JM Financial Group

# Opportunities Strategy

## STRATEGY

The JMFG Opportunities Strategy provides exposure to a diversified portfolio of Australian-listed small companies with early stage business models operating in emerging investment sectors and featuring attractive investment fundamentals.

## OBJECTIVE

To achieve significant capital growth after fees over a rolling 5-year period.

## WHY JMFG?

When investing in a JMFG Managed Strategy, clients benefit from having their portfolio managed by a professional investment team whilst retaining the value of beneficial stock ownership.

JMFG client investments are individually held in trust by a Custodian, unlike investments in a Unit Trust. Retaining beneficial ownership allows for consideration of clients' individual circumstances, gaining the benefit of franking credits and greater tax planning flexibility.

Portfolios do not inherit realised or unrealised capital gains as may occur with investments in unit trusts. This also allows existing investments to be easily transferred into (and out of) JMFG Managed Strategies without triggering capital gains events.

The client's portfolio will be invested alongside the JMFG Strategy model portfolio that best suits the client's investment goals, time horizon, and appetite for risk.

## INVESTMENT PHILOSOPHY

All JMFG's Strategies are managed in a style-neutral fashion, with a focus on utilising the team's extensive market experience and knowledge base to outperform in rising markets and limit the downside for our clients in falling markets.

Our investment approach targets companies with strong management and sound business models operating in industries with long term structural growth.

The stock selection process incorporates both macro and sector considerations as well as extensive direct company and senior management contact.

## WHO THE STRATEGY SUITS

The Opportunities Strategy is tailored towards sophisticated or wholesale investors with an extremely high risk tolerance as it invests in smaller companies with very high volatility and risk/reward profiles. Candidate companies typically have innovative concepts, technologies, or natural assets that are likely to be in growing demand. While most of these companies will be at earlier stages of maturity, we aim to acquire them once the technology or concept has been largely developed, with commercialisation at or very close to realisation. We also aim to have a close relationship with management to ensure the companies invested in have the necessary skills to take their business from concept stage through to full commercialisation.

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Given the focus is on emerging sector growth companies, the Opportunities Strategy will receive little to no income yield and contain the risk of significant capital losses, as well as the potential for significant capital growth.

## ASSET ALLOCATION

We will typically aim to invest within the following structure:

- S&P/ ASX All Ordinaries –0-20%
- Ex-S&P/ASX All Ordinaries – 80-100%

From time to time, the Strategy may hold different percentages than indicated above, when stocks enter or exit the relevant index or if we consider it is still consistent with the investment strategy to do so. It may, at times, hold high levels of cash, depending on market circumstances and the timing of investment opportunities.

## FEES

A Management Fee of 1.5% p.a. (plus GST) is charged on the portfolio's net asset value, payable quarterly.

A Performance Fee of 20% (plus GST) is charged on growth of the portfolio above the benchmark[1], subject to a High-Water Mark[2] and portfolio TWRR performance exceeding the Hurdle[3] in the period. Payable six monthly, this fee is also subject to a period limit[4] to temper the cost to the portfolio during times of exceptional out-performance.

## TRANSPARENCY

Our web portal allows clients easy access to information on their portfolio holdings and transactions.

## SUMMARY

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|---|---|
| Risk Profile | Extremely High |
| Investment Horizon | 5 years + |
| [1]Benchmark | 10.25% per annum |
| [2]High-Water Mark | Portfolio value must have increased vs both the 6-month period starting value and the previous highest 6-month point HWM, net of contributions and redemptions and prior fees. Any net growth in portfolio value becomes the new HWM, even if the Hurdle is not surpassed. |
| [3]Positive Portfolio Performance Hurdle | 10.25% per annum (after Management Fees) annualised portfolio return over the period – i.e. 6-month portfolio TWRR must clear 5.0% |
| [4]Performance Fee Limit and Accrual | Performance Fee plus prior Accrual, if any, (ex GST) may not exceed 2% of the portfolio value at the end of the 6-month period – the over 2% balance of an earned fee is carried forward to the next 6-month period and accumulated along with any new Performance Fees – the accrued fees will be charged in periods of portfolio growth where this 6-month limit is not exceeded.<br>Due, accrued, and overdue fees will be charged upon account closure. |
| Typical Portfolio Composition | 0-20% ASX All Ords, 80-100% Ex-ASX All Ords |