Statement of Advice – Additional Information

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HNW Planning's Guided Portfolio

What is a Guided Portfolio?

In simple terms, a Guided Portfolio is a strategy helping you to invest in direct Australian Equities. Portfolio weighting decisions are provided by a specialist in the form of "guidance". All documents are prepared for you by your HNW Planning adviser. You then decide whether to take the guidance or not. Implementation and follow up is provided for you by your adviser.

What are the key benefits of a Guided Portfolio?

- Supports a close personal relationship between you and your adviser.
- Cost control, tax benefits, transparency, unbiased guidance and advice.
- Gives you access to Share Purchase Plans, Dividend Re-investment Plans, Share Buy Back offers, Stop Loss Instructions, ethical filters and other benefits of direct share ownership.
- You have the option not to take a particular guided action.
- Provides reasoning as to when and why trades are recommended.
- Sensible thresholds allow some divergence and ensure only meaningful trades are executed.
- Complementary support services from your adviser to assist with SMSF Admin (if applicable).
- Helps to make SMSFs or direct portfolios more affordable compared to platform alternatives.

Why don't I just use a Managed Fund?

Unlike a managed fund, a Guided Portfolio only has costs that support the provision of the guidance and the trades. Guided Portfolios don't have costs attached for a trust structure, platform administration, sales and marketing or other retail purposes. These costs are stripped out with a Guided Portfolio.

A Managed Fund is a "black box" where you and your adviser are asked to have blind faith and take no interest other than in the final outcome. Guided Portfolios, by contrast, provide the reasons for and transparency of positions held.

SMSFs (or family discretionary and unit trust) already have a trust structure and administration functions in place, and directly held portfolios don't require them. What they don't have is an internal equities specialist. Guided Portfolios plugs this gap and avoids multiple layers of trustee costs.

Guided Portfolios do not include a fee for your adviser – not unless you make special arrangements for that to happen. Normally your adviser would consider the Guided Portfolio as one of many investment options and tools at his/her and your disposal to be mixed and matched appropriately.

Are Guided Portfolios the same as Managed Discretionary Accounts (MDA)?

No, an MDA is a product in and of itself. An MDA, like a managed fund is still very much a "black box" solution. You, the client, are divorced from the investment process. MDAs do little to help you understand what's happening in your portfolio.

A Guided Portfolio, by contrast, provides the reasons for, as well as transparency of positions held and intimately involves both you and your adviser. A Guided Portfolio is a method to efficiently accept guidance, communicate that guidance to you, and only upon your acceptance of advice to then buy or sell direct shares. A Guided Portfolio is therefore a strategy to be deployed and it is the strategy that gives access to professional guidance on what to own and when.

MDAs often double up on or otherwise increase costs:

- *Firstly, they put another one and possibly two trust structures in place,*
- *Second, other money managed in the system established for MDAs requires that cash, term deposits, managed funds, and direct investments you might otherwise hold are also forced to have more expensive holding costs, and*
- *Third, some "balanced" MDAs charge their same higher rate over cash and term deposits and other investment types that don't need as much intensive attention as direct equities.*

Guided Portfolios:

- *Don't require any additional trust structure,*
- *Allow you to continue to access other direct investments, and*
- *Costs are imposed only on the assets for which guidance is sort.*

Who owns the underlying portfolio?

You own the equities and ETFs directly (or your nominated entity such as your SMSF or unit trust does).

How much does a Guided Portfolio cost?

There are no set up fees other than initial share purchase costs via discount broker Phillip Capital (previously known as Amscot - see below). Ongoing costs start at **0.66% per annum** (inclusive GST).

Your adviser may charge you fees for their services separately using their normal charging protocols.

Who are the Guided Portfolio fees paid to?

Guided Portfolio Fees as noted above are not paid to your adviser. They are collected by HNW Planning and passed to SYNCRM Pty Ltd. It is important that you are aware that a portion of monies is paid to a related entity of HNW Planning.

SYNCRM Pty Ltd is an IT company that provides the staff and systems to run the Guided Portfolios. Without this IT support we would not be able to provide Guided Portfolios which:

- Allow you to have professional guidance for a portfolio of direct shares
- Avoids managed fund, SMA, platform, and other costs
- Avoids potential tax implications of owning managed funds
- Gives transparency to investments
- Allows you access to corporate actions such as buy-backs that can provide specific tax advantage
- Substantially avoids buy/sell differentials by allowing you to simply switch off the guidance fee when you no longer want our guidance on your direct share or ETF holdings.

SYNCRM Pty Ltd is related to HNW Planning. Both companies are owned by HNW Group Holdings Pty Ltd. If SYNCRM were not a related entity, it is highly unlikely that a standalone system and service provider could deliver Guided Portfolios at the same cost. Nonetheless it is preferable that you are fully aware that SYNCRM Pty Ltd is a related entity to HNW Planning.

SYNCRM Pty Ltd does not profit share with HNW Planning.

If you have any questions or require any further information whatsoever, please contact your adviser directly.

What is the minimum investment amount?

The minimum recommended investment into a Guided Portfolio is $50,000. This minimum amount allows investors with smaller balances to access a strategy and structure which is usually only available to very wealthy investors.

Can I get a PDS?

There is no Product Disclosure Statement (PDS). A Guided Portfolio is guidance on appropriate direct equity ownership. Intellectual property (the guidance) is purchased on your behalf. Assistance and ongoing service support is provided by your adviser. A Guided Portfolio is not a unit trust, managed investment scheme or product of any kind.

Is using an HNW Guided Portfolio going to be very time consuming?

Guided Portfolios require regular communication. You will need to give some attention to these communications. The communications are summaries of actions and reasons for the actions and as summaries they should not be time consuming for you.

Your adviser will receive copies of correspondence sent to you. Your adviser will then arrange any trades following your approval.

Direct investments, while having many and considerable advantages, do create an amount of mail.

- *We suggest you use your advisers' mail address for the Guided Portfolio trading account.*
- *He / She can filter, scan and forward relevant correspondence to you on a monthly basis.*

Not all advisers are set up with required scale and resources to manage mail. When appropriate, mail can be managed by HNW's head office.

Yes, Guided Portfolios do take a little more time than set and forget investments, but it is our time that is consumed not yours.

I have a minimum of $50,000, what else do I need?

There are 4 key things you need to establish and maintain a Guided Portfolio, they are:

1. An Adviser*
2. A Phillip Capital (Amscot) share trading account**
3. A Macquarie Cash Management Account**
4. Help from your adviser to establish your HNW Guided Portfolio and provide ongoing support

* Currently advisers from HNW Planning (AFSL 225216) can assist you.
** These are the service providers who currently give data in the format we require to run the Guided Portfolio.

What are the types of Guided Portfolios available?

The Guided Portfolios which are currently available are:

1. *High Conviction, Small Resources Portfolio*
2. *Australian Equities Portfolio*
3. *Australian Equities Concentrated Portfolio*
4. *Australian Equities Income Portfolio*
5. *Australian Equities Income Concentrated Portfolio.*

How do I wind up a Guided Portfolio?

This is easy. Just tell your adviser that you no longer want to receive guidance. That's it.

You can then move your shares or ETFs into a separate trading account or sell them or simply keep them as they are.

Stopping the guided portfolio (stopping payments and the flow of intellectual property) does not crystalise capital gains or capital losses.

Why don't I just use a stockbroker?

Stockbrokers usually make money only when you trade. They are naturally inclined to make regular buy and sell recommendations to generate income. While you will occasionally "win" from this, "churning" a portfolio is unlikely to be in your interest.

Many stockbrokers are aligned to institutions which take lead roles in Initial Public Offerings (IPOs) and other capital raising activity. The institutions get paid large sums of money if the shares are taken up. If the shares are not taken up their income and that of their stockbrokers can be reduced considerably. These same institutions may also be in the business of "research" and provide buy/hold/sell recommendations on companies which they charge for providing those research recommendations. It is not uncommon to see positive recommendations for shares on which a broking house charges for research or has other vested interest in.

Fees for Guided Portfolios are paid regardless of whether a trade occurs or not. The guide has no incentive for you to trade. This removes the risk of portfolio "churning" and recommendation bias that comes with a stockbroker.

Why are Guided Portfolios a good idea for you to consider?

Aside from the cost savings, the education and empowerment provided to you, a Guided Portfolio will help:

- *put you in a better position to understand and reduce other costs,*
- *you make sensible decisions on other assets,*
- *in long-term strategy and structural decisions,*
- *by giving you a high level of control and involvement in your investments,*
- *the pro-active engagement between you and your adviser*
- *you consider establishing SMSF with family members with confidence that you are receiving the services you need for the benefit of you and your family.*