

**Financial Services Guide ("FSG")**

**October 2009**

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**Private Portfolio Managers Pty. Limited  
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## 1. Before you use our portfolio management service

### *Your questions*

### *Our answers*

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Who is Private Portfolio Managers?	<p>Private Portfolio Managers Pty Limited ACN 069 865 827 (referred to in this document as "PPM") was established in 1995 and holds an Australian Financial Services Licence 241058 from the Australian Securities and Investments Commission ("ASIC").</p> <p>PPM is a specialist "boutique" firm concentrating on providing <u>you</u> with a personalised service and meeting <u>your</u> needs – whether you are an individual investor or a corporate client. We are not associated with any other financial institution.</p>
What is the purpose and content of this Financial Services Guide ("FSG")?	<p>This FSG is a disclosure document that is required to be made available to you to ensure that you are given sufficient information to enable you to decide whether to obtain financial services from PPM.</p> <p>This FSG applies only to "Retail Clients" as defined by the Corporations Act 2001.</p> <p>The FSG contains, among other matters, information about:</p> <ul style="list-style-type: none"><li>• the services we can provide for you;</li><li>• remuneration that may be paid to PPM and other relevant persons in relation to the services that PPM offers; and</li><li>• the manner in which any complaints against PPM are dealt with.</li></ul> <p>This FSG is in line with the requirements stipulated in the Corporations Act 2001, ASIC Regulatory Guides and Class Order 04/194.</p>
Will I need to sign an agreement with PPM?	<p>Before we can provide our portfolio management service to you, a Management Agreement must first be signed by you and PPM. This agreement will include your detailed investment strategy and will therefore be provided to you after we have collected your personal information. This Management Agreement and investment strategy will include:</p> <ul style="list-style-type: none"><li>• Your personal Statement of Advice ("SoA") containing your detailed investment strategy and why we think this is appropriate to your situation. This investment strategy will outline how we will manage your portfolio;</li><li>• The nature and scope of the discretions that we will have over the management of your portfolio, including how we will deal with corporate actions and voting rights;</li><li>• Any significant risks applicable to your investment strategy that you should be aware of;</li><li>• Warnings about the importance of any limitations relating to the Management Agreement, including warnings about the suitability of the investment strategy to your situation if you have provided incorrect or incomplete information about your personal situation, needs and objectives or if these change;</li><li>• Details of fees, charges and taxes; and</li><li>• Other powers and authorities provided to PPM.</li></ul>
Will I be provided with other disclosure documents?	<p>A SoA will be made available to you when PPM provides personal advice to you, thereby enabling you to make an informed decision about whether to act on the advice. It will include a statement that sets out your personal investment strategy and why we think this is appropriate to your needs.</p>
What services are available to me?	<p>We provide an advisory and portfolio management service and are authorised to provide you with personal advice about investment strategies (including asset allocation) and once a strategy has been agreed, we provide the day to day management of portfolios (also known as Managed Discretionary Accounts) in:</p> <ul style="list-style-type: none"><li>• Equities (securities and derivatives);</li><li>• Government Debentures, stocks and bonds; and</li><li>• Managed investment schemes.</li></ul> <p>Any advice we provide for derivatives is limited to advice on old law securities options contracts and warrants and we will only deal in derivatives that are limited to those old law securities.</p> <p>The advice you obtain from us will be based on a consideration and investigation of your personal objectives, financial situation and needs and the strategy agreed with you. Our advice is tailored to suit you and we will execute transactions on</p>

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	<p>your behalf.</p> <p>We will also ensure the safe keeping, custody and segregation of your assets. PPM has appointed a professional licensed custodian to assist us in providing this service to you, all assets are held in the custodian's name.</p> <p>Among other things the custodian will register any securities acquired by PPM on your behalf and will maintain custody of all dividends, interest and income attaching to the investments in your portfolio.</p>
Who will be responsible for managing and reviewing my portfolio?	<p>Your manager will be responsible for managing your portfolio on an ongoing basis for the term we have agreed in the Management Agreement. Your manager will be acting on behalf of PPM. PPM is therefore responsible to you for any services your manager provides.</p> <p>Your manager will also be responsible for reviewing the appropriateness of your investment program and strategy on at least an annual basis. You will be notified when this review occurs.</p>
Who is my manager?	Your manager will be Hugh MacNally, Bill Gregerson, Elton Doyle or Peter Reed and you may contact any of them, although your primary contact will usually be with only one of them.
How will I be able to track the performance of my portfolio and what reports will I receive?	<p>Our service includes the ongoing management of your portfolio. Management is in accordance with the Management Agreement you have with us and reports are provided at the end of each financial quarter. Quarterly reports will include a portfolio valuation at market value and the purchase and sales transactions (including details of fees and charges) for the quarter.</p> <p>In addition to the formal quarterly reporting package, interim information is also provided via the PPM website (<a href="http://www.ppmfunds.com">www.ppmfunds.com</a>) at the end of each month. This can be accessed by a unique user ID and password that we will provide to you.</p> <p>We also provide an annual financial year reporting package that contains a summary of the information you will have received each quarter, the relevant information required for Australian income and capital gains tax purposes, as well as a review of your investment strategy.</p> <p>The cost of the quarterly and end of financial year reports is included in our fee.</p>
What remuneration, commission and other benefits will PPM pay to those who refer clients to PPM?	<p>PPM does NOT pay any amount or provide other benefits to external parties for referring clients to us.</p> <p>We pride ourselves on maintaining independence and consider that making such payments or providing other benefits would potentially undermine this aspect of our operations.</p>
What remuneration, commission and other benefits will PPM receive or reasonably expect to receive for the provision of any of the authorised financial services?	<p>We note it is very difficult, if not impossible, to provide you with the exact amount of remuneration, commission and other benefits we will receive for the provision of our financial services. The amount we charge varies from client to client as we take into consideration such factors as the client entity (i.e. individual, company, trust or superfund) and the size and type of the portfolio and any special requirements you may have. Where possible, we will rebate any commissions or benefits we receive to your account.</p> <p>However, to give you an indication of the way we calculate the amount, we usually charge an individual client a management fee in an amount that is equal to 1/12<sup>th</sup> of 1% of the total value of the portfolio on the valuation day in each month. We make the valuation on the last business day of each named calendar month (unless otherwise agreed).</p> <p>For example, if your portfolio is valued at \$100,000 on the last business day of the calendar month, the fee that will be deducted from your account is 1/12<sup>th</sup> of \$1000 or \$83.33 exclusive of GST (\$91.66 inclusive of GST).</p> <p>The amount of our fee and the method of calculating it will be as agreed between us and detailed in the Management Agreement you have with PPM. GST will be added to the management fee and will be payable by you.</p> <p>We will also provide information about fees and charges in the Statement of Advice ("SoA") that we will provide to you. The fee for the provision of any personal advice is usually included in the fee we charge you for the provision of the authorised financial services (as explained above).</p>
What remuneration, commission and other benefits will be received by PPM employees?	PPM employees and directors receive a salary. However, they may also receive bonuses or benefits from us based on their overall performance during the year. PPM employees and directors who give you advice do not receive specific payments for the giving of that advice, nor are payments or benefits received due to the purchase or sale of any particular product in your portfolio.
How will I pay for the service?	We will charge our management fee directly to your account as detailed in the Management Agreement you have with us. This will usually be by withdrawing the

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amount from your portfolio each month or deducting the amount from funds or payments due to you. For the purpose of payment of the management fee, we may, among other things, make withdrawals in cash from your portfolio.

All transaction charges, such as brokerage, statutory charges, such as GST, and the custodian's transaction charge are also charged against your account.

The provisions of the Management Agreement between us will deal with this in greater detail.

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Does PPM have professional indemnity insurance?

Yes. PPM has professional indemnity insurance in place. That insurance complies with the requirements of the Corporations Act, and covers claims arising from the conduct PPM's employees and representatives. It also covers claims arising from the conduct of employees and representatives who no longer work for PPM but who did at the time of the conduct.

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## 2. When you get our advice about investment strategy

### *Your questions*

### *Our answers*

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Will you give me advice that is suitable to my investment strategy?

Yes. But to do so, we need to find out your investment objectives, financial situation and needs before we recommend any investment to you. We will also investigate and consider other options that may be available to you, having regard to your strategy once it has been agreed with us.

You are under no obligation to divulge information to us about your financial situation and needs, if you do not wish to do so. In that case, we are required to warn you that our advice and the management of your investments may not take into account matters that are relevant to your situation. You should read the warnings carefully when we give them to you.

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What should I know about any risks of the investment strategies you recommend to me?

We will explain to you any significant risks of investment strategies we recommend to you. If we do not do so, you should ask us to explain those risks to you.

Shares, property, bonds and derivatives can decline in value as well as appreciate. The measure of this change in value is often referred to as volatility, i.e., the more the value varies over time, the more volatile the asset is and therefore the more risk involved in investing in it. On the other hand, the less volatile an asset, the less likelihood there is for any significant capital gain or loss from investing in that asset.

Shares and derivatives are generally more volatile than other asset classes. However, the stock market normally possesses a higher level of efficiency and transparency in terms of information available to investors and the process for continuously determining and making public the real market value of the particular asset.

Some risks of investing include:

#### **Market risks**

The risk of loss due to movements in the market generally. These can be caused by a number of factors including economic, legislative, political, taxation or other factors. Examples are changes in interest rates, political changes, taxation changes or changes in superannuation laws, international crises, acts of terrorism and natural disasters.

#### **Domestic versus international factors**

The vulnerability of a company or industry to international events or market factors. These include movements in exchange rates, changes in trade or tariff policies and changes in other stock or bond markets.

#### **Sector specific factors**

These include commodity prices, economic and industry cycles, changes in consumer demand, lifestyle changes and changes in technology.

#### **Stock specific factors**

These include the company's directors, its management strength and the significance of any key personnel, the company's profit history, its asset base, debt level and fixed cost structure, litigation, profits or losses on particular contracts, drill results, competition from within the sector in which it operates, and whether its business is already profitable, it is exploring for resources or developing a new product.

#### **Limitations of research**

Our research relies predominantly on the opinion of specialist analysts and we then make a judgment about that research. You must understand and appreciate that the research and our judgment can never be guaranteed to be correct in all circumstances or at all times.

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### **Discretionary Trading**

By allowing us to manage your portfolio on a discretionary basis, we do not have to consult you prior to buying or selling stocks in your portfolio. This can be a risk to you if we make an incorrect investment decision and the value of your portfolio declines.

To the extent permitted by law, PPM takes no responsibility for any losses arising from properly acting or refraining to act in accordance with authorised dealings under the Management Agreement. We do not assure any particular outcome, return or maintenance of capital or profits from your investments.

You may also forgo certain benefits provided to other investors who invest in products directly, such as discount cards and other benefits provided by the product issuers. If you would like to receive these benefits please discuss this with us and we may be able to arrange for these products to be held in your name.

### **Risk management techniques**

Risk management techniques using derivative securities may be used with the aim of protecting the value of your portfolio against movements in the market or a particular stock.

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Does PPM have any associations or relationships that may be capable of influencing the advice that PPM provides to me?

We pride ourselves on maintaining a very high level of professionalism to help ensure that conflicts do not arise while undertaking our work for you. Currently, there are no conflicts of interests that may affect the relationship that we will have with you. Should a conflict arise, we will endeavour to avoid the conflict or explain the conflict to you so you are aware of it.

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What information do you maintain in my file and can I examine my file?

We maintain a record of your personal financial profile that includes details of your financial needs as notified to us, your financial objectives and your agreed strategy.

We also maintain records of any recommendations made to you concerning your investment strategy and objectives and any investments we make for you.

If you wish to examine your personal financial file, you should ask us, and we will make arrangements for you to do so.

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Can I tell you how I wish to have my investment managed?

Yes. You let us know the strategy and objectives you want to follow. Then, the day-to-day management of your portfolio is conducted by us on a discretionary basis, in accordance with the agreed strategy and objectives.

You may discuss with us your investment strategy and if a new strategy is agreed, we will manage your portfolio in accordance with that strategy.

If you want your strategy to exclude certain types of investments it can do so. It can also incorporate a prohibition on the sale of certain investments in your portfolio.

As a general rule, we will not discuss specific investments in advance with you. Specific investments will be made at our discretion (but they will be in accordance with the agreed strategy).

You may, however, discuss with us at any time specific instructions regarding any investment held by your portfolio, including decisions in relation to corporate actions. We will act in accordance with your instructions as far as they can be accommodated within the process of our management discretion.

To discuss any of these matters please contact your manager at PPM.

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### 3. If you have any complaints

#### *Your questions*

#### *Our answers*

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Who can I complain to if I have a complaint about the advisory service?

If you have a complaint about the service provided to you, you must take the following steps:

1. Contact your manager and tell your manager about your complaint.
2. Your manager will try to resolve your complaint immediately.
3. If your complaint is not satisfactorily resolved with you by your manager, please put your complaint in writing to The Directors, Private Portfolio Managers Pty Ltd, Level 3, 2 Martin Place, Sydney NSW 2000. Once the Directors receive your complaint, they will try to resolve it quickly and fairly.
4. If you still do not get a satisfactory resolution, you have the right to complain to the Financial Ombudsman Service, GPO Box 3, Melbourne VIC 3001. Tel: 1300 780 808. PPM is a paying member of this scheme. You will not be charged for this service.

The Australian Securities and Investments Commission (ASIC) also has a free-call Infoline on 1300 300 630 that you may use to make a complaint and obtain information about your rights. Further information can be obtained from email: [infoline@asic.gov.au](mailto:infoline@asic.gov.au) internet: [www.asic.gov.au](http://www.asic.gov.au)

The latest printable pdf version of this guide is available on our website and upon request.

If you need more information or clarification, please ask us.