented in your managed account on a timely basis and your managed account may not reflect the most recent investment decisions made by your chosen Model Managers.

**Model Manager information:** operation of your managed account relies on the Model Manager providing us with updated information regarding the investments of the models on a regular basis. Any failure by the Model Manager to provide accurate, complete or timely advice to us or by us to receive and act on that information, may result in investment decisions made by your chosen Model Managers not being implemented in your managed account on a timely basis.

### Investment risks

Investments made through the Managed Account carry investment risks. These risks may impact on the value of investments and/or limit our ability to sell or redeem investments at your direction.

Investment markets are affected by numerous factors. These factors may result in investment returns fluctuating over time, which is generally described as 'volatility'. At times, the value of investments may be less than the amount you originally invested.

Growth investments (shares and property) have relatively higher risk (and volatility), and potentially higher returns, than defensive investments (fixed interest and cash). Some of the factors that influence volatility and returns are: investor sentiment, general economic conditions such as changes in interest rates and inflation, rates of growth of the domestic and world economies and political events.

The risks associated with investing in the Managed Account depend on which models you choose and may include the following:

**Market risk:** economic, technological, political or legal conditions, and even market sentiment, can (and do) change. This means that changes in the value of investment markets may affect the value of investments. The state of the property market may also affect listed property securities.

**Currency and exchange rate risk:** foreign currencies may fall in value relative to the Australian dollar, which may have a negative impact on investment returns. This risk applies to models that have an exposure to international investments through managed funds that do not fully hedge currency risk and to models that include investment in international securities. Where you use models that include international securities, all transactions are converted to Australian dollars. We do not provide a facility to manage exchange rate exposure through products such as derivatives and movements in exchange rates therefore have an effect on the value of investments when converted to Australian dollars.

**Interest rate risk:** changes in interest rates can have a positive or negative impact on investment value or returns, for example, the cost of a company's borrowing can decrease or increase. Models that have a direct or indirect exposure to fixed income or interest earning investments may be sensitive to movements in domestic and international interest rates.

**Liquidity risk:** there is the risk of not being able to withdraw from or sell an investment at short notice. This may occur for many reasons including, for example, if, in the case of a managed fund, the responsible entity of the managed fund suspends withdrawals because the investments of the managed fund have become illiquid or, in the case of listed securities, trading in that investment on the stock market is suspended for a substantial period of time. Where a model holds investments that have restricted or limited liquidity, our ability to rebalance your managed account and your ability to withdraw funds may be restricted. Furthermore, where it is necessary to liquidate investments to settle withdrawals, there is a risk that liquidation may be done on unfavourable terms. Some overseas markets do not provide the same level of liquidity as the Australian market and models that invest in small capitalisation stocks may also experience lower levels of liquidity. Where a model holds investments with less liquidity, it may be harder to trade these investments in a timely manner at a fair market price.

**Settlement risk:** there is a risk that a particular trade may not settle or be completed as intended. This risk is influenced by, amongst other things, market practices (for example settlement and custody practices), the creditworthiness of the parties the models are exposed to, and the level of government regulation in the places in which the models invest.

**Emerging markets risk:** models may have an exposure to emerging markets. Emerging market securities may be subject to higher levels of market volatility leading to higher general investment risk. Interest rate and currency risks may be greater due to higher levels of volatility in the economies of emerging markets. Furthermore, emerging market securities are often less liquid than the securities of developed markets. Counterparty and settlement risks are also increased.

## Risks

**Alternative strategies risk:** models that are categorised in the Managed Models Menu as 'alternative investments' or that include exposure to 'alternatives' in their investment strategy or investment universe as shown in the Managed Model Profile, have increased inherent risks. These models may have investments in non-traditional investment classes, including hedge funds, commodities or infrastructure and exposure to derivatives or synthetic investments. These increased risks include a higher exposure to counterparty and settlement risk, liquidity risk, short selling risk and more leverage than traditional investment strategies.

**Sovereign or political risk:** loss of investment value may be caused by the internal actions of the government of a country to which the investment is exposed or external actions against the country. This may happen in a wide range of ways. Examples of internal actions include changes in the regulation of foreign investment or foreign ownership. External action may be in the form of hostilities by another state or terrorist attack. Some overseas markets are more susceptible to these events than the Australian market.

## General information only

The information provided in this Guide is general information only and is not intended to imply any recommendation or opinion about a financial product. This information does not take into account your personal objectives, financial situation or needs. You should consider whether the information is appropriate for you in light of your personal objectives, financial situation and needs, and you should consider consulting a financial adviser before making a decision about whether to invest in the Managed Account or any of the Managed Models.