Separately Managed Account

Product Disclosure Statement - Part 1

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Issued by Navigator Australia Limited (NAL)

ABN 45 006 302 987
AFSL 236466

The purpose of this Product Disclosure Statement (PDS) is to give you the information you need when investing in the Integrated Separately Managed Account (SMA) which is a Registered Managed Investment Scheme. ARSN 138 086 889.

This PDS is comprised of two parts:

- **Part 1 – (this document) - an overview of how the SMA works.**
- **Part 2 – the applicable SMA model menu available to you - information on the model portfolios, including fees and costs that apply.**

The latest versions of these documents, which together comprise this PDS are available at mlc.com.au. If a custom menu is applicable, please contact us on 132 652 to obtain a copy.

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This Product Disclosure Statement (PDS) is issued by Navigator Australia Limited (NAL) ABN 45 006 302 987 AFSL 236466, the responsible entity of the Integrated Separately Managed Account ARSN 138 086 889 (SMA). NAL is part of the group of companies comprising IOOF Holdings Ltd ABN 49 100 103 722 and its related bodies corporate (IOOF Group).

The information in this **PDS** is general in nature and doesn't take into account your objectives, financial situation or individual needs. Before acting on any of this information you should consider whether it is appropriate for you. You should consider obtaining financial advice before making any decisions based on this information.

References to 'we', 'us' or 'our' are references to NAL, unless otherwise stated.

This offer is made in Australia in accordance with Australian laws.

Each referenced investment manager has given written consent to be named in the **PDS** and to the inclusion of statements made by them. As at the date of the **PDS**, these consents have not been withdrawn.

In some cases, information in this **PDS** has been provided to us by third parties. While it is believed the information is accurate and reliable, the accuracy of that information is not guaranteed in any way.

Investment through the SMA, and the information in this PDS, is only intended to be accessed by persons who hold an account in an investor directed portfolio service, a master trust or a superannuation fund (each referred to in this PDS as a "platform") that is administered or operated by a IOOF Group company (referred to in this PDS as the "platform operator"). When you apply to invest in the SMA via the relevant platform, the platform operator will hold the relevant interest in the SMA on your behalf according to the terms of that platform.

The information in this PDS is subject to change. Changes to the SMA and the Model Portfolios will be made from time to time and we may add or remove Model Portfolios. The Platform operator will advise you of changes to information in this PDS that are materially adverse. We may provide this information to you by mail, email or by making the information available at **mlc.com.au**. We'll let you know when information about your Model Portfolio has been made available online. If you prefer to receive updates about your account by mail, please let us know.

The information in this document may change from time to time. Any updates that aren't materially adverse will be available at **mlc.com.au**. You can obtain a paper copy of any of these changes at no additional cost by contacting us.

An online copy of this **PDS** is available at **mlc.com.au/sma**

About the SMA

What is the Separately Managed Account?

The Separately Managed Account (SMA) is a registered managed investment scheme that allows you to access a number of professionally constructed and managed investment portfolios (otherwise known as, 'Model Portfolios'). These portfolios are made up of Australian listed investments, managed funds and cash. We do this by establishing an individual portfolio of listed investments and/or managed funds that corresponds to the investments held within the investment manager's, 'Model Portfolio'.

This scheme allows you to invest your money within a range of Model Portfolios that's managed by professional investment managers. Your investment in the SMA is available to you through your platform Account.

To see which Model Portfolio suits your needs, we've included further information about Model Portfolios in the *Part 2 SMA* section of the **Product Disclosure Statement** (PDS).

The SMA allows you to access an extensive range of professionally constructed Model Portfolios made up of:

- securities listed on the Australian securities exchange, Exchange Traded Funds (ETFs), cash and listed fixed income; or
- securities listed on the Australian securities exchange, managed funds, ETFs, cash and listed fixed income

so you can choose the Model Portfolio you want to suit your needs.

Benefits of the SMA

Individual accounts

When you invest in the SMA through a platform, a separate interest will be issued to the platform operator in relation to each Model Portfolio you choose, and any assets we hold in relation to that separate interest will be accounted for separately. Asset holdings that relate to a Model Portfolio that you select are referred to in this PDS as "your account" or "your Model Portfolio".

You (or the trustee in the case of a superannuation investment) retain beneficial ownership of the assets held in your account.

Transparency

You can view the assets that you hold within your chosen Model Portfolio through your platform reports and facilities.

Portability

You can transfer Australian securities and units in managed funds that are held by (or for) you into the Wrap platform before transfer into the SMA and still retain the beneficial interest in those assets. You can also transfer your securities and units in managed funds between your Model Portfolios within the SMA. Please see page 14 for more details.

No inherited capital gains for listed securities

When you transfer assets into your account, or assets are acquired by us and held as part of your account, an individual cost base is established in relation to that Model Portfolio. For listed securities this means there are no tax consequences for you as a result of other investors' transactions. The same benefit however does not apply for holdings of managed funds within the SMA.

About the SMA

Professional investment management

You can benefit from the services provided to NAL by investment professionals who monitor and manage Model Portfolios on our behalf.

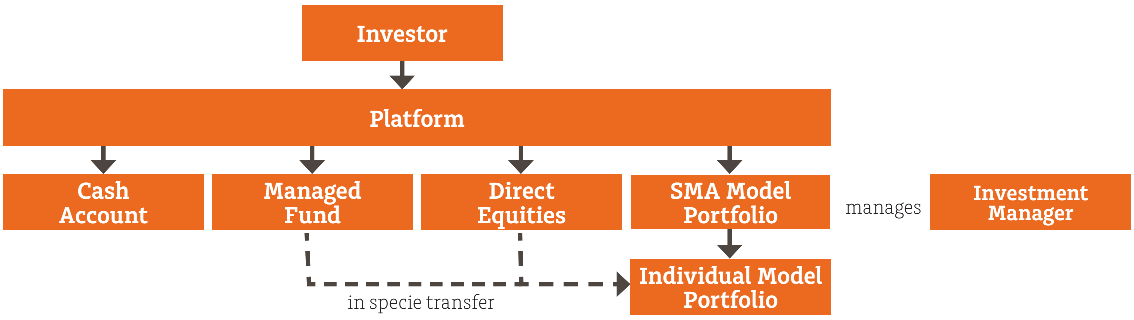
NAL, as responsible entity for the SMA, has appointed a number of investment managers to provide NAL with a range of investment advisory services in connection with the Model Portfolios that you can select when investing in the SMA.

Consolidated reporting

Because the SMA is fully integrated with the technology systems of the platform through which you access the SMA, you will be able to have a comprehensive view of your Model Portfolio. This means you can:

- view the breakdown of securities, managed funds and cash investments in your Model Portfolio
- keep track of your investments, and
- transact between the SMA and other investments on your platform easily.

The diagram below shows how the SMA works.



About the SMA

Who can invest

If you want to start an investment in the SMA, you must do so through an Investor Directed Portfolio Service (IDPS), a master trust, a superannuation fund or Wrap account – collectively known as a 'platform', administered or operated by NAL or another IOOF Group Company.

Please make sure that you have the latest copy of the PDS or in the case of an IDPS, the IDPS Guide for the platform that you are invested in. These documents are referred to in this PDS as your 'platform offer documents'. You can obtain the latest copy of the platform offer documents at **mlc.com.au** or you can request a copy by calling us.

Investments into the SMA via your platform account can be made in the following ways:

- cash investment;
- transfer of securities and/or units in managed funds; or
- a combination of both.

The minimum initial investment is different for each Model Portfolio. There is no minimum for additional investments you may choose to make in your Model Portfolio.

You can monitor your investment through your Adviser who will have access to reporting and performance related to your investments in the SMA.

Things to consider before you invest

Each Model Portfolio may be invested in:

- Australian shares and securities listed on the Australian Securities Exchange (ASX);
- listed property securities on the ASX;
- units in managed funds; and
- cash and fixed income

Before you invest, there are some things you need to consider, including how much risk you're prepared to accept. This is determined by various factors, including:

- your investment goals
- the savings you'll need to reach these goals
- your age and how many years you have to invest
- where your other assets are invested
- the return you may expect from your investments, and
- how comfortable you are with investment risk.

Investment risk

All investments come with some risk. Some Model Portfolios will have more risk than others, as it depends on a Model Portfolio's strategy and assets.

The value of an investment with a higher level of risk will tend to rise and fall more often and by greater amounts than investments with lower levels of risk, ie it's more volatile.

While it may seem confronting, investment risk is a normal part of investing. Without it you may not get the returns you need to reach your investment goals. This is known as the risk/return trade-off.

Many factors influence an investment's value. These include, but aren't limited to:

- market sentiment
- changes in inflation
- growth and contraction in Australian and overseas economies
- changes in interest rates
- defaults on loans
- company specific issues
- liquidity (the ability to buy or sell investments when you want to)
- changes in the value of the Australian dollar
- changes in Australian and overseas laws, and
- a counterparty not meeting its obligations eg when buying securities, the seller may not deliver on the contract by failing to provide the securities.

Other SMA risks

The significant risks of investing in the SMA are typical of the risks of making a similar investment in listed securities and managed funds. In addition to the risks explained throughout this section 'Things to consider before you invest', the following may influence a Model Portfolio's value:

- **Investment manager performance risk:** investment managers have different approaches to managing portfolios, which invariably results in different investment returns. No single investment approach is guaranteed to outperform all others in all market conditions. Changes to investment markets and within an investment manager's firm may also affect an investment manager's performance.
- **Scheme risk:** risks specific to the SMA include the risk that the SMA, or a particular Model Portfolio, or an investment manager's services, could be terminated and that the fees and costs could change. Where an investment manager is replaced then we may appoint a replacement investment manager and pay fees to that investment manager, including where the investment manager appointed is a related party to IOOF. There is also a risk that investing through the SMA may give different results than self-directed investing.
- **Liquidity risk:** this is the risk that a security or managed fund may not be able to be sold without incurring large transaction costs or quickly enough to prevent or minimise a loss (eg if a security is suspended from trading on the market or a managed fund is frozen or has redemptions suspended). A lack of liquidity may affect our ability to rebalance a Model Portfolio or the amount of time it takes us to satisfy withdrawal requests.

Things to consider before you invest

- **Concentration Risk:** in a concentrated portfolio of up to 40 equities, a Model Portfolio's returns may be more volatile than those of a more diversified portfolio. Its exposure to a smaller number of investments means it is more sensitive to changes in the value of those investments.
- **Implementation risk:** the performance of your Model Portfolio may differ to the reported performance of the relevant Model Portfolio due to a number of factors such as cash flows, portfolio reweighting and timing differences.
- **Valuation risk:** is the risk that assets held by you in the Model Portfolio cannot be valued due to delays in receiving unit prices or asset values in a timely manner.

Volatility

Periods of volatility can be unsettling and may occur regularly. You may find it reassuring to know that often investments that produce higher returns and growth over long periods tend to be more volatile in the short term.

By accepting that volatility will occur, you'll be better able to manage your reaction to short-term movements. This will help you stay true to your long-term investment strategy.

When choosing your investment, it's important to understand that:

- its value and returns will vary over time
- assets with higher long-term return potential usually have higher levels of short-term risk
- returns aren't guaranteed and you may lose money, and
- future returns will differ from past returns.

Diversify to reduce volatility and other risks

Diversification – investing in a range of investments – is a sound way to reduce the short-term volatility of a portfolio's returns. That's because different types of investments perform well in different times and circumstances. When some are providing good returns, others may not be.

Portfolios can be diversified across different asset classes, industries, securities and countries, as well as across investment managers with different approaches.

The more you diversify, the less impact any one investment can have on your overall returns.

One of the most effective ways of reducing volatility is to diversify across a range of asset classes.

A financial adviser can help you clarify goals and assist with creating a financial plan which helps you manage risk and consider issues such as:

- how many years you have to invest
- the savings you'll need to reach your goals
- the return you may expect from your investments, and
- how comfortable you are with volatility.

Things to consider before you invest

Types of assets

Asset classes are commonly grouped as defensive or growth, based on their different characteristics.

Defensive assets, such as cash and fixed income, may help provide positive returns in a portfolio when share markets are weak. On the other hand growth assets, such as shares and property, may be included in a portfolio because of their potential to produce higher returns than cash in the long term.

Multi-asset portfolios are usually invested across both defensive and growth assets because their risk and return characteristics tend to be diverse. However in some market conditions, all types of assets may move in the same direction, delivering low or negative returns at the same time.

The main differences between defensive and growth assets are:

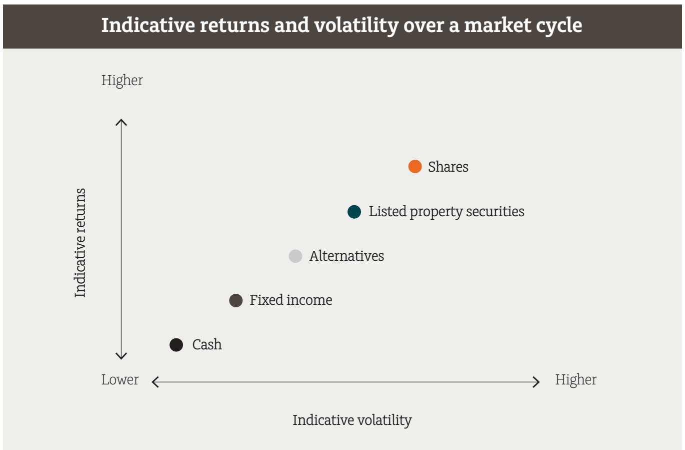
	Defensive	Growth
How they are generally used	To stabilise returns and generate income.	To provide long-term capital growth and income.
Risk and return characteristics	Expected to produce lower returns, and be less volatile, than growth assets over the long term.	Expected to produce higher returns, and be more volatile, than defensive assets over the long term.

Asset classes

Asset classes are groups of similar types of investments. Each class has its risks and benefits, and goes through its own market cycle.

A market cycle can take a couple of years or many years as prices rise, peak, fall and stabilise. Through investing for the long term, at least through a whole market cycle, you can improve your chance of benefiting from a period of strong returns and growth to offset periods of weakness.

The illustration below shows indicative returns and volatility for the main asset classes over a whole market cycle. However, each market cycle is different, so unfortunately it isn't possible to accurately predict asset class returns or their volatility. Depending on the conditions at the time, actual returns could be significantly different from those shown.



Source: MLC Asset Management

Things to consider before you invest

Cash

Cash is generally a low risk investment.

Things to consider:

- Cash is often included in a portfolio to meet liquidity needs and stabilise returns.
- The return is typically all income and is referred to as interest or yield.
- Cash is usually the least volatile type of investment. It also tends to have the lowest return over a market cycle.
- The value of an investment in high quality cash securities tends not to change. However, in extreme market environments cash interest rates or yields could become negative, resulting in a gradual decline in the value of your investment over time.
- Many cash funds invest in fixed income securities that have a very short term until maturity.

Fixed income (listed and non-listed)

When investing in fixed income you're effectively lending money to businesses or governments. Bonds are a common form of fixed income security. Fixed income is also known as fixed interest.

Things to consider:

- Fixed income securities are usually included in a portfolio for their relatively stable return characteristics.
- Returns typically comprise interest and changes in the market value of the fixed income security. While income from fixed income securities usually stabilises returns, falls in their market value may result in a loss on your investment. Market values may fall due to concern about defaults on loans or an increase in interest rates.
- Values of fixed income securities tend to move in opposite directions to interest rates. So when interest rates rise, fixed income securities' values tend to fall and when interest rates fall, values can rise. When interest rates and interest income are low or negative, even small rises in interest rates may lead to falling market values and losses.
- Duration is a common measure of an investment's sensitivity to changes in interest rates. To illustrate, if interest rates rise sharply by 1%, and a fixed income fund has a duration of three years, the fund would likely lose approximately 3% of its value. The longer the duration of a fixed income investment, the more its value will be impacted by rising or falling interest rates, and the greater its interest rate risk.
- Market values of fixed income securities may rise or fall due to changes in perceptions of the business or government issuing the securities being able to meet their interest and repayment obligations. This is known as default risk or credit risk. Issuers with higher credit quality are considered investment grade and have a lower credit risk than issuers below investment grade, known as high yield. Higher credit risk securities generally have higher potential returns (yields) to compensate investors for their higher risk.
- There are different types of fixed income securities and these will have different returns and volatility.
- Investing in fixed income securities outside Australia may expose your portfolio to movements in exchange rates.

Alternatives

These are a very diverse group of assets. Some examples may include hedge funds, real return strategies, and gold.

Things to consider:

- Because alternatives are diverse, they may be included in a portfolio for their defensive or growth characteristics.
- Alternative investments are usually included in portfolios to increase diversification and provide returns that aren't strongly linked with the performance of mainstream assets.
- Investment managers include alternative investments in a portfolio because they generally expect the return and diversification benefits of alternative investments to outweigh the higher costs often associated with them.
- Some alternative strategies are managed to deliver a targeted outcome. For example, real return strategies aim to produce returns exceeding increases in the costs of living (ie inflation).
- For some alternatives, such as hedge funds, derivatives may be used extensively and it can be less obvious which assets you're investing in compared to other asset classes.
- Some alternative investments are illiquid, which makes them difficult to buy or sell.
- To access alternative investments you generally need to invest in a managed fund that, in turn, invests in alternatives.
- Because most alternative investments aren't listed on an exchange, determining their value for a fund's unit price can be difficult and may involve a considerable time lag.
- Alternatives invested outside Australia may expose your portfolio to movements in exchange rates.

Things to consider before you invest

Listed property securities

Property securities are listed on share markets in Australia and around the world. Listed property securities are also referred to as Real Estate Investment Trusts (REITs).

Things to consider:

- Listed property securities are usually included in a portfolio for their income and growth characteristics.
- Returns typically comprise income (such as distributions from REITs) and changes in REIT values.
- Returns are driven by many factors including the economic environment in various countries.
- The global REIT market is far more diversified than the Australian REIT market.
- Listed property securities' returns can be volatile.
- Investing outside Australia may expose your portfolio to movements in exchange rates.

Australian shares

This asset class consists of investments in companies listed on the Australian Securities Exchange (and other regulated exchanges). Shares are also known as equities.

Things to consider:

- Australian shares can be volatile and are usually included in a portfolio for their growth and income characteristics.
- The Australian share market is less diversified than the global market because Australia is currently dominated by a few industries such as Financials and Resources.
- Returns usually comprise dividend income and changes in share prices.
- Dividends may have the benefit of tax credits attached to them (known as franking or imputation credits).
- Returns are driven by many factors including the performance of the Australian economy.
- Companies listed on the Australian share market can be grouped as small, medium and large capitalisation (cap) based on factors including the total market value of their listed shares and liquidity. Investors in small cap companies generally experience greater price volatility than shares in large cap companies because small cap companies trade less frequently and in lower volumes. They may also underperform large cap companies for many years.
- When investing in listed investments such as direct shares, you should be aware that a company's share price is affected by events within and outside of the company. These events include:
  - changes to management
  - profit and loss announcements
  - the expectations of investors regarding the company
  - competitive pressures
  - legal action against the company
  - social and government issues
  - climate change, and
  - environmental issues.

Global shares

Global shares consist of investments in companies listed on securities exchanges around the world.

Things to consider:

- Global shares can be volatile and are usually included in a portfolio for their growth characteristics.
- The number of potential investments is far greater than in Australian shares.
- Returns usually comprise dividend income and changes in share prices.
- Returns are driven by many factors including the economic environment in various countries.
- When you invest globally, you're less exposed to the risks associated with investing in just one economy.
- Investing outside Australia means you're exposed to movements in exchange rates.

Investment approaches

Investment managers have different approaches to selecting investments, which invariably results in different returns. No single investment approach is guaranteed to outperform all others in all market conditions.

There are generally two broad approaches: passive and active management.

Passive management

Passive, or index, managers choose investments to form a portfolio which will deliver a return that closely tracks a market benchmark (or index). Passive managers tend to have lower costs because they don't require extensive resources to select investments.

Active management

Active managers select investments they believe, based on research, will perform better than a market benchmark over the long term.

They buy or sell investments when their market outlook alters or investment insights change.

The degree of active management affects returns. Less active managers take small positions away from the market benchmark and more active managers take larger positions. Generally, the larger an investment manager's positions, the more their returns will differ from the benchmark.

Active managers have different investment styles that also affect their returns. Some common investment styles are:

- Bottom-up – focuses on forecasting returns for individual companies, rather than the market as a whole.
- Top-down – focuses on forecasting broad macroeconomic trends and their effect on the market, rather than returns for individual companies.
- Growth – focuses on companies they expect will have strong earnings growth.

Things to consider before you invest

- Value – focuses on companies they believe are undervalued (their price doesn't reflect earning potential).
- Income – focuses on generating a regular income stream through selecting companies, trusts and other securities they believe will deliver income, or through using derivatives and other strategies.
- Core – aims to produce competitive returns in all periods.

Investment techniques

Our investment managers may use different investment techniques that can change the value of an investment.

Some of the main investment techniques are explained below.

Derivatives

Derivatives are contracts that have a value derived from another source such as an asset, market index or interest rate. There are many types of derivatives including swaps, options and futures. They are a common tool used to manage risk or improve returns.

Some derivatives allow investment managers to earn large returns from small movements in the underlying asset's price. However, they can lose large amounts if the price movement in the underlying asset is unfavourable.

Risks particular to derivatives include the risk that the value of a derivative may not move in line with the underlying asset, the risk that counterparties to the derivative may not be able to meet payment obligations and the risk that a particular derivative may be difficult or costly to trade.

Currency management

If an investment manager invests in assets in other countries, its returns in Australian dollars will be affected by movements in exchange rates (as well as changes in the value of the assets).

A manager of international assets may choose to protect Australian investors against movements in foreign currency. This is known as 'hedging'. Alternatively, the manager may choose to keep the assets exposed to foreign currency movements, or 'unhedged'.

Returns from exposure to foreign currency can increase diversification in a portfolio.

Gearing

Gearing can be achieved by using loans (borrowing to invest), or through investing in certain derivatives, such as futures.

Gearing magnifies exposure to potential gains and losses of an investment. As a result, you can expect larger fluctuations (both up and down) in the value of your investment compared to the same investment which is not geared.

Investment managers can take different approaches to gearing. Some change the gearing level to suit different market conditions. Others maintain a target level of gearing.

It's important to understand the potential risks of gearing, as well as its potential benefits. When asset values are rising by more than the costs of gearing, the returns will generally be higher than if the investment wasn't geared. When asset values are falling, gearing can multiply the capital loss.

If the fall is dramatic there can be even more implications for geared investments. For example, where the lender requires the gearing level to be maintained below a predetermined limit, if asset values fall dramatically, the gearing level may rise above the limit, forcing assets to be sold when values may be continuing to fall.

In turn, this could lead to more assets having to be sold and more losses realised. Withdrawals (and applications) may be suspended in such circumstances, preventing you from accessing your investments at a time when values are continuing to fall.

Although this is an extreme example, significant market falls have occurred in the past. Recovering from such falls can take many years and the geared investment's unit price may not return to its previous high.

Other circumstances (such as the lender requiring the loan to be repaid for other reasons) may also prevent a geared investment from being managed as planned, leading to losses.

You need to be prepared for all types of environments and understand their impact on your geared investment.

Short selling

Short selling is used by an investment manager when it has a view that an asset's price will fall. The manager borrows the asset from a lender, usually a broker, and sells it with the intention of buying it back at a lower price. If all goes to plan, a profit is made. The key risk of short selling is that, if the price of the asset increases, the loss could be significant.

Responsible Investing

Environmental, social, governance (ESG), and ethical factors impact the sustainability of companies and governments and therefore influence the returns from investing. Incorporating ESG and ethical considerations into investment decisions is known as responsible investing.

Examples of ESG and ethical factors are:

- **E**nvironmental - climate change, waste and pollution, resource depletion.
- **S**ocial and labour standards - working conditions, employee relations and diversity, health and safety.
- **G**overnance – executive pay, bribery and corruption, tax strategy.
- Ethical considerations – other factors that could be detrimental to the broader community.

We don't (as Responsible Entity) take into account labour standards, environmental, social and ethical considerations for the purposes of selecting, retaining or realising investments.

We don't actively contemplate these factors when selecting Model Portfolios for inclusion on the menu.

Investment management decisions are made by the investment managers of the Model Portfolios on our SMA menu.

Things to consider before you invest

Investment managers may consider material effects any factors may have on the returns from their investments. These factors include environmental, social, governance (ESG) and other ethical factors, which impact the sustainability of companies and governments and therefore influence the returns from investing.

How the SMA is managed

Transacting

Moving securities or units in managed funds into the SMA

You can move securities or units in managed funds held in your platform account into the SMA without cashing them in. Only securities and managed funds currently available in the chosen Model Portfolio can be transferred. To find out which assets can be transferred you or your Adviser can find out more via **mlc.com.au**. Please note that we do not accept transfer of IOOF shares into the SMA.

If the securities or units in managed funds that you transfer into your Model Portfolio result in that particular asset having a greater weighting than the relevant allocation of that asset determined for the Model Portfolio, some of the securities or units will be sold to purchase other securities or units that form part of the Model Portfolio.

All transaction requests have to be made through your platform. Before you transact, please make sure you refer to your platform offer documents.

Moving securities or units in managed funds out of the SMA

You can also move securities out of the SMA.

If you only move some securities, managed fund units or cash out of a Model Portfolio, the remaining assets in your Model Portfolio will be automatically rebalanced. This could result in the same assets you've moved out being repurchased.

Frozen assets in Model Portfolios

From time to time, assets held in your Model Portfolio may become subject to trading restrictions beyond our control (for instance, if the asset becomes illiquid). In these circumstances, we may determine that the relevant asset (frozen asset) is no longer available to form part of the Model Portfolio. If we make such a determination, members of the SMA in relation to whom the frozen asset is held (that is, the platform operator of your platform) will be taken to have given us a standing instruction to transfer (to the extent practicable) the frozen asset in specie to the platform operator (or its nominee). Following this transfer, the frozen asset will no longer be held in your Model Portfolio, and will instead be held by (or for) the platform operator as part of your platform account

Switching between Model Portfolios

You can switch between Model Portfolios. There are two ways you can do this:

- selling securities or units of managed funds in one Model Portfolio to purchase securities in a new Model Portfolio
- transferring securities or units of managed funds that are common to both Model Portfolios, and then selling the assets that are not common to purchase the assets needed to match the new Model Portfolio.

When you request to transfer a specified dollar amount, the transaction will be initiated using the market value of the securities on the date we receive your instruction. These values may change during the time it takes to complete the transfer and your transfer amount may be greater or less than the last reported value.

Withdrawals

Withdrawals will be initiated within five business days of receipt of the platform's request to do so. The length of time it takes to process your withdrawal will depend on various factors, such as how often the investment is priced or traded, the composition of your investment, how complex it is, and how liquid it is on the day we process your request. If your money isn't immediately available to us, it may take up to 30 business days or more.

For partial withdrawals, you may receive less than requested if there is an unexpected downward movement in security prices.

We require you to maintain a minimum in each Model Portfolio as described in Part 2 of the PDS.

Investment income

The frequency and amount of income that you receive will depend on the Model Portfolio/s that you have selected to invest in.

Investment income is initially deposited into the cash component of the Model Portfolio.

Where a Model Portfolio has automatic payment of investment income, dividend and interest income are automatically paid to your platform cash account after the initial deposit into the cash component of the Model Portfolio. For all other model portfolios your dividend and interest income will be paid into the cash allocation of your Model Portfolio and will be re-invested when the Model Portfolio is rebalanced.

Any income received after you have closed your Model Portfolio will be automatically transferred to your platform Cash Account.

How the SMA is managed

Rebalancing

The Model Portfolios are monitored by professional investment managers that provide us with changes to asset selection and weightings on a regular basis. We then generally rebalance the Model Portfolios so that they are consistent with investment manager's recommended weightings.

Rebalancing will generally occur when:

- an investment manager advises us to change the holdings or weightings of a Model Portfolio
- a new investment is made
- a withdrawal is made, or
- the balance of the cash component of one of your Model Portfolios falls below the minimum required.

There may be some circumstances when your Model Portfolio doesn't exactly match the weightings recommended by the investment manager in relation to Model Portfolio. This may happen where:

- a security is suspended from trading;
- a trade doesn't meet the minimum trade size requirements;
- units of assets are rounded to whole units;
- there are differences in the timing of, and amounts paid or received in connection with, transactions to buy or sell assets forming part of you Model Portfolio.

These differences will mean that there is a difference in the performance of your Model Portfolio and the performance of the portfolio of assets in relation to which the investment manager advises us.

Changes to, and termination of, model portfolios

Available Model Portfolios may change from time to time, and existing Model Portfolio may be varied (for instance, to change the investment mandate or composition, and changes to the investment manager appointed to manage the Model Portfolio). We will notify you of changes at the relevant time.

Model Portfolios may also be terminated if we think this would be appropriate. If a Model Portfolio is to be terminated, we will notify you in writing.

Where a Model Portfolio is terminated we will provide you with written notice of the termination and your options in order to manage your investment which may include, transfer to an alternative Model Portfolio, redeem your investments to cash or in-specie transfer your holdings into the Model Portfolio to single stock holdings in your platform account.

Minimum trade size

For listed securities only, the minimum trade size is equal to the greater of:

- 0.10% of the balance of your investment in a Model Portfolio, or
- $250.

The minimum trade size may not be applied for:

- initial investments
- withdrawals
- trades as a result of a re-weight initiated to bring the cash component within a Model Portfolio back to the minimum, and
- an investment manager has requested an entire holding of a security to be removed from the Model Portfolio.

Minimum cash balance

Each Model Portfolio must contain a cash component of at least 1% unless set higher by the investment manager. If the balance of the cash component within one of your chosen Model Portfolios falls below 1%, then the Model Portfolio may be rebalanced. This cash component is held in your chosen platform's Cash Account.

As tax is complex, we recommend that you contact your registered tax agent or the Australian Tax Office at **ato.gov.au**

Tax considerations

While you may have to pay tax on your investments, you could be eligible to claim some of the fees as a tax deduction.

At the end of each financial year the platform will send you a report to assist you in completing your income tax return.

Reporting

The Platform may provide reporting such as confirmation of transaction reports (daily), distribution statements (quarterly), tax statements and financial statements (annually). See your platform's offer document to understand what reporting it provides.

Constitution and Compliance Plan

Copies of the Constitution and Compliance Plan for the SMA are available free of charge upon request.

Please call us to obtain a copy.

How the SMA is managed

Investors' rights

Because investing in the SMA through a platform is different to investing directly, there are some things you should be aware of:

- you don't have the right to attend member meetings, vote or participate in such meetings, and
- you won't receive communications relating to rights issues or corporate actions or provide us with any direction on how to act or vote.
- you don't have access to the 14 day cooling-off period in the SMA, but please seek advice from the platform operator as to whether cooling-off rights apply to you, in relation to your platform account and
- you generally can't participate in dividend re-investment schemes.

Rights issues and corporate actions

Investors in the SMA will not receive communications relating to rights issues or corporate actions or provide us with any direction on how to act or vote.

We will generally act in accordance with the advice or recommendation provided by the relevant investment manager relating to rights issues and corporate actions.

Investors' liability

The SMA's underlying assets are owned by NAL on behalf of investors. The Constitution limits investors' liability to their investment in the SMA.

Consents

Each investment manager has given its written consent to being named and quoted in this PDS, and to the inclusion of statements made by it or said to be based on statements made by it. As at the date of this PDS these consents have not been withdrawn.

Eligibility

This offer is made in Australia in line with Australian laws and will be regulated by these laws.

Resolving complaints

If you have a complaint, we can usually resolve it quickly over the phone on **132 652.**

If you'd prefer to put your complaint in writing, you can email us at **complaints@mlc.com.au**, or send a letter to GPO Box 4341, Melbourne VIC 3001.

We'll conduct a review and provide you with a response in writing.

If you're not satisfied with our resolution, or we haven't responded to you in 30 days, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA).

AFCA provides an independent financial services complaint resolution process that's free to consumers. You can contact AFCA at any time by writing to **GPO Box 3, Melbourne, VIC 3001**, at their website **(afca.org.au)**, by email at **info@afca.org.au**, or by phone on **1800 931 678** (free call).

To view our complaints management policy, visit **mlc.com.au/complaint**

For more information call us from anywhere in Australia on 132 652 or contact your financial adviser.

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