



INVESTMENT CAPABILITY  
STATEMENT  
- *Dynamic models*

**IndexInvest**

*Investment Managers*



## Important Information

IndexInvest Pty Ltd “IndexInvest” ABN: 68 112 875 617 is an authorized representative (No. 338955) of Zenith Representatives Pty Ltd the holder of Australian Financial Services License No. 479263.

Accounts managed on an investor’s behalf by IndexInvest are subject to investment risk, including possible delays in repayment and loss of income and capital invested. IndexInvest, the Board of IndexInvest and its director/s and employees, the appointed administrators, consultants or agents do not guarantee any particular rate of return or the performance of the investments, nor do they guarantee the repayment of capital.

This Capability Statement should be read in its entirety before making a decision to use the investment strategies. The issue of this Capability Statement Information is authorised solely by IndexInvest.

This Capability Statement is not a product disclosure statement for the purposes of Part 7.9 of the Corporations Act 2001. Accordingly, the level of disclosure within this Capability Statement is less than that required in a product disclosure statement. Before making an investment or trading decision based on advice, the recipient should carefully consider the appropriateness of the advice in light of his or her financial circumstances and should carefully review the PDS regarding the relevant financial product.

### **GENERAL ADVICE WARNING**

The information contained in this Capability Statement is general information only and does not take into account any individual’s objectives, financial situation or needs. Investors should read this Capability Statement carefully and assess whether the information is appropriate for their circumstances and consider talking to a financial adviser before making an investment decision. Any advice provided previous to a Statement of Advice (SOA) is general advice only.

Information in this document may change from time to time. A paper copy of the updated information will also be available upon request and free of charge by contacting us. We may also be required to amend this document as a result of certain changes, in particular where the changes are materially adverse from the point of view of a reasonable person deciding to invest via the Strategies.

IndexInvest cannot provide the Strategies to you unless a valid form of instruction such as a confirmation in writing via email or print has been completed by you and received by IndexInvest. All amounts in this Capability Statement are given in Australian dollars (unless otherwise specified).

Published as version 6, July 2019

## Contents

1. Introduction.....	5
2. Investment Approach.....	6
3. The Investment Team.....	9
4. IndexInvest Dynamic Portfolios.....	11
5. IndexInvest Growth Satellite.....	14
6. Investment Risk and Risk Management.....	16
7. How it works.....	19
8. Fees and Charges.....	20
9. Depositing and Withdrawing Funds.....	21
10. Other Information.....	22
11. Corporate Directory.....	23

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## 1. Introduction

IndexInvest Pty Ltd ('IndexInvest') is a specialist investment manager that offers model portfolio services to a diverse range of investor clients via Separately Managed Account (SMA) and Managed Discretionary Account (MDA) structures or via direct arrangement. Further information relating to SMA and MDA management structures is available on request. IndexInvest manages the investor's Portfolio on a discretionary basis in accordance with a mandated strategy.

The key advantages of the Investment Strategies are:

- Investors gain exposure to global investment outcomes selected and managed by an experienced, professional, dedicated team.
- Regular investment reports are provided alongside online viewing access to the investor's account.
- Legal and beneficial ownership and ultimate control of the underlying investments remains with investors giving them greater security, transparency and control than comparable collective investment vehicles.
- Investors investments are absolutely separate from the investments of IndexInvest's other clients. This means that investments or withdrawals by other clients will not cause you to incur any additional costs, unlike some comparable collective investment vehicles (such as unitised Managed Funds).
- Investors investments are absolutely separate from IndexInvest and its related parties. At no time do investor funds co-mingle with IndexInvest or its related parties. In short, investors are not investing *in* IndexInvest.
- A remuneration structure for the managers of the investment which aligns investment goals.

## 2. Investment Approach

### 2.1 Who we are

IndexInvest is a privately held investment management firm based in Brisbane, Australia. IndexInvest is a corporate authorized representative of Zenith Representatives Pty Ltd, holder of Australian Financial Services License No. 479263.

### 2.2 Investment approach

The IndexInvest *Dynamic* model's investment manager applies a philosophy which considers that momentum is effective in determining which markets, sectors and securities contribute to investment outcomes at various times.

Focusing on the relevant risks in any financial market allows the manager to focus on the priorities of:

- Risk mitigation – a central priority is limiting the downside of each trade. We have observed that the decline in markets is far swifter than any recovery. Accordingly, we assist investors reduce the risk to capital decline, which underpins future capital growth objectives,
- Adding attractive rates of return to reward investors for the risks undertaken in any investment action,
- Comprehension of how the markets have formed views and where, via our research, our understanding varies to that implicit in the prevailing pricing of market assets.

### 2.3 Portfolio management

Investments identified by the rigorous methodology and selected by the portfolio manager are blended together to maximise profit potential without assuming unacceptable levels of risk. The exposure to each investment is driven by the portfolio manager's view of the attractiveness of the security or contract i.e. the extent to which a security/contract is undervalued or where price momentum currently sits in relation to market forces.

The portfolio manager works continually and intensively to identify events and forces which alter the assessment of markets and inherent risks.

#### Underlying Investment Instruments

IndexInvest uses Exchange Traded Funds (ETFs) and exchange traded commodities (ETCs) which are an ASX sub-set of Listed Managed Investments (LMIs) called Exchange Traded Products (ETPs), for asset sectors where these are available.

- To this point in time only ETFs listed on the ASX are included in the universe of researched opportunities.
- For asset sectors not represented by ETFs, unlisted unit trust index funds may be used.
- Predominantly "long" ETF holdings are used - this means those ETF securities reflecting the general forward-looking trajectory of a market. However, some ETFs may comprise a "short

selling” strategy and will be considered for use on a selected basis and where supported by the research process. For example, holding the ETF security BEAR long will result in a short of the ASX200 given the security is structured to behave precisely inverse to the movements of the ASX200.

In the practice of short selling, the investor sells the financial instruments that are not currently owned, and subsequently repurchases them ("covering"). In the event of an interim price decline, the short seller profits, since the cost of (re)purchase is less than the proceeds received upon the initial short sale.

- IndexInvest focuses on ETFs holding the underlying physical asset (replications indices) that is, the actual shares comprising the index. In some sectors this is unachievable (oil, agriculture. etc.) so synthetic structured ETFs may be used.
- Few exotic ETFs are available on the ASX however those which are, may be used to achieve specific outcomes e.g. to profit when markets are declining. Such exotic strategies include shorting, inverse or leveraged ETFs. For the most part, basic index exposures where the underlying indices are deep and liquid are the main instruments used.
- IndexInvest maintain complete position transparency for investors at all times.

### Momentum Trend Following Strategies

IndexInvest selects the market indices demonstrating the best trending characteristics and revisits these portfolios regularly to identify indices showing a high likelihood of continuing an upward trend over 3-12 months. Most outperformance is generated when there is a sustainable trend over a medium-term time frame relative to the index. Critical time points for analysis of momentum are identified as six, twelve and twenty-four months.

When stock and commodity markets remain volatile, a strategy of rotating to bonds and/or cash comprises part of the capital preservation technique.

Choppy and trendless markets across asset classes or where all asset classes are highly correlated are not conducive to outperformance using the momentum/trend strategy. Higher cash positions may be maintained during these periods so as to protect investor capital.

In a ‘risk on’ environment, the trend strategy significantly outperforms most other investing styles of diversified portfolios. This is particularly evident with allocations to emerging/developing markets exposure.

In a ‘risk off’ environment, the trend is less identifiable and the majority of markets fall away. The IndexInvest approach is to preserve capital at these times usually by overweighting to cash and short duration fixed income holdings.

### Why these Strategies Appeal

- Live and back-tested returns are attractive: The trend-following screening approach has demonstrated attractive risk-adjusted returns. Live results for more than five years demonstrate consistency in terms of volatility and outperformance given the market conditions experienced.
- Active approach to passive indices follows domestic and global risk appetite as it emerges and contracts - thematic investing with rotational timing.
- Liquid diversified solution – daily liquidity.
- Rules-based and disciplined investment process and risk management.

- Investors can use the diversified model portfolios – Conservative, Balanced, Growth - as **core** and the 'IndexInvest Growth Satellite' model portfolio strategy as a highly targeted **satellite** exposure to push growth prospects further.
- Exchange traded funds provide liquidity, wide diversification and less risk than concentrated equity investment strategies. Combined with our strategy of identifying global trends, ETFs create the opportunity for attractive risk versus reward opportunities with a large amount of diversification
- Focus on generating superior rates of return for risk taken, and with an emphasis on preserving capital through the ability to invest in fixed income ETFs and cash in difficult market conditions or when the market finds them more attractive than shares, property and commodities.

### 3. The Investment Team

IndexInvest was established in 2009 with the mandate to innovate investment solutions which provide consistent and reliable investment outcomes. Further information about IndexInvest is available at [www.indexinvest.com.au](http://www.indexinvest.com.au). Key personnel are:

#### **MARK HOLZWORTH, Director.**

*MCom (Acctg), AdvDipBus (Acctg), DipFP, Fellow- Institute of Public Accountants (FIPA), Fellow – Institute of Financial Accountants (UK) (FFA)*

Mark founded IndexInvest and serves as Chief Investment Officer and Strategist. He maintains principal responsibility for managing investor portfolios.

Mark is qualified as both an Accountant and Financial Adviser. His undergraduate studies were in Accounting and Financial Planning. He holds a post-graduate Master of Commerce (professional Accounting) degree which focused on technical topics such as Advanced Tax Law, Strategic Planning, Securities Analysis and Portfolio Management.

Mark is a Director of specialist boutique financial advisory *HWP Financial Pty Ltd (HWP)*. Both IndexInvest and HWP are Corporate Authorised Representatives of Zenith Representatives Pty Ltd, the holder of an Australian Financial Services License (no. 479263), of which Mark is shareholder, Director and Responsible Manager. Mark is also Director of the Accounting, taxation and Business services firm *Holzworth Partners Pty Ltd*.

Mark is a Fellow of the Institute of Public Accountants and a Fellow of the Institute of Financial Accountants (UK). Mark is also a Registered Tax Agent, an Approved SMSF Auditor and an Accredited Derivatives and Foreign Exchange adviser.

#### **RICHARD LEI, Analyst**

*MCom, MBus, CFA*

Richard is a research analyst and has responsibility for the application of research principles in the IndexInvest process. In addition, Richard analyses markets data and filters these through the many criteria developed for determining optimum portfolio selection.

Using quantitative and qualitative methods, Richard draws upon core competencies in the interpretation and application of financial data to solve unstructured problems.

Richard holds a Master of Commerce degree from the University of Queensland and a Master of Business degree from Griffith University. Richard is also a Chartered Financial Analyst (CFA®) Charterholder.

#### **DANIEL JUDGE**

*BFin, AIPA*

Daniel is responsible for portfolio reporting and portfolio execution of the IndexInvest strategies. He also fulfils, research, support and administration roles within the firm.

Daniel holds a Bachelor of Finance (Financial Planning and Management) degree from Queensland University of Technology (QUT). He is also an Associate of the Institute of Public Accountants.

## 4.0 INDEXINVEST Dynamic Portfolios

The IndexInvest Dynamic model portfolios provide investors with exposure to focused and dynamic processes targeting diversified returns as represented across multiple asset classes.

### 4.1 Objective

The primary focus of the IndexInvest diversified portfolios process is:

1. Investor capital preservation;
2. Achievement of consistent and reliable investment returns outperforming the nominated benchmarks over the long-term.

IndexInvest offers three diversified model portfolios – Conservative, Balanced, Growth – which are designed with the view that the investor, with input from their adviser or consultant, selects the model best suiting the investor’s risk profile.

These models aim to diversify across all asset classes (Australian cash, Australian and global fixed interest, Australian shares, international shares, listed property and alternatives) except for periods of volatility where a model may hold greater than usual cash and/or bond type positions.

### 4.2 Process

The below table shows the usual Strategic Asset Allocation (SAA) and Dynamic Asset Allocation ranges (DAA) of each diversified model. It is anticipated each model will be assessed against these benchmark allocations at each re-set (re-balance) period.

Investment Objectives	Conservative		Balanced		Growth	
	SAA	DAA	SAA	DAA	SAA	DAA
Australian Equities	10%	(0-15)	17%	(0-30)	30%	(0-30)
International Equities	15%	(0-18)	28%	(0-39)	40%	(0-40)
Listed Properties & Infrastructure	5%	(2-8)	12%	(5-17)	13%	(5-28)
Fixed Interest	40%	(30-63)	18%	(10-35)	0%	(0-25)
Alternative Assets	5%	(0-18)	20%	(0-37)	15%	(0-35)
Cash (or Cash-like)	25%	(10-100)	5%	(2-100)	2%	(0-100)

However, within an asset class the allocation to underlying sectors will be selected and managed on a Dynamic basis as determined by research results. The object will be to remain fully invested within that asset class when market conditions remain favourable and conducive to capital growth.

When market conditions sour or research processes raise concerns about increased risk ahead, the opportunity exists to exit selected or all holdings of that asset class to cash, thus preserving and protecting investor capital – using the Dynamic Asset Allocation process.

### 4.3 Risk Management

- Diversified portfolios will generally hold between 6 and 12 securities;
- In periods of markets volatility, the number of securities held may decrease;
- “Stop losses” to manage draw-downs are identified at purchase so as to protect capital positions by selling ETFs if they fall 5% (for developed markets) or more from their purchase price or highest price point achieved during a quarter – excepting commodities or emerging market securities where a higher tolerance of 7% is given.

- Portfolios are designed to be re-weighted, usually on a quarterly basis;
- Notwithstanding the strategies have been managed since 2009, significant back-test simulations have identified the strategies achieve excellent long-term returns with much reduced risk relative to the relevant indices dating to the early 2000's.

#### 4.4 Benchmarking

The benchmark set for each of the IndexInvest Dynamic model portfolios is conditioned on a Consumer Price Index plus (CPI+) philosophy.

Acknowledging that investors are real people, IndexInvest is of the view that investors have real investment expectations. The reality of these expectations is that performance needs to reflect the costs of living plus a reward for the risk taken in investing.

Benchmarks established against various markets (equities, property, diversified, etc.) may tend to misrepresent and distort the real purpose of investment activity. This is because investors do not aim to outperform 'markets', for to do so may result in unsatisfactory outcomes.

For example, if a portfolio were to set the S&P/ASX200 as its benchmark to outperform, and the benchmark performance was minus 5% for a period and the portfolio achieved minus 3%, then technically the portfolio has achieved its objective by outperforming the benchmark. This isn't satisfactory to the investor however, as it has still achieved a negative return.

Benchmarks set to 'CPI+'4 acknowledge investor expectations of achieving a *real return* over rolling 60-month periods.

Accordingly, each of the IndexInvest Dynamic model portfolios is benchmarked as follows.

Model Portfolio	Consumer Price Index Plus x%
IndexInvest Dynamic Growth	CPI+ 6%
IndexInvest Dynamic Balanced	CPI+ 4%
IndexInvest Dynamic Conservative	CPI+ 2%

#### 4.5 Fees

Each of the IndexInvest Dynamic model portfolios currently has an investment management fee of 0.59%p.a. plus GST. An "expense recovery" payable to the Australian Financial Services Licensee authorizing IndexInvest of 0.20%p.a. may also apply (though we note this has not been levied since 2014 and is not envisaged to be levied in the foreseeable future).

Each portfolio is available via selected investment platforms, structured as a Separately Managed Account (SMA), the IndexInvest Managed Discretionary Account (MDA) and via direct arrangement (for large balances). Speak with your adviser to source the appropriate offer document.

## 4.6 Summary

<b>Name</b>		<b>IndexInvest Dynamic Model portfolios</b>
Investment Manager		IndexInvest
Investment Objective		<ul style="list-style-type: none"> <li>Annual return: CPI + 6%; CPI + 4%; CPI + 2% over a rolling sixty-month period</li> <li>Capital stability</li> </ul>
Beneficial Ownership – SMA		Remains with investor. Legal ownership is designated to the SMA Custodian.
Legal Ownership – MDA or direct investors		Remains with investor. All assets are held in the investor's own name.
Recommended Investment Timeframe		Five years is the minimum time an investor should expect to allocate to the strategies.
Minimum Initial Investment		\$1,000,000 for direct investors (no minimum for additional investment). \$20,000 for indirect investors via a platform (SMA) or MDA service.
Executing Broker		CMC Markets; Open Markets; Desk-Top Broker
<b>Mandated</b>	Investment Universe	Exchange Traded Products (ETPs) including Exchange Traded Funds (ETFs), Exchange Traded Commodities and unlisted index funds
	Exposure	No single holding will usually constitute greater than 20% of the value of the portfolio other than cash or cash like short-duration financial securities typically comprising instruments of twelve months duration or less.
	Cash	Cash balances may be up to 100% of the value of the Portfolio when either: <ol style="list-style-type: none"> <li>No securities can be identified which satisfy the manager's risk / return criteria;</li> <li>Securities are stopped out due to price volatility.</li> </ol>
<b>Target</b>	Concentration	May hold up to 16 securities/funds.
	Liquidity of investments	Ongoing monitoring and management of liquidity risk to within a cceptable levels. Constant availability is anticipated.
	Diversification	This strategy aims to diversify at the quarterly re-set (re-balance) to reflect SAA principles. Where volatility exists or is anticipated over the upcoming quarter regarding selected sectors, an under-allocation to a sector may occur resulting in an overweighting to cash or short-selling opportunities.
<b>Fees</b>	Entry/ Exit Fee	Administration fee by agreement, otherwise nil.
	Management Fee	Up to 0.59% (excluding GST) p.a. of the value of the investor's portfolio. An expense recovery fee of 0.20%p.a. may also apply (though has not typically been collected).
	Performance Fee	Nil.

## 5.0 INDEXINVEST Growth Satellite

### 5.1 Objective

The primary focus of the IndexInvest Growth Satellite model portfolio is to achieve a high rate of capital growth with lower volatility to capital than equities (shares), commodities and foreign exchange.

The object includes targeting a monthly return on capital invested of at least 1.50%. To do this, a proprietary trading strategy identifies those securities demonstrating a prospect of continuing the momentum they are displaying at the start of the month.

This strategy may demonstrate considerably higher risk attributes in order to achieve its stated higher return objective.

### 5.2 Investment Process

IndexInvest developed a proprietary process which analyses the trend movements and price action of exchange traded fund (ETF) securities listed on the Australian Securities Exchange (ASX). The ETF sectors analyzed include international and Australian shares, fixed interest (bonds), Australian property, global property, commodities, and selected currencies.

#### Momentum Trend Following Strategies

IndexInvest ranks the market indices, commodities or currencies demonstrating consistent trend characteristics. A number of technical indicators are used as further filters to identify if the current price action points to a buying opportunity.

The strategy demands that not more than two holdings will be maintained at any point. Where the analysis identifies only one ETF security is demonstrating momentum attributes, and current price action warrants its purchase, then only one will be purchased. Should no securities demonstrate buying attributes then cash will be maintained.

The portfolio is re-set at the start of each month with the holdings envisaged to be retained throughout the month. Profits may be realized during the month, and thereby positions exited, if profit exceeds the monthly target.

### 5.3 Risk Management

Whilst efforts are made to select those securities which will add positive returns, the highly concentrated, high conviction attributes of the strategy theoretically mean it is higher risk.

Accordingly, stop loss points are determined so as to manage any prospect of losses. Positions are sold out where securities of developed markets fall 5% or more from their purchase price or highest price point during the month. Commodities and emerging market securities are sold where the securities decline 7%.

## 5.4 Why this Strategy Appeals

- An active approach to passive indices following domestic and global risk appetite as it emerges and contracts - thematic investing with rotational timing.
- Liquid solution with the ability to exit an investor's position within 48 hours.
- Rules-based and disciplined investment process with risk management features.
- Investors can use the strategy as a targeted **satellite** exposure to push portfolio growth prospects higher.
- Exchange traded funds provide liquidity and cost effective, wide diversification.

## 5.5 Summary

Name		IndexInvest Growth Satellite
Investment Manager		IndexInvest
Investment Objective		Capital growth exceeding 1.50% per month
Beneficial Ownership – SMA		Remains with investor. Legal ownership is designated to the SMA Custodian.
Legal Ownership – MDA or direct investors		Remains with investor. All assets are held in the investor's own name.
Recommended Investment Timeframe		Five years is the minimum time an investor should expect to allocate to this strategy.
Minimum Initial Investment		\$250,000 for direct investors (no minimum for additional investment). \$20,000 for indirect investors via a platform (SMA) or MDA service.
Executing Broker		CMC Markets; Open Markets; Desk-Top Broker
Mandated	Investment Universe	Exchange Traded Products (ETPs) including Exchange Traded Funds (ETFs), Exchange Traded Commodities and unlisted index funds
	Exposure	No single holding will constitute greater than 50% of the value of the portfolio at re-set, other than cash.
	Cash	Cash balances may be up to 100% of the value of the Portfolio when either: <ol style="list-style-type: none"> <li>1. No securities can be identified which satisfy the manager's risk / return criteria;</li> <li>2. Securities are stopped out due to price volatility.</li> </ol>
	Leverage	No external. Though some instruments may hold internally derived leverage.
Target	Concentration	No more than four securities held at any one time
	Liquidity of specific investments	Ongoing monitoring and management of liquidity risk to within acceptable levels. Constant availability is anticipated.
	Diversification	This strategy does not aim to diversify across any particular sectors, groups or classes of investment. The strategy focuses purely on return outcomes and not investor risk / return attributes.
Fees	Entry/ Exit Fee	Administration fee by agreement.
	Management Fee	1.74% (excluding GST) p.a. of the value of the investor's portfolio. An expense recovery fee of 0.20%p.a. may also apply (though has not typically been collected).
	Performance Fee	Nil

## 6.0 Investment Risk and Risk Management

IndexInvest believes that the risks discussed below are the significant investment risks for an investor using the model portfolios. The risks described below are not exhaustive. We cannot eliminate all risks and cannot promise that the manner in which we manage them will always be successful. If these risks eventuate, the value of your investment could fall significantly.

The significant investment risks are:

### 6.1 Market risk

Market risk refers to changes in the prices of investments in your Portfolio that may result in loss of principal or large fluctuations in the valuation of your investment within short periods of time. Factors that drive changes in asset prices include changing profitability of companies and industries, economic cycles and conditions, volume of security issuances, investor demand levels, business confidence and government and central bank policies.

### 6.2 Strategy and model risk

IndexInvest uses investment and risk analytical processes and models in providing the model portfolios. However, these processes and models may not successfully select profitable investments, manage risk or perform in a manner to which they have historically performed or were intended to perform. This may have an adverse effect on the performance of your Portfolio. Past performance results are not necessarily indicative of future performance outcomes.

### 6.3 Counterparty risk

Counterparty risk is the risk of loss due to a counterparty not honoring a financial commitment which may cause the value of your Portfolio to fall. Counterparties in this case are your executing brokers and product issuers. For further details we can provide at your request the Product Disclosure Statement (PDS) representing the underlying ETF investments and unlisted managed index funds.

### 6.4 Manager risk

Manager risk refers to the risk that the IndexInvest investment strategy will not achieve its performance objectives or not produce returns that compare favourably against its peers. Many factors can negatively impact IndexInvest's ability to generate acceptable returns from its security selection process, including the loss of key staff.

### 6.5 Volatility risk

Volatility risk refers to the potential for the price of securities in your Portfolio to vary, sometimes markedly and over a short period of time. As an indicator of risk, the greater the volatility of returns the more likely it is that returns will differ from those expected over a given time period.

Investments in equity like securities and currency are traditionally towards the higher end of the risk-return spectrum. This may lead to fluctuations in the value of your Portfolio, including fluctuation over the period between a withdrawal request being made and the time of payment. Listed equity markets have the potential to experience sharp declines and are volatile; indeed volatility in some markets can

be at very high levels as seen in 2008 and 2009. Investing in volatile conditions implies a greater level of risk for investors than an investment in a more stable market. You should carefully consider this additional volatility risk before deciding to use the model portfolios.

### **6.6 Contract and Fund specific risk**

Each investment in ETFs is subject to the risk of that particular contract's or securities' performance due to factors that are pertinent to that instrument, the sector of the market to which the instrument belongs, or markets generally. These factors may cause an instrument to perform adversely and where your Portfolio has exposure to that instrument, it may affect the performance of your Portfolio.

### **6.7 Concentration risk**

The fewer the number of holdings in your Portfolio, the higher the concentration risk. The more concentrated your Portfolio is, the greater the risk that poor performance in a group of instruments may significantly affect the performance of your Portfolio.

Concentration risk can also occur at an asset class level. Accordingly, you should consider your exposure to a concentration risk as a consequence of using the strategy/ies and in light of your other investments.

### **6.8 Liquidity risk**

Particular securities or investments may be difficult to purchase or sell, preventing the portfolio managers from closing out positions or rebalancing within a timely period and at a fair price. Accordingly, liquidity risk is a risk for users of the model portfolios. IndexInvest is aware of this risk and has developed processes to monitor, mitigate and manage it.

### **6.9 Inflation risk**

Your investments may not keep pace with inflation. Broadly, this means prices may increase by more than the value of your investments. If this risk eventuates, you would not be able to buy as much with the value of your investments as you could now.

### **6.10 Currency risk**

Securities in your Portfolio may be exposed to currency risk that arises from the change in price of one currency against another. Securities may face direct currency risk where they are denominated in foreign currencies and those positions are not fully hedged. You should be aware that movement in currencies can affect the net performance outcome of any trade.

IndexInvest has processes to monitor the currency risk exposures of the investments in your Portfolio.

### **6.11 Change of law and other statutory restrictions**

Changes in laws or their interpretations including, but not limited to, taxation and corporate regulatory laws, practice and policy could have a negative impact on the returns of investors.

IndexInvest maintains a focused approach to risk management.

**Further information relating to the risks of investing is available in the HWP Financial Education Guide and the Product Disclosure Statements (PDS) issued by each of the ETF / unlisted managed index funds invested in by IndexInvest. You should carefully review the PDS regarding the relevant financial product.**

## 7. How it works

### 7.1 Ownership

*Separately Managed Account (SMA)* - All assets (including cash) within Portfolios are held by the Custodian for the benefit of the investor.

No cash or securities in a Portfolio are held by the Manager, IndexInvest. Independent confirmation of your asset holdings can be provided on request from the Custodian.

*Managed Discretionary Account (MDA)* – All invested assets are held in the investor's name via its Holder Identification Number (HIN) at the ASX's CHESS system. Cash is held in the investor's own cash account. Managed fund type investments are held in the investor's name.

### 7.2 Investment Authority

When investors apply for a model portfolio, they execute a power of attorney in favour of the account operator that authorises the manager to, amongst other things:

- Make all investment decisions on the investor's behalf relating to the Portfolio/s. This includes directing the buying and selling of securities,
- Debiting the linked cash account for fees

### 7.3 Trading

Where possible we aggregate orders for trading purposes and execute them through the executing broker. Aggregating all investor trades enables a lower cost brokerage cost outcome.

When orders are completed, they are then allocated and settled to individual client accounts.

## **8. Fees and Charges**

The agreement between the parties allows for fees and expenses to be charged to investors. The fees and expenses represent charges that are incurred as a consequence of using the portfolio models. Such fees and expenses will be directly debited from the linked cash account.

Please note that all fees quoted within this document are exclusive of the impact of goods and services tax (GST).

### **8.1 Ongoing management fee**

IndexInvest charges a management fee for its services. The fees are described earlier in this document. All fees and the basis on which they are calculated are detailed in the offer documents linked to the service you are recommended.

### **8.2 Service costs**

Service costs charged by executing brokers which are attributable to the provision of the model portfolio (including brokerage) will be charged against the linked cash account. Subject to the above, IndexInvest will pay all of its own costs that it incurs in providing the model portfolios.

## **9. Depositing and Withdrawing Funds**

### **9.1 Opening an Account**

To invest, please request and complete an Application Form, then send it to us.

The minimum investment requirement may be waived at our discretion. We may also, at our discretion, reject applications for investment in the IndexInvest model portfolios.

### **9.2 Withdrawals**

You may request a withdrawal at any time by contacting us. A minimum account balance should be maintained.

## 10. Other Information

### 10.1 Reporting

#### Online reporting:

A full suite of online reporting features are available via the service website. These are available 24 hours per day, 7 days a week.

#### Annual Report:

Services offering the IndexInvest models will provide an annual investor statement to all investor accounts detailing the performance of the strategy and all items for completion of taxation requirements.

### 10.2 Anti-money laundering

IndexInvest and designated external service providers maintain a plan which identifies, mitigates and manages money laundering and terrorism financing risks as required by the Anti-Money Laundering & Counter Terrorism Financing Act 2006 (Cth).

### 10.3 Complaints

We are committed to the provision of excellent service and take all complaints seriously. We have implemented processes to respond to complaints in a timely manner. Any complaint must be addressed in writing to:

Complaints Officer  
IndexInvest Pty Ltd

GPO Box 5073  
Brisbane Qld 4001

For more information on our complaints handling process, please contact us using the details above.

If you are dissatisfied with our decision or the way we handled your complaint or dispute, you may contact Zenith Representatives Pty Ltd. If your complaint is still unresolved you have the right to contact the Australian Financial Complaints Authority (ABN 67 131 124 448) ('AFCA'). AFCA is an external dispute resolution scheme that provides free services to consumers. It is an independent and impartial body which will deal with your complaint directly or follow up the matter on your behalf in accordance

with its applicable terms of reference.

You can contact AFCA by:

Phone: 1300 780 808 or 03 9613 7366  
Fax: 03 9613 6399  
Web: [www.afca.org.au](http://www.afca.org.au)  
Email: [info@afca.org.au](mailto:info@afca.org.au)  
Mail: Australian Financial Complaints Authority  
GPO Box 3, Melbourne VIC 3001

## 11. Other Information

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