
AC Income Plus Portfolio

25 September 2018

About this Managed Portfolio Disclosure Document

This Managed Portfolio Disclosure Document (Disclosure Document) has been prepared and issued by HUB24 Custodial Services Ltd (ABN 94 073 633 664, AFSL 239 122) ('HUB24', the 'Operator', 'we', 'us' or 'our') as operator of the Investor Directed Portfolio Service (the 'Service'), about which you have expressed an interest or in relation to which you may be an existing investor.

The information contained in this Disclosure Document should be read in conjunction with the Investor Directed Portfolio Service Guide for the Service ('IDPS Guide'). If you do not have a copy of the IDPS Guide, you can obtain a copy free of charge from your financial adviser or the Operator.

This Disclosure Document is intended only for the purposes of providing an overview of the key features of the managed portfolio available through the Service. The information contained in this Disclosure Document is not intended to be a definitive statement nor an endorsement that this managed portfolio is appropriate for you and should not be relied upon in making a decision to invest.

To understand all the fees payable when you select a particular investment option, you must refer to the IDPS Guide and the Product Disclosure Statement (or other disclosure document) for the investment option. Refer to the IDPS Guide for details.

Any statement made by a third party or based on a statement made by a third party in this Disclosure Document has been included in the form and context in which it appears with the consent of the third party, which has not been withdrawn as at the date of this Disclosure Document.

General Advice Warning

The information in this Disclosure Document is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before acting on this information, you should consider its appropriateness, having regard to your individual objectives, financial situation, needs and circumstances.

Before making a decision about whether to acquire or continue to hold the AC Income Plus Portfolio, you should consider the IDPS Guide. The IDPS Guide is available free of charge by contacting your financial adviser or the Operator. When designing the portfolio, the portfolio manager does not take into account any potential investors' investment objectives, financial situation or needs.

You should also consider the Product Disclosure Document (or other disclosure document) for any underlying investment options acquired under this managed portfolio before making any investment decision. Upon request, your financial adviser or the Operator must give you (free of charge) a copy of this documentation.

If you'd like to request a free printed copy of this Disclosure Document or have any questions or would like any more information about the AC Income Plus Portfolio, please contact your financial adviser or the Operator.

Eligibility

You can only invest in the Service if you are advised by a financial adviser (adviser), unless otherwise approved by us, so you can receive financial advice for each investment you are considering, including investments held through the managed portfolio described in this Disclosure Document.

| | |
|--|--|
| Managed portfolio | AC Income Plus Portfolio |
| Portfolio manager | The portfolio manager is Aldersley Capital Pty Ltd (ABN 14 002 972 901) ('AC'), a corporate authorised representative (CAR 420193) of Andika Pty Ltd (ABN 41 117 403 326, AFSL 297069). The portfolio manager is responsible for designing and managing the composition of this managed portfolio to meet the investment objectives and investment strategy detailed below. |
| Execution of investment strategy | HUB24 is responsible for implementing the investment instructions of the portfolio manager strategy, by buying and selling of investments, taking into consideration, timing, trading costs (such as brokerage and currency costs, if applicable) and the mandate of the portfolio. It does so in accordance with your standing or other instructions in relation to the portfolio, as set out in the IDPS Guide and this Disclosure Document. HUB24 has the right to vary the managed portfolio, also as set out in the IDPS Guide. |
| Code | ACP002 |
| Inception date | 29/10/2013 |
| Minimum initial investment amount | No minimum |
| Designed for | <p>The AC Income Plus Portfolio is designed for investors who:</p> <ul style="list-style-type: none">- are seeking to achieve an above market average income yield with modest long-term capital growth through investment in listed securities;- are seeking a concentrated exposure to the Australian equity market over the medium to long term; and- are seeking a low volatility/ lower than market capital risk portfolio and are willing to accept lower capital growth potential of the portfolio. |
| Investment objective | <p>The objective of the portfolio is to outperform the return of the Bloomberg Bank Bill Index (0+yr) Maturity (SBCBB) over a 5 year period before fees.</p> <p>The AC Income Plus Portfolio is an actively managed concentrated portfolio.</p> |
| Investment strategy | <p>AC's investment management style is high conviction. The preference is to establish a core group of holdings in the portfolio. Return is sought from a combination of the income received from high income yielding securities together with some share price growth. Fundamental and credit analysis seeks to determine relative intrinsic value and growth characteristics of each security but ignores the very important part that sentiment plays in determining security prices in the short term.</p> <p>Refer to the 'Investment strategy and process' section below for further details.</p> |
| Investment universe | <p>Australian listed equities; listed property trusts (LPTs); ETFs; listed investment companies (LICs); hybrids, listed fixed interest and cash.</p> <p>The portfolio does not invest in derivatives.</p> |
| Benchmark | Bloomberg Bank Bill Index (0+yr) Maturity (SBCBB) |

Asset allocation ranges

| | Minimum | Maximum |
|--|---------|---------|
| Australian shares | 20% | 70% |
| ASX listed interest bearing securities | 20% | 50% |
| Cash | 0% | 60% |

Portfolio income

All income derived from this portfolio will be distributed to your cash account when received.

Typical number of securities

8 to 25 securities

Number of securities published to client

All

Turnover aim

The aim of the portfolio is to keep turnover to a modest amount except for switching with equity equivalents and taking liquidity when market risk is high. Turnover is generally expected to be in the range of 25% to 60% p.a.

Minimum suggested timeframe

5 years

Investment management fee

0.55% p.a. inclusive of GST of the balance in the managed portfolio.

The investment management fee is calculated as a percentage of the managed portfolio calculated daily and deducted from your cash account monthly in arrears. The investment management fee is paid to HUB24 and used to remunerate the portfolio manager for its services in relation to the Service, and to meet the costs of the asset consulting and the investment management services associated with the portfolio.

This fee is related to the advice services provided to you (where your adviser recommends investment via a portfolio). This fee will only be deducted where you have consented to the amount of the fee and its deduction from your cash account. If you do not provide your consent, you cannot invest via this portfolio.

In addition to the investment management fee, there may be indirect costs associated with the underlying investments held within the managed portfolio.

Investment performance fee

N/A

Other fees and costs

For information about other fees and costs for trading within a managed portfolio, refer to the IDPS Guide (Part II) and the International Listed Securities Guide (if applicable).

About the portfolio manager

Aldersley Capital Pty Ltd

Aldersley Capital Pty Ltd (ABN 14 002 972 901) ('AC') is the portfolio manager in relation to the establishment and implementation of this portfolio. In 2012, Aldersley Capital commenced investment operations as a corporate authorised representative of Phillip Capital Securities Limited, and in August 2013 it transferred its operations and authorisations to Andika Pty Ltd. Aldersley Capital is 100% beneficially owned by John Aldersley.

Investment strategy and process

Investment philosophy

AC's investment philosophy is based on a fundamental belief that security markets are not fully efficient and opportunities exist at the asset allocation, sector and individual stock selection levels, to add value through superior selection and ongoing active management of portfolios.

Investment style and process

AC's investment management style is high conviction. The preference is to establish a core group of about 15 holdings in the portfolio. Return is sought from a combination of the income received from high income yielding securities together with some share price growth. Fundamental and credit analysis seeks to determine relative intrinsic value and growth characteristics of each security but ignores the very important part that sentiment plays in determining security prices in the short term. Individual security prices can for quite long periods diverge from perceived underlying fundamental or intrinsic value. Varying the style of holding can adjust exposures in the short term.

Core holdings are determined by a fundamental combination of top-down economic analysis and bottom-up assessment of the individual companies and their securities.

The top-down analysis considers various possible scenarios and an assessment of:

- global and Australian economic and financial environments and the sensitivity of markets to various scenario outcomes;
- forecasts of the growth outlook for the world economy over the next two to five years;
- forecasts of GDP growth, interest rates, bond yields and the resulting direction of equities over the coming twelve months.

A number of filters are applied that seek to exclude securities which have unethical management or have businesses which are fundamentally weak without prospect of recovery.

Bottom-up analysis is a function of identifying potential growth or recovery stories from analysing the individual companies. AC has access to industry research analysts and company presentations.

AC's approach to mandate risks is to actively manage them over the cycle. This involves varying market exposure, sector and style rotation according to perceived risks. Stock selections reflect a combination of strategic top-down sector picks and pure bottom-up picks. While the portfolio is managed on a pooled basis and investors should seek their own tax advice, AC employs tax-awareness when possible, either to maximise the benefits of the twelve-month rule on capital gains or to attract franking credits, subject to the 45 day rule.

How the portfolio manager manages risk?

The major ways in which risks are managed are as follows:

- The portfolio is index-unaware, so there is no obligation to hold an otherwise unattractive stock simply because it is in the ASX index.
- Individual stocks are actively adjusted as their relative attractiveness and pricing varies. This is a common approach among active managers.
- A minimum of 8 securities are held on a broadly equal weighting (then tilted for liquidity or risk reasons) to maximise the diversification benefits. No one sector exposure is allowed to completely dominate. Generally, there is a wide range of sector exposures.
- There is also diversification from both large and small companies.

Risks

Before you consider investing in this portfolio, it's important you understand the risks that can affect your investments.

A summary of key risks is in the IDPS Guide. See the 'Risks' section in the IDPS Guide and please note this is not an exhaustive list of all the risks. The risks relevant to this portfolio reflect the underlying investments. For information about risks with regard to your personal situation speak to your adviser.

Universe of investments

A managed portfolio can only be made up of asset classes and underlying assets and securities from the approved list of investments in the Service.

The portfolio manager will select from this list to construct this managed portfolio.

Where available, the actual list of assets and securities acquired in all of the above asset categories will be set out in your Statement of Advice.

Contact details

Operator: HUB24 Custodial Services Ltd

Mail: GPO Box 529, Sydney NSW 2001

Email: admin@hub24.com.au

Phone: 1300 854 994

Fax: 1300 781 689

