

## CUSTODY ARRANGEMENT WITH SANDHURST FREQUENTLY ASKED QUESTIONS

### Who is Sandhurst Trustees Limited?

Sandhurst Trustees Limited (Sandhurst) is the Custodian for JM Financial Group's (JMFG) Discretionary Portfolio Administration Service (DPAS). Sandhurst is licensed by Australian Securities and Investments Commission (ASIC) via Australian Financial Services Licence AFSL 237906 to, amongst other things, act as a Custodian.

Sandhurst is a wholly owned subsidiary of Bendigo Bank Limited (AFSL 237879).

JMFG has been using Sandhurst as a Custodian for clients' funds since January 2006.

### Why are my shares in Sandhurst's name?

Under financial services laws and ASIC's policies, an entity which holds the legal title to clients' assets must meet certain minimum financial requirements. This includes a minimum level of net tangible assets of \$5 million.

In order to ensure these minimum financial requirements are met in relation to DPAS, JMFG entered into a custody agreement with Sandhurst. Under this custody agreement, Sandhurst will hold the legal title to any shares acquired or held through DPAS. While Sandhurst holds legal title, **the beneficial interest in the shares remains with you.**

This arrangement means that JMFG holds records for all individual clients and is able to produce client reports on request at any time, but does not hold the legal title to the shares.

### What is Sandhurst's role?

Under the custody agreement, Sandhurst holds the legal title to your shares as a 'bare trustee'. This means that Sandhurst does not have the right to deal with your shares other than as directed by you, or your authorised representative, through JMFG.

Accordingly, Sandhurst's role is simply to hold the legal title to the assets of clients of the DPAS and to give effect to the instructions provided by your JMFG Portfolio Manager.

Sandhurst is obliged under the custody agreement to give effect to your JMFG Portfolio Manager's instructions.

Sandhurst is also required to provide various reports to JMFG at regular intervals in relation to the assets held by it in connection with DPAS.

Finally, under the custody agreement, Sandhurst is required to maintain an adequate level of insurance in relation to its activities as a Custodian.

## Can the Custodian sell my shares without my consent?

Given Sandhurst is only a bare trustee, it cannot sell your shares unless you or your authorised representative gives instructions to JMFG to do so.

## Can a liquidator sell the shares?

The custody agreement states that the assets of clients held by Sandhurst through the DPAS must, to the extent practicable, be held separately from any other assets held by Sandhurst.

Furthermore, no creditor of Sandhurst can seize the assets it holds in its capacity as Custodian of DPAS nor can Sandhurst grant charges over those assets.

Accordingly, in the unlikely event that a liquidator was appointed to Sandhurst, that liquidator would not be entitled to sell the assets held by Sandhurst on behalf of the clients of DPAS.

## What if there is a dispute between JMFG and Sandhurst over the Custodian's fees?

Under the terms of the custody agreement with Sandhurst, the fees payable to Sandhurst as Custodian are a matter strictly between Sandhurst and JMFG. Sandhurst is not permitted to take your money or shares in the event of a dispute with JMFG about the Custodian fees payable to Sandhurst.

## Can we transfer shares without a CGT Event?

Generally, where there is no change in beneficial ownership of the shares, a transfer of the shares will not result in a CGT Event.

## What are the advantages of a Custodian?

- ❖ The regular reports provided by Sandhurst to JMFG in relation to the assets held by it in connection with the DPAS will allow JMFG to provide an accurate consolidated reporting service to clients.
- ❖ All correspondence and corporate actions are received by JMFG and are looked after by our administration team. This should minimise the possibility of missing option expiry situations or other corporate actions.
- ❖ The client is still entitled, on request, to receive any correspondence they would receive if they held the shares directly.
- ❖ Anonymity on share register – only Sandhurst's name appears on companies' share registers (it is still possible to request underlying holders details under the tracing provisions of the Corporations Act on request by ASIC or the listed company).
- ❖ Shares can be transferred back to the beneficial owner – unlike managed investment units where the units must be sold upon exit, giving rise to a CGT event.