



WEALTH MANAGEMENT

DISCRETIONARY PORTFOLIO ADMINISTRATION SERVICE

FREQUENTLY ASKED QUESTIONS

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Discretionary Portfolio Service – Frequently Asked Questions

What is the Discretionary Portfolio Administration Service?

The Discretionary Portfolio Administration Service (DPAS) is a wealth management service offered by JM Financial Group Limited ACN 007 364 132 (AFSL 238397) to wholesale and retail clients.

The DPAS provides clients with a tailored managed portfolio reflecting their financial goals, lifestyle choices and tolerance for risk. Under the authority given to it by the DPAS agreement, JM Financial Group Limited manages your portfolio and makes investment decisions on your behalf within agreed investment parameters.

In addition to constructing and managing your portfolio, the DPAS undertakes all ongoing administrative and reporting functions for you, including dividend payments, corporate actions and tax accounting.

The DPAS includes a full performance reporting function and formal reports are sent to you quarterly and annually as well as being available online at all times.

How is the DPAS structured?

JM Financial Group Limited is the operator of the DPAS and is responsible for constructing and managing your portfolio.

JM Financial Group Limited has appointed an independent external custodian, Sandhurst Trustees Limited. Sandhurst Trustees is responsible for the safe custody of your shareholdings and cash in your DPAS account. Sandhurst Trustees is legally obliged to act in accordance with the instructions of JM Financial Group Limited, including the transfer of assets back to you or your nominee upon request.

Who is Sandhurst Trustees?

Sandhurst Trustees is the custodian for the DPAS accounts. It is licensed by ASIC (AFSL 237906) to, amongst other things, act as a custodian. Sandhurst Trustees is a wholly owned subsidiary of Bendigo Bank Limited (AFSL 237879).

JM Financial Group Limited has been using Sandhurst Trustees as a custodian for clients' funds since 2006.

Why are my shares held in Sandhurst Trustees' name?

Under financial services laws, an entity which holds the legal title to a client's assets must meet certain minimum financial requirements. This includes a minimum level of net tangible assets of \$10 million together with certain mandatory insurance requirements.

In order to ensure these minimum financial requirements are met in relation to the DPAS, JM Financial Group Limited has entered into a custody agreement with Sandhurst Trustees. Under this custody agreement, Sandhurst Trustees will hold the legal title to any shares acquired or held through the DPAS.

While Sandhurst Trustees holds legal title, the beneficial interest in the shares remains with you. This arrangement means that JM Financial Group Limited 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. This arrangement is also designed to ensure the integrity of individual client assets held in the DPAS.

Another benefit of having a custodian is relative anonymity on the share register. Only Sandhurst Trustees' name appears on a company's share register.

Can Sandhurst Trustees deal with my shares without my consent?

No. As Sandhurst Trustees is a 'bare trustee', it cannot sell your shares unless you or your authorised Investment Adviser instructs JM Financial Group Limited to do so.

Under the arrangement with Sandhurst Trustees, all assets of clients held by Sandhurst Trustees through the DPAS must be held separately from any other assets held by Sandhurst Trustees.

Who can join the DPAS?

Anyone who is an Australian resident over 18 years of age can apply to join the DPAS provided that they are able to provide a minimum initial contribution of A\$500,000. Companies, partnerships, trustees and executors can also apply to join the DPAS if they are able to satisfy the initial contribution requirement.

Can I transfer my existing portfolio to the DPAS?

Yes, your existing shareholdings can be transferred to the DPAS. Where you are already the beneficial owner of these shares you can do so without triggering a capital gains tax (CGT) event.

How is my DPAS account managed?

Your DPAS account is managed in accordance with your stated objectives and your overall capital gains tax position. Dividend yields and the level of available franking credits are also taken into consideration in structuring your share portfolio.

Details of dividends and franking credits are provided in the quarterly and annual reports to assist you with the preparation of your tax returns.

What are the fees and charges associated with the DPAS?

Management fees start at 1.75% of your total portfolio value and are negotiable for larger portfolios.

Brokerage fees may also apply. In some circumstances, the flag-fall transaction cost is passed on to you via a nominal brokerage charge.

Alternative fee arrangements, including performance fees, may be negotiated on request.

All agreed fees are deducted directly from cash held in your DPAS account.

What Reports will I receive as part of the DPAS?

Investors in the DPAS receive the following reports on a quarterly and annual basis:

- ❖ Portfolio Appraisal
- ❖ Performance Report
- ❖ Transaction Report
- ❖ Income Summary Report
- ❖ Capital Gains/Losses Report
- ❖ Cash Ledger
- ❖ Ad-hoc reports on request

Can I transfer my shares out of the DPAS at any time?

Yes. If there are no outstanding settlements or corporate actions, it will usually take about 5 business days to withdraw your shares from the DPAS.

Can I withdraw cash from my DPAS account?

Cash withdrawals can occur at any time as long as you provide at least 2 days' notice in writing. Instructions must be signed by all account holders and include details of the bank account for direct deposit of your funds.

A minimum level of 3% of the value of your account is required to be maintained in the cash account at all times until your account is closed. This is to ensure that you have sufficient cash available to meet expenses such as DPAS fees and any other costs that may arise.

What are the risks associated with the DPAS?

All investments involve some level of risk. Additionally, risks vary between various classes of assets. JM Financial Group Limited makes no representation of any return (whether capital or income) from any investment decisions by JM Financial Group Limited in respect of the DPAS. Past returns or performance by JM Financial Group Limited is no guarantee of any future returns which may be achieved on your behalf.

The DPAS may not be suitable for you if you provide limited or inaccurate information relating to your relevant personal circumstances and may cease to be suitable if your relevant personal circumstances change.

How can I get further information about the DPAS?

Detailed information about the DPAS is contained in the Financial Services Guide prepared by JM Financial Group Limited and in the accompanying Service Agreement.

Important information: *The DPAS is operated by JM Financial Group Limited ACN 007 364 132 (AFSL 238397). The information presented in this Frequently Asked Questions sheet is general factual information only and should not be considered financial product advice. You should consider the Financial Services Guide in relation to the DPAS and JM Financial Group Limited strongly suggests that you obtain advice from a financial adviser before you make any decision regarding the DPAS. JM Financial Group Limited does not guarantee the repayment of capital invested in or the investment performance of your portfolio.*