



Product Disclosure Statement

Product Disclosure Statement

Separately Managed Accounts

ARSN 114 818 530

Dated 6 April 2018

Responsible Entity & Issuer

Praemium Australia Limited

ABN 92 117 611 784 | AFSL 297956

Marketing & Distribution

Morningstar Investment Management Australia

Limited

ABN: 54 071 808 501 | AFSL: 228986

Product Disclosure Statement

Important information

This Product Disclosure Statement (PDS) contains important information about the Separately Managed Accounts (ARSN 114 818 530) (SMA). The SMA is a registered managed investment scheme under the Corporations Act 2001 (Cth). A lot of managed investment schemes are unit trusts (meaning that investors pay money and in return are issued units in the managed investment scheme). The SMA is not a unit trust. Instead, investors pay money and are provided with an Account. Each Account provides investors with a portfolio of investments that the investor chooses. You choose the way your Account is constructed by using a range of investment strategies (each strategy is referred to as a Model Portfolio). The portfolio of investments the investor chooses is beneficially owned by the investor.

Praemium Australia Limited (referred to in this PDS as "Praemium Australia Limited", "Praemium", "we", "our" or "us") is the Responsible Entity of the SMA and the issuer of this PDS.

None of Praemium Limited, its associates and subsidiaries (other than Praemium Australia Limited) have prepared this PDS, or are responsible for its contents. None of Praemium Australia Limited, Praemium Limited, any of its associates and subsidiaries, or any Model Portfolio Manager guarantees the success of the SMA or any particular Model Portfolio, or the repayment of capital or a particular rate of return, income or capital.

Updating information

Certain information in this PDS may change. We will issue a supplementary PDS in respect of any changes that have a materially adverse impact from the point of view of a retail investor deciding whether to invest. Updated performance information and other general information relating to the SMA can be obtained free of charge at any time from the website at www.praemium.com.au

We reserve the right to change the features of the SMA, including the Model Portfolios offered, at any time.

Marketing & Distribution

The SMA is marketed and distributed by Morningstar Investment Management Australia Limited (ABN 54 071 808 501

AFSL: 228986) ("Morningstar"). The SMA is issued by Praemium Australia Limited. Morningstar nor any of its affiliated companies are not the issuer of the SMA. Morningstar markets and distributes the SMA under an agreement with Praemium Australia Limited.



Your Nominated Representative

When you invest in the SMA, you appoint Morningstar as your Nominated Representative to provide instructions to us and to receive communications from us, on your behalf. By completing the Online Application Form you will be authorising us to take all instructions in relation to your Account from your Nominated Representative on your behalf. We will also send any communications relating to your Account to your Nominated Representative, who will be responsible for providing these communications to you.

Your responsibility

The information contained in this PDS is general only and does not take into account your individual objectives, financial situation, needs or circumstances. It is your responsibility to determine whether investing in the SMA is appropriate for you having regard to your objectives, financial situation, needs and circumstances. Morningstar does not provide personal advice that takes into account your individual objectives, financial situation, needs or circumstances. If you believe you need personal advice, you should seek the services of a financial adviser.

The name and contact details of the Responsible Entity are:

Praemium Australia Limited
Level 19, 367 Collins Street
Melbourne VIC 3000

PO Box 322
Collins Street West
MELBOURNE VIC 8007

Email: support@praemium.com.au
Website: www.praemium.com.au

Contents

4	What is the Separately Managed Account?
5	Significant benefits
6	Significant risks
7	How the SMA works
13	Fees and other costs
17	Investor reporting
18	Tax features
19	General information
23	Investor authorisations, acknowledgements & agreements
	Application
26	Online Sign Up Process
27	Glossary

What is the Separately Managed Account?

The SMA provides investors with an “Account”. Each investor has a separate “Account” to which their investments are allocated.

Your Account can be constructed by using a range of available investment strategies that you select.

Each investment strategy is referred to as a Model Portfolio, and they can be found in the Model Portfolio profiles in the Investment Menu at next.morningstar.com.au. If the Model Portfolios change, we will buy and/or sell investments so that your Account continues to reflect your chosen Model Portfolio(s).

You will be the beneficial owner of the investments in your Account. You can view online all of the investments which are included in your Account as a single Account, even if you have decided to have investments invested in accordance with more than one Model Portfolio.

Your investment strategy and preferences may only be communicated to us by your Nominated Representative – refer to “Your Nominated Representative” for more information. The Model Portfolio Manager will manage the Model Portfolio on an ongoing basis, and we will buy and sell investments to be included in, or removed from, your Account as the Model Portfolio changes.

Key features

Income	By default income from investments held in your Account is added to your Account; income when paid is added to your cash holding and included in the next rebalance (refer to “How the SMA works” for additional information on the rebalance process). OR On request, you may choose to have your investment income paid into your nominated bank account periodically by contacting your Nominated Representative.
Contributions and withdrawals	Investments and withdrawals can be in cash or by way of transfer of Eligible Investments to you. See “How the SMA works” for details.
Minimum cash holding	2% of your Account.
Minimum initial investment, Minimum withdrawal amount, Minimum account balance	Model specific minimum investment amounts are specified in the Model Portfolio profiles in the Investment Menu. There is currently a minimum initial investment amount and a minimum balance amount of \$10,000. There is currently no minimum withdrawal amount.
Additional investments	You can make additional investments of any amount at any time.
Regular contribution plans	You can make regular contributions to your investment, either by signing up to our Regular Contribution Plan or by making your own arrangements directly with your bank, CMT or financial institution. See “How the SMA works” for full details.
Regular withdrawal plans	You can make regular withdrawals from your Account. See “How the SMA works” for full details
Reporting	All reporting for the SMA is made available online and applications will only be accepted from persons who agree to receive reports through this facility. We will send out annual statements and tax statements each year. Some of the key reports available online include: Portfolio Report This gives a full valuation broken down by asset class of your Account. Performance Report The performance of your Account is available daily. Transaction Report Lists all buys and sells, fees and charges deducted in respect of your Account. Income and Expense Reporting Lists all income and expenses including franking credits. Tax Reporting Tax reporting is available online.

Need help?

If you have any queries regarding the SMA, please speak to Morningstar on

Tel: 1800 316 544

Email: support@morningstar.com.au

Significant benefits

The significant benefits of investing in the SMA include:

View the investments that make up your Account at any time

You own a portfolio of investments, not a unit in a trust. You can log into the investor website at any time to view the individual investments that make up your Account.

Please note, in some circumstances, such as when trading is being conducted in respect of your selected Model Portfolio(s), your exact investment holdings will not be available for the period of the trading or longer at the discretion of the Model Portfolio Manager.

Move investments into or out of your Account at any time

Contributions and withdrawals can be in cash or in kind – all CHESS-eligible listed Australian securities and a selection of other investments are accepted. Moving investments into or out of the Account does not result in a realisation for capital gains tax purposes. Once you have selected your blend of Model Portfolio(s) we will sell those investments not required and invest the proceeds as per your selection.

Keep your trading costs down with our netting policy

Trading within the SMA is conducted at a pooled level. This means that each day we assess the net trading requirements of the whole SMA and trade investments on this basis.

For example, if investors in one Model Portfolio of the SMA are selling securities in ABC Company and at the same time investors in another Model Portfolio of the SMA are buying the same number of securities in ABC Company we will simply transfer that security from one group of Accounts to the other without incurring any brokerage cost. The benefits (in terms of lower brokerage costs) are passed on to investors.

Retain the key benefits of managed funds

The Model Portfolios (i.e. investment strategies) in the Investment Menu are all professionally constructed and managed by our Model Portfolio Managers and provide investors with access to professional investment managers and wholesale rates of brokerage not available individually.

You don't inherit other investors' capital gains

Unlike most other managed investment schemes, your tax position as a result of investing in the SMA is affected only by the activity within your own Account. You do not buy into gains which have built up from other investors' earlier investments, and you do not realise gains as a result of other investors' decisions to withdraw from the SMA.

You can easily arrange for regular additional investments

It is easy to arrange to make a regular additional contribution into your Account. Full details are set out under "How the SMA works".

You can easily arrange for regular withdrawals

It is easy to arrange to make a regular withdrawal from your Account. Full details are set out under "How the SMA works".

Significant risks

Before you make an investment decision, it is important to identify your investment objectives and the level of risk you are prepared to accept. This may be influenced by factors such as:

- the timeframe over which you are expecting a return on your investment and your need for regular income versus longer-term capital growth.
- your level of comfort with volatility in returns.
- the general and specific risks associated with a particular Model Portfolio.
- risks associated with the structure through which your investments are made.

It is important for you to obtain personal advice about your financial circumstances and needs, as well as the suitability of the SMA and Model Portfolio selection before you apply to establish an Account within the SMA or select any Model Portfolio(s).

General risks

All investments have an inherent level of risk. Investment risk may result in loss of income or capital invested and possible delays in repayment. You could receive back less than you initially invested and there is no guarantee that you will receive any income.

Portfolio investment risk

Historically securities have offered higher returns over the long-term than other asset classes, however they are volatile and can perform poorly over the short to medium term.

Securities of smaller capitalisation companies may, from time to time, and especially in falling markets, become less liquid and experience short-term price volatility. They may also be less financially secure than larger more established companies and depend on a small number of key personnel, which increases the risk of a company's failure if a product fails, management changes or if there are other adverse developments.

Some Model Portfolios may only hold a small number of investments compared to the relevant benchmark index for that Model Portfolio. The performance of Model Portfolios holding a concentrated portfolio of investments is likely to be more volatile than its benchmark index across all investment timeframes.

The Model Portfolio profiles in the Investment Menu provide general guidance on the types of investments likely to be contained in each model.

Regulatory risk

This is the risk that a government or regulator may affect the value of investments that a Model Portfolio invests in, by introducing regulatory or tax changes.

Market risk

Economic, technological, political or legislative conditions and even market sentiment can (and do) change and this can mean that changes in the value of investment markets can affect the value of the investments in a Model Portfolio.

Derivative risk

A range of financial derivatives, for example futures and options, may be used to implement investment decisions and to manage risk in a Model Portfolio. An investment in derivatives can cause a Model Portfolio to make gains or incur losses. Derivative transactions may also involve the risk (including credit risk) that the counterparty on a transaction will be unable to honour its financial obligation to the SMA.

Scheme risk

There are risks particular to investing in the SMA including that the SMA could be terminated, fees and charges could change, we could be replaced as Responsible Entity, Model Portfolio Managers may be changed and Model Portfolios could be closed or change.

Operational risks

In addition to the normal risks of investing, investors in the SMA are subject to certain operational risks that are inherent in the administration of the SMA such as processing errors and systems or technology failure, which may affect the value of your Account. Praemium has policies in place for managing operational risks and their consequences. Under these policies, Praemium has the discretion whether or not to compensate investors for immaterial or negligible losses arising from processing errors or systems failures.

Foreign market risk

Investing internationally carries additional risk. Risks inherent in this type of investment include (but are not limited to):

- differences between countries relating to accounting, auditing, financial reporting, government regulation, securities exchanges and transactional procedures.
- foreign markets may have different levels of liquidity, pricing availability and settlement and clearance procedures.
- actions of foreign governments, exchange controls, political and social instability.

These risk considerations apply, to some extent, to all international investments, but are likely to be of greater significance in certain small or emerging markets.

How the SMA works

How to apply

To make an investment in the SMA and open your Account, you must complete the Online Sign Up Process at next.morningstar.com.au/invest/. The deadline for receipt of an application request is 10.00am Eastern Standard Time (EST) on any Business Day. Requests received after this time will be treated as received on the following Business Day.

Minimum application amount

The current minimum investment amount for the SMA is \$10,000 unless otherwise agreed with the SMA Provider. Please note that an initial investment of some cash and/or investments is required before your Account becomes active.

Initial investment

Your initial investment must be in cash.

Cash only applications

Application amounts must be transferred via BPAY or direct debit into the SMA.

If you elect to use the direct debit facility we will collect money from your nominated bank account on the day we accept your application, and will invest the cash on the next Rebalancing Date. If a direct debit is rejected we will try to contact your Nominated Representative and may wait up to two (2) Business Days to receive a response. If we do not receive a response, we will sell down your Account the next trading day and any loss will be your responsibility. **Therefore, it is important you ensure your nominated bank account has sufficient funds available on the day your application is submitted to us.**

Making additional investments

Additional investments can be made at any time by BPay or direct debit. The additional investments will be invested in your selected Model Portfolio at the next available date for investment. Note that while an investment transfer is in progress, your Account will not be included in the daily rebalance process (i.e. your Account will not trade). Please note an investment transfer is considered 'in progress' once the transfer details have been entered onto the system.

Regular Contribution Plans

You can make regular contributions to your investment, either by signing up to our Regular Contribution Plan (where we debit an agreed amount from your nominated bank account each month) or by making your own arrangements directly with your

bank (where you instruct your bank to pay an agreed amount into your Account on a regular basis).

Option 1 – SMA Regular Contribution Plan

Under the Regular Contribution Plan we will withdraw a regular amount from your nominated bank on or about the 15th of each month. Once you make the initial election on the Online Application Form you need take no further action – we will arrange for the transfer of funds each month. Note that this direct debit facility is not available on all bank accounts, and that if you change your financial institution we require you to notify us of this change in writing. You can reduce, change or stop contributions at any time free of charge, however two days notice is required prior to a change being effected. The minimum Regular Contribution Plan investment is \$100 per month. If a direct debit is rejected for a particular month we will sell down your Account the next trading day and any loss will be your responsibility.

We will also try to contact your Nominated Representative to notify them of the rejection. If a direct debit is rejected for two consecutive months, Praemium may cancel the direct debit and your Regular Contribution Plan will cease operating.

Option 2 – Your Own Savings Plan

Alternatively you can make your own arrangements directly with your bank to periodically transfer an amount into your Account via BPAY®. There is no restriction on the amount, frequency or timing of these investments.

These payments should be made by electronic transfer to:



Billers Code: 347112

Ref: Your BPAY Customer Reference No.*

*You will be advised of your Account number and BPAY Customer Reference Number when your Account has been opened.

© Registered to BPAY Pty. Ltd. ABN 69 079 137 518

Irrespective of the arrangements the money transferred will be invested in your selected Model Portfolio(s) at the next available date for investment.

As a regular contributor you should keep the PDS together with any updated information for future reference. You can download a current copy of the PDS from the website at next.morningstar.com.au at any time. We will also inform your Nominated Representative by e-mail each time a new PDS or Supplementary PDS is issued.

Receiving income or dividends

Unless specified otherwise income or dividends received will form part of your cash holding within your Account.

How the SMA works continued

If you would like your dividends to be excluded from your cash holding and paid periodically into your nominated bank account please ask your Nominated Representative to select this option for you.

If a direct credit to your nominated bank account is rejected for a particular month, we will try to contact your Nominated Representative to notify them of the rejection. If a direct credit is rejected for two consecutive months, Praemium may cancel the direct credit and all future income and dividends received will form part of your cash holding within your Account.

A description of how cash is managed is set out under "Investments in the SMA".

Withdrawing your investment

You will normally be able to request a withdrawal on any Business Day and requests will be complied with promptly, subject to any requirements of the law and as set out below.

Withdrawal instructions must be given to us online by your Nominated Representative. Once you give a withdrawal instruction, you cannot revoke the instruction unless we give our approval. Withdrawals from the SMA can be made in cash (to your nominated bank account) or via a transfer of investments to your name, or a combination of cash and investments.

If a combination of cash and investments is selected, the transfer out of investments must be confirmed before the remaining investments are sold to generate the cash portion of the withdrawal.

If applicable, the minimum withdrawal amount and minimum balance requirements which apply to your Account are set out in the "Key features" table.

If a full withdrawal is requested, your investment in the SMA will be treated as being terminated and your Account will be closed.

Transfer of investments

A withdrawal request for the transfer of investments must indicate the name and number of investments to be transferred and the account number into which they are to be transferred. Investments can only be transferred into the same name as your Account. Please ask your Nominated Representative to select this option for you.

If following the transfer of investments, your Account no longer reflects your Model Portfolio(s) (for example, because

you requested a transfer of one security only), we will need to rebalance your Account at the next Rebalancing Date. Unless the rebalancing can be effected in full under the netting process described under "Investments in the SMA", the rebalancing may result in brokerage being charged to your Account.

While an investment transfer is in progress, your Account will not be included in the daily rebalance (i.e. your Account will not trade). Please note an investment transfer is considered 'in progress' once the transfer details have been entered onto the system.

If insufficient cash is available in your Account to pay the In-Specie Transfer Fee, investments may be sold. Please refer to the Fees and other costs section for further details.

Cash withdrawals

Cash withdrawals will be paid into your nominated bank account in your name. Any instruction to vary this account must be in writing and signed by you and accepted by Praemium. We cannot accept these instructions from your Nominated Representative. The sale of investments in your Account will commence at the next Rebalancing Date following receipt of your withdrawal request. Generally, each Business Day is a Rebalancing Date.

Investments will be sold across your selected Model Portfolio (if applicable). The value you will receive will be that at which the investments are sold net of all fees, charges and expenses including transaction costs such as brokerage. The sale of investments will generally be actioned on the Business Day following receipt of your request and the proceeds will generally be available within 24 hours of settlement of the sale of investments. While this is typically within 4 Business Days, this cannot be guaranteed as there may be delays depending on liquidity of assets, market and other factors beyond our control.

Unless specifically requested, the withdrawal amount will accumulate as part of your cash holding until the full amount is available for transfer into your nominated bank account.

Suspension of withdrawals

In unusual circumstances outside our control such as the closure or disruption of a relevant security exchange, we may suspend withdrawals from investor Accounts for the period that these circumstances prevail.

How the SMA works

continued

Your Nominated Representative

When you invest in the SMA, you appoint Morningstar as your Nominated Representative to provide instructions to us and to receive communications from us, on your behalf. By completing the Online Application Form you will be authorising us to take all instructions in relation to your Account from your Nominated Representative on your behalf. We will also send any communications relating to your Account to your Nominated Representative, who will be responsible for providing these communications to you.

Generally, all instructions to transact in the SMA must be made on your behalf by your Nominated Representative. However, your Nominated Representative is not able to change your bank account details for payment of any withdrawal proceeds.

Refer to “Investor authorisations, acknowledgements & agreements” for details of this authorisation.

The majority of instructions will be given online by your Nominated Representative.

Investments in the SMA

What investments are available?

The Model Portfolios that are currently available for investment in the SMA are described in the Investment Menu, which forms part of this document or at next.morningstar.com.au. We may update this Investment Menu at our discretion. The information relating to each Model Portfolio includes:

- the Model Portfolio Manager;
- investment objective and strategy;
- asset allocation ranges and performance benchmarks; and
- fees applicable to the Model.

As certain information about the Model Portfolios may change you should check for updated information at Morningstar’s website:

next.morningstar.com.au

Our relationship with the Model Portfolio Managers is governed by a Model Portfolio Manager Deed. This sets out the agreed investment objectives, strategy and any investment restrictions applicable to each Model Portfolio. Each of the Models is managed by the relevant Model Portfolio Manager within these investment guidelines.

Any changes to a Model Portfolio are advised to us by the Model Portfolio Managers, and we then buy and sell

investments to implement the changes across all Accounts that are based on the affected Model Portfolios.

We reserve the right to change Model Portfolio Managers, change the Model Portfolios offered, offer new Model Portfolios or cease to offer Model Portfolios. Where a Model Portfolio ceases to be offered we will seek alternative instructions from you.

We do not make any representation as to the return of capital or any particular return of income or other performance by the SMA or any Model Portfolio.

How your investments are held

All assets held within the SMA, including those held in your Account, are held in our name as the Responsible Entity or by any custodian that we appoint. Each investor’s cash, selected investments and any liabilities are segregated into a separate Account and held separately on trust for them. Records of individual investment holdings by each investor are retained by us within the SMA.

Praemium will (by directing the Custodian of the managed investment scheme) hold any cash not required for settlements in a cash account with Australia and New Zealand Banking Group Limited, ABN 11 005 357 522. Praemium will not withdraw, or direct the Custodian to withdraw, funds from this account other than in accordance with your direction (including a standing instruction) or where necessary to meet your Minimum Cash Balance or where otherwise directed by a regulatory body or court order.

Labour standards, environmental, social and ethical considerations

Unless otherwise indicated in the Model Portfolio profiles in the Investment Menu, our Model Portfolio Managers may not take into account labour standards or social, environmental or ethical considerations in the context of making investment decisions.

Selecting investments

The investments selected for your Account will be determined by the Model Portfolio(s) that you select. When selecting a Model Portfolio you should consider carefully the number of investments held as well as your investment amount, as this could impact on the ability of your Account to reflect the stated investment strategy of the Model.

How the SMA works continued

Your initial application amount will be invested, and your Account established, in accordance with your selection of Model Portfolio(s). Generally, this will occur on the next day (after your Account becomes active)* on which we buy and sell investments for the SMA, which will usually be each Business Day (Rebalancing Date).

* Your Account will only become active once we have received a complete Online Sign Up Process together with your application amount.

Switching Model Portfolios

You can switch between Model Portfolios on which your Account was constructed, at any time. Your instruction to switch between Model Portfolios will generally be acted upon during the next Rebalancing Date following receipt of such instructions from your Nominated Representative. Please contact your Nominated Representative to switch between Models. Also refer to the "Investment process and rebalancing" section.

Maintaining a Minimum Cash Holding

In order to ensure there is sufficient cash to pay fees and satisfy charges in connection with the settlement of trades that are carried out in respect of your Account, you must maintain a minimum amount of cash in the SMA. This is in addition to any cash that a Model Portfolio may require to be maintained in your Account. The minimum cash amount is calculated as a percentage of your Account and is set out in the table under "Key features".

If at any time the cash in your Account falls below the required minimum, we may sell some of the investments in your Account to bring your cash back up to the required minimum level. Please refer to the section "Going above or below the Minimum Cash Holding".

The cash will be held in a bank account or invested in a cash fund selected by us. Any interest or income earned on any cash that is held in respect of your Account will be credited to your Account as and when it is received by us, less the Cash Holding Fee. If your Account has a negative cash holding (i.e. your cash holding is overdrawn as a result of trades carried out for your Account), your Account will be charged interest on the negative cash holding.

Going above or below the Minimum Cash Holding

Where cash in excess of the Minimum Cash Holding accumulates, (for example from the receipt of income or dividends) it will be invested on the next Rebalancing Date (generally the next Business Day) subject to minimum trade

sizes being achieved. To the extent practicable the funds will be invested in proportion to your current Model Portfolio(s) weights.

If the cash holding in your Account falls below the minimum required, additional investments will be sold (or purchases reduced) pro-rata across your Account. Any such transactions will not change the relative weightings of the Model Portfolios that your Account was constructed on, but will reduce the overall amount allocated to each Model.

Alternatively, you can elect to top-up your cash holding from your nominated bank account, as outlined under "Making additional investments".

Fees attributable to your Minimum Cash Holding

The minimum cash holding held in your Account will be subject to the Administration Fee and any cash held in accordance with a Model Portfolio will be subject to the Administration Fee, the Investment Fee and Performance Fee applicable to that Model Portfolio. See "Fees and other costs" for details of applicable fees.

Investment process and rebalancing

Rebalancing within the SMA is an automatic process whereby Model Portfolios are compared against investors' Accounts.

The rebalancing process within the SMA will be undertaken on each Rebalancing Date, generally each Business Day. However, your Account will only be affected in the following circumstances:

- a Model Portfolio Manager advises us of a change to a Model Portfolio comprising your Account;
- you make an investment in or withdraw cash and/or investments from your Account;
- you switch Model Portfolios or make other alterations to your Account; and
- where your cash holding has moved away from the minimum required as a result of income received or fees paid.

The Model Portfolio Managers generally review their Models each Business Day and may advise us of changes to their Model Portfolios at any time.

A cash holding of 2% of your total investment will be retained. Interest is paid on any cash that is retained in your Account. From time to time, subject to the minimum trade size, your Account may be rebalanced to reflect the changing values of the investments you own, or to retain your 2% cash holding. This will be undertaken automatically through the buying or selling of investments within your Account.

How the SMA works continued

Dealing in investments

Dealing in investments for the SMA will be undertaken by us on the advice of the relevant Model Portfolio Managers. Dealing will occur on an aggregate basis across all Model Portfolios within the SMA to take advantage of scale and netting opportunities. All investments will be allocated to the relevant Accounts on a pro rata basis.

In order to minimise the amount of brokerage paid, we will generally use a single execution only broker. However, we may use other brokers if market conditions and investment-specific factors warrant it, and may change brokers at any time.

Netting

The SMA seeks to minimise brokerage costs by eliminating unnecessary trading; this process, known as netting, works to offset buy and sell trades in an investment so that only the net position is traded.

If applicable the netting of transactions occurs first within each investor's Account. For example, if you invest in accordance with two Model Portfolios each holding ABC Company securities, and one Model is reducing their holding and the other is increasing their holding, this will not result in a transaction within your Account by the amount of the overlap. After this netting process has been applied within your Account, it will then be applied across all Accounts within the SMA.

If there is an exact netting of transactions within the SMA, the netted transactions are priced at ASX closing price. Other transactions are priced as traded. The value of the trades are averaged and attributed to all investors where trades were generated. Brokerage is applied on a pro rata basis to affected Accounts.

Trades outside of the normal rebalance process

In the normal course of events trading for an individual investment is aggregated across Accounts and transacted as a single net trade. However, from time to time, individual Model Portfolio Managers may trade directly in investments held in their Model Portfolios.

These trades may attract differing rates of commissions and charges. These Model Portfolio Manager initiated trades may result in multiple trades in the same investment on the same

day – as the Model Portfolio Managers would not be aware of other trades within the SMA.

Minimum trade size

A minimum trade size is applied per investment, per trade. The default minimum trade size for the SMA is currently \$100 and may be amended in consultation with Morningstar from time to time.

A minimum trade size per investment will generally ensure that trades (buys or sells) of a value less than the nominated amount will not be executed. A minimum trade size may also result in the performance of your Account deviating from the performance of the Model Portfolio(s).

Corporate actions

As the Responsible Entity for the SMA, Praemium will receive communications relating to corporate actions affecting the investments held in your Account. For example, the issuers of the investments will send any notices of meetings relating to the investments, and any offers of dividend or distribution reinvestment plans, to our Custodian.

In dealing with corporate actions, we will act in the best interests of investors in the SMA as a whole, but will generally not be obliged to act on any individual investor's directions.

Our policy regarding corporate actions affecting investments held in the SMA is that generally:

- we will elect to receive dividends and distributions in cash, which will be credited to your cash holdings within your Account;
- we will generally adopt a neutral position and not vote at meetings of holders of investments, although we may exercise our discretion and vote depending on the particular circumstances; and
- we will deal with other corporate actions using our discretion.

In certain limited circumstances, entitlement to corporate actions may be subject to externally imposed limits or caps which may result in your entitlement to participate in the corporate action through your SMA holding being less than an entitlement of an individual investor holding the same number of investments directly.

Fees and other costs

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.moneysmart.gov.au) has a managed fund fee calculator to help you check out different fee options.

This PDS shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from returns on your investment or from the SMA assets as a whole. Information about taxes is set out under "Tax features".

You should read all the information about fees and costs because it is important to understand their impact on your investment. Fees and costs that relate to particular investment options are set out in each Model Portfolio Profile in the Investment Menu. All fees are in Australian dollars and are inclusive of Goods and Services Tax (GST) and net of any reduced input tax credit.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the Fund		
Establishment Fee. The fee to open your investment.	Nil	Not applicable.
Contribution Fee. The fee on each cash amount contributed to your investment.	Nil	Not applicable.
Withdrawal Fee. The fee on each amount you take out of your investment.	Nil	Not applicable. However, the In-Specie Transfer Fee may apply.
Termination Fee. The fee to close your investment.	Nil ¹	Not applicable. However, the In-Specie Transfer Fee may apply.
Management costs. The fees and costs for managing and administering your investment		
Administration Fee. The fee for operating the SMA.	0.30% p.a. + \$1.50 per month for the first \$3,000,000, 0% p.a. for amounts above \$3,000,000	The Administration Fee is calculated monthly in arrears based on the daily value of your Account plus a fixed monthly fee and is deducted directly from your Account. This fee is paid to Praemium.
Investment Fee. ² The fee for investing in a Model Portfolio.	0.47%	The Investment Fee, if applicable, is calculated monthly in arrears based on the daily value of your Account and the particular Model Portfolio(s) selected. It is deducted directly from your Account and paid to the model manager.
Expense Recovery Fee	Between \$30-\$60 p.a.	Payable annually from your Account.
Cash holding Fee ³	Up to 0.70% on funds held in cash	The Cash Holding Fee is the amount that Praemium charges to arrange for the establishment of, and effect transactions relating to your cash holdings held with superior interest earning Accounts. This fee is deducted from interest you earn on your cash holdings and is not separately deducted from your Account.
Indirect Cost Ratio ⁴	Between 0.16-0.23%	Deducted by the underlying managed fund/ETF prior to striking a unit price, this fee is not separately deducted from your Account. This fee varies from model to model. For the Indirect Cost Ratio that applies to a particular model, please see the Investment Menu.
Service Fees ⁵		
In-Specie Transfer Fee. The fee for the transfer of investments out of your Account.	\$29.00 per investment line transferred out.	The In-Specie Transfer Fee will be deducted from your Account at the time of transfer.

1. No Termination Fee is payable, however any Management Costs and Service Fees accrued but not yet paid would be deducted from your Account prior to the cash and investments in your Account being transferred out.
2. Refer to "Investment Fee" in the "Additional explanation of fees and costs" section in for further details on the calculation of Investment Fees.
3. Refer to "Cash Holding Fee" in the "Additional explanation of fees and costs" section for further details on the calculation of Cash Holding Fees.
4. Refer to "Indirect Cost Ratio" in the "Additional explanation of fees and costs" section for further details
5. Refer to the "Additional explanation of fees and costs" section for further details.

Fees and other costs

continued

Additional explanation of fees and costs

Management Costs

Management Costs are those fees and costs incurred by Praemium in managing your investments. Management Costs represent both direct and indirect costs.

For the purposes of this PDS, the direct Management Costs are set out in the 'Fees and other costs' section.

Indirect costs include costs which Praemium ought reasonably to be aware or may reasonably estimate as reducing the return on your investment other than fees charged directly on your investment in interposed vehicles. Indirect costs generally attract most non-fee costs, but do not include the buy-sell spread or other costs associated with the acquisition or disposal of over-the-counter derivatives, used primarily for hedging. Indirect costs exclude amounts directly charged to members as fees.

Administration Fee

The Administration Fee is paid to the Responsible Entity, Praemium, to cover the costs of administering the SMA. The fee is based on your total Account balance, including any cash and other assets that are not part of a Model Portfolio and have minimum holding locks applied. The fee is calculated daily and paid monthly in arrears from the cash holding in your Account.

Cash Holding Fee

To ensure maximum returns to investors, Praemium has entered into an arrangement with ANZ to deposit a portion of your cash in an omnibus account with ANZ, which attracts a higher interest rate on your cash holdings (see page 12). The Cash Holding Fee is the fee Praemium charges for the additional tasks associated with managing your cash holdings in this way, including establishing and allocating the cash accounts and giving instructions (including deposits and withdrawals).

The Cash Holding Fee is deducted from interest earned on your cash holdings prior to being credited to your Account and will not be deducted from your Account.

Indirect cost ratio

The indirect costs for managed funds and ETFs are taken into account in the unit price of the investment. The indirect cost varies and depends on the investments you select. Refer to the disclosure document for the managed fund or ETF. This fee varies from model to model. For the Indirect Cost Ratio that applies to a particular model, please see Investment Menu.

Model Portfolio Managers' Fees

Each Model Portfolio has its own separate fee structure, as agreed with the Model Portfolio's Manager. These fees are charged on the percentage of your Account that is linked to the Model Portfolio and are calculated based on the daily value of your Account.

Full details of the fees applicable to each Model Portfolio can be found in the Model Portfolio profile in the Investment Menu.

Investment Fee

The Investment Fee represents the base fee component of the Model Portfolio Manager's fee. This fee is charged on the value of your Account applied to the particular Model Portfolio, and is not linked to performance of the Model Portfolio.

Establishment Fee

An Establishment Fee may be payable on the amount invested in the SMA. The Establishment Fee is currently nil.

Performance fees

Some Investment Managers may charge a fee for any out-performance above the benchmark index applicable to the Model Portfolio. Refer to the Investment Menu for more information.

Contribution Fee

A Contribution Fee may be payable on each cash amount invested in the SMA.

The Contribution Fee is currently nil.

Withdrawal Fee

A Withdrawal Fee may be payable on amounts withdrawn from the SMA.

The Withdrawal Fee is currently nil. However, the In-Specie Transfer Fee may apply where investments are transferred out of your Account.

Termination Fee

A Termination Fee may be payable on an amount withdrawn from the SMA when you close your investment.

The Termination Fee is currently nil. However, the In-Specie Transfer Fee may apply where investments are transferred out of your Account.

In-Specie Transfer Fee

This is the amount that we deduct from your Account each time you transfer investments out of your Account.

Fees and other costs

continued

Underlying Management Costs

The Managed Investment Schemes (MIS), including Exchanged Traded Funds, into which certain Models may invest may have their own Management Costs, which are disclosed in their individual disclosure documents. These costs are paid out of the individual underlying MIS to the manager of the MIS.

Taxes

We may charge taxes to your Account. Refer to “Tax features” for further information.

Transactional and operational costs

Transaction costs cover our costs of buying and selling investments in your Account, primarily brokerage but may include Government taxes, bank charges and stamp duty (if any). These costs are incurred when transactions are effected. Where transaction costs such as brokerage, Government taxes, bank charges and stamp duty are incurred in relation to more than one investor Account, they will be allocated pro rata across all affected investor Accounts.

These costs are covered within the Investment Fee.

Expense recoveries

We are entitled to be reimbursed from the SMA for all expenses which we properly incur or become liable for in connection with administering the SMA including audit, legal and tax consulting fees, compliance committee costs, expenses and liabilities. We expect to recover between \$30 and \$60 per account depending on actual expenses incurred in the financial year.

We may be entitled to input tax credits for certain costs or expenses that we incur in our capacity as Responsible Entity of the SMA. If any claim for input tax credits results in us, in our capacity as Responsible Entity, receiving a payment from the Australian Taxation Office (ATO), the amount of the ATO

payment will be applied towards costs and expenses that we may incur in our capacity as Responsible Entity (and which we are otherwise entitled to deduct from investors Accounts).

To the extent that the costs, expenses and charges are attributable to a particular investor then they are deducted from that investor’s Account. Otherwise, these amounts are allocated equitably amongst all SMA investors as we determine.

Unless we determine otherwise, costs, expenses and charges are allocated to SMA investors in proportion to their Account value expressed as a percentage of the total value of investors’ Accounts with the resultant cost debited from your Account. We can also invoice you for the amount, or any part of the amount, allocated to you and this is a debt due to us notwithstanding that there may be insufficient funds in your Account to pay the debt.

You also indemnify us against any liability we may incur as a consequence of acting on your instructions.

Unless we advise otherwise, all other expenses not attributable to a particular investor, other than abnormal expenses, will be paid by the Responsible Entity from the Administration Fees that it receives from the SMA.

Abnormal expenses are expenses we are entitled to deduct from your Account but they are not generally incurred during the day to day operations of the SMA and are not necessarily incurred in any given year. They are due to abnormal events such as the cost of running a meeting of the SMA or legal costs incurred by changes in the SMA constitution or defending legal proceedings. We will continue to seek reimbursement from your Account in relation to those expenses should they arise.

Dollar Fee Example		
Balance	Administration Fee	Investment Fee – Morningstar Next Balanced Model
\$50,000	\$168	\$235
\$100,000	\$318	\$470
\$1,000,000	\$3,018	\$4,700

Fees and other costs continued

Can fees and charges change?

Yes, all fees and charges can change. They may vary over time as a result of changes to the product, the Constitution of the SMA, changing economic conditions and changes in regulations.

The Constitution sets the range of fees we are entitled to charge and the maximum level of those fees.

These are (inclusive of GST)

Administration costs: up to 3.3% p.a.

Investment costs

Management Fee: up to 3.3% p.a.

Performance Fee: up to 55% of out-performance of a benchmark

The fees applicable to your investment are set out in the table under “Fees and other costs” and although we have the power to change our fee structure, we have no present intention to do so. We will however, provide a minimum of 30 days notice, if any existing fees are to be increased.

We are unable to charge more than the Constitution permits (to change the Constitution in this way, we would usually need to have investors’ approval). Full details are set out under “Constitution”.

Example of annual fees and costs for the SMA

The table below gives an example of how the fees and costs in the SMA can affect your investment over a one year period. You should use this table to compare this product with other products.

Example – SMA Growth Model Portfolio		Balance of \$50,000 with a contribution of \$5,000 at the end of the year
Contribution Fees	0%	For every additional \$5,000 you put in, you will be charged \$0
PLUS Management Costs		
Administration Fee	0.30% p.a. + \$1.50 per month for the first \$3,000,000, 0% p.a. for amounts above \$3,000,000	AND , if you have a balance of \$50,000 in the SMA you will be charged an Administration Fee of \$168 during the year
Investment Fee	0.47% p.a.	AND , if you have a balance of \$50,000 in the SMA you will be charged an Investment Fee of \$235 during theyear
Expense Recovery Fee	\$30-\$60 per account per financial year	AND , expense recovery fees of \$45 each year will be deducted from your investment.
Cash Holding Fee¹	Up to 0.70% p.a. on holdings	AND if \$5,000 of your portfolio is held in cash, a cash holding fee of \$35 will be deducted from interest you earn on your cash holdings during the year
Indirect Cost Ratio²	0.23%	AND , if you have a balance of \$45,000 in the SMA a cost of \$104 will be deducted by the underlying managed fund during the year
EQUALS Cost of the SMA		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year you would be charged fees of \$625. What it costs you will depend on the investment option you chose.³

1. Based on a model platform cash weighting of 10%

2. This fee varies from model to model. For the Indirect Cost Ratio that applies to a particular model, please see the Investment Menu.

3. Additional fees may apply.

Please note that this is an example. In practice the actual investment balance of an investor will vary and the actual fees and expenses we charge are based on the value of your Account which also fluctuates.

Investor reporting

Differential Fees

In accordance with the Corporations Act, we may individually negotiate fees with investors classed as “wholesale” or “professional” investors.

We may also offer reduced fees to employees of the Responsible Entity and its related bodies corporate or come to different fee arrangements with different classes of interests. The constitution allows for more than one class of interest to be issued and there are currently a number of classes issue. For more information, please contact the Responsible Entity.

We cannot enter into individual fee arrangements with other investors unless otherwise permitted by law.

Online reporting

All investor reporting is available online from the investor website.

Once your Account has been set up, your Nominated Representative will provide you with a link to the investor website. By applying for an Account you agree to obtain reports electronically. Once your Account is activated, you will be able to access your Account information and view your Account valuations online.

During periods where the website is unavailable for any reason, you may obtain the information by contacting Morningstar.

Account information available includes:

- daily valuations of your Account
- cash account transactions
- investment purchases and sales
- distribution and dividend details
- fees and other charges deducted

Please note, in some circumstances, such as when sensitive trading is being conducted in respect of your selected Model Portfolio(s), your exact investment holdings will not be available for the period of the trading or longer at the discretion of the Model Portfolio Manager.

Confirmations of transactions

By completing the Online Sign Up Process, you agree that confirmation of transactions involving your Account will be provided to you by means of your Account which you access online using your password.

Your Account will indicate the date and details, including the amount paid for the investments and any associated fees and charges, of each transaction made in respect of your Account.

Annual Statements

We will issue you Account annual statement to you after the end of each financial year.

Valuing your Account

Updated valuations of your Account will generally be available each Business Day. ASX listed securities will be priced at previous close of market prices. Other assets will generally be valued at the bid price for the relevant asset. Upon their disposal, such assets will be realised at the actual sell price for those assets, and accordingly, the realisation proceeds may be less than the value recorded in your Account for those assets.

Tax reporting

Tax reports are available online at any time to assist you with your tax planning or in the preparation of your tax return, however tax reports may not be correct for months after the end of the financial year, depending on the investments held, due to the reliance on third party information. We will issue tax reports each year when they have been finalised.

Performance reporting*

Daily performance reporting of your entire Account is available online.

*Performance reporting is not always up to date on the website and tax reports may not be correct for months after the end of the financial year depending on the investments held, due to reliance on third party information.

Separately Managed Accounts financial information

A copy of the Annual Financial Report for the Separately Managed Accounts will generally be available by the end of September each year and published on the website.

This report will provide consolidated information on the overall financial position of the Separately Managed Accounts and will not contain any information particular to an individual investor's Account. We will send you a copy of the Annual Financial Report to your supplied email address.

Responsible Entity reporting requirements

The Separately Managed Accounts is a disclosing entity as defined under the Corporations Act. As a disclosing entity, the Separately Managed Accounts is subject to additional regular reporting and disclosure obligations. Any continuous disclosure notices required pursuant to the Corporations Act will be available at www.praemium.com.au.

You have a right to request us to provide to you free of charge, the half yearly condensed financial report, the audited annual financial report and any continuous disclosure notices.

Tax features

Investing, and dealing with investments, often has tax implications which can be complex, and which are invariably particular to your circumstances. The tax information set out below is a broad overview of the possible Australian income tax consequences for Australian Residents who invest through the SMA. As the taxation consequences of investing differ between investors, it is important that you seek your own professional advice before you make investment decisions.

Taxation of the SMA

The SMA is not taxed since all investments are beneficially held by investors directly in their separate Accounts. You have a vested and indefeasible interest in your assets held through the SMA. All income and gains on the investments accrue directly to you.

Tax on Income

Depending on the types of investments made, your Account can derive income in the form of dividends, interest, gains on the disposal of investments and other types of income. Generally speaking such income is taxable, but tax credits (for example, franking credits or foreign income tax offsets) may be available to offset part or all of any resulting tax liability.

If you receive franking credits your entitlement to use those credits to offset tax or obtain a refund of tax may be affected by your holding of the underlying investments which resulted in the credits. Generally speaking you must hold the relevant investments at risk for more than 45 days (90 days for preference shares) to be entitled to the credit. Please see your tax adviser for further information, as some exceptions do apply. Tax reporting available online includes an estimate of the available tax credits in relation to your Account.

Tax on Capital Gains

The disposal of investments in your Account may result in a taxable gain or loss under the capital gains tax provisions of the Income Tax Assessment Act. These disposals may be triggered by the investment decisions of a Model Portfolio Manager or by you in the case of a withdrawal, or switching (transferring) between Model Portfolios (if available).

A feature of the SMA is that when you choose to move between Model Portfolios, your investments move with you to the extent that there is commonality between the Models.

This means that, where an investment is held in both your old and new Model Portfolio, there will be no sale or disposal of the investment in your Account for capital gains tax purposes, to the extent that the holdings offset each other.

Capital gains will be calculated based on the nominal gain on disposal of investments. Where the asset disposed of was held for 12 months or more, eligible investors may be able to claim concessional tax treatment.

Should a disposal result in a capital loss, the loss may be able to be offset against capital gains arising in that or subsequent years, but is not permitted to be offset against other income. This includes gains or losses realised outside the SMA; gains and losses are consolidated based on your overall tax position and are not isolated to or quarantined to your Account.

In some cases, (e.g. you are in the business of trading in investments) gains and losses on the disposal of some investments may be taxed on revenue account and not be subject to the capital gains tax rules. You should consult your tax adviser in this regard.

Foreign Investments

Foreign income (e.g. foreign dividends) may be subject to withholding tax in the country from which the income is derived. Generally speaking, this income will be taxable in Australia with foreign income tax offset available for the foreign withholding tax paid.

Taxation Reform

The Federal Government can change taxation laws at any time. This could result in change to the taxation treatment of your investment. We strongly recommend that investors monitor reforms closely and seek their own independent professional advice on the potential application of those reforms to their specific circumstances.

Providing your Tax File Number

You may choose to provide your Tax File Number (TFN) or Australian Business Number (ABN). We will contact you shortly after opening your account outlining how to add, if you choose, your TFN or ABN to your account record.

If you choose not to disclose your TFN, ABN or exemption code we will be obliged to deduct tax from your account at the highest marginal rate plus the Medicare Levy on your behalf.

Goods and Services Tax

GST will be charged on or incorporated in various expenses paid by the SMA including the fees charged for managing the Model Portfolios and administering the SMA.

All fees in this PDS are quoted inclusive of GST and net of reduced input tax credits.

Tax Reporting

Tax reports are available online at any time to assist you with your tax planning or in the preparation of your tax return.

General information

The SMA Constitution and the Corporations Act govern an investor's rights. Under the SMA Constitution, an investor has the beneficial interest in the assets held in that investor's Account.

The legal interest is held by us or any custodian that we appoint. The table summarises the differences between an investor's rights as an investor in the SMA and their rights if they were to invest directly in the investments.

Cooling off rights

You have a 14 day cooling off period in which to decide if the investment is right for you. The 14 day period commences from the earlier of the time your investment is confirmed by us and the 5th Business Day after your Account is activated.

Your refund will be paid by either an in specie transfer of investments or cash following the sale of investments (at your request) commencing at the next Rebalance Date following receipt of your instructions to exercise your cooling off right.

Irrespective of whether you choose to be paid in cash or by having the individual investments returned to you, the value of your investment is likely to have changed over the period due to market movements. For this reason, depending upon the circumstances, the amount returned to you may be greater or less than the amount you initially invested.

The Responsible Entity's legal relationship with you

Praemium is the Responsible Entity of the SMA. Praemium holds AFSL No. 297956 which authorises it to operate the SMA.

We can retire as Responsible Entity on 30 days notice or we can be removed in accordance with the Corporations Act.

Constitution

Our responsibilities and obligations as the Responsible Entity of the SMA are governed by the Constitution for the SMA, as well as the Corporations Act and general trust law.

The Constitution contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both investors and us. Your Nominated Representative will be able to obtain a copy of the Constitution for you from us free of charge on request.

The Constitution contains a provision that investors and all persons claiming through them are bound by the terms of the Constitution.

The main provisions which relate to your rights under the Constitution include:

- your absolute entitlement to the assets and cash credited to your Account;

Investing through SMA	Investing directly in the investment
<p>The investor is the beneficial owner of the investments but they are registered in our name or any custodian that we appoint. Consequently, the investor does not automatically:</p> <ul style="list-style-type: none"> • receive notices from the issuer of the underlying investments; or • have voting rights in relation to the underlying investments. 	<p>The investor receives notices about the investments, including notices of meetings and annual reports and retains full discretion to exercise voting rights.</p>
<p>The investor has online access to a single report consolidating the relevant information regarding the performance of underlying investments.</p>	<p>The investor receives reports and accounts from the issuer of each investment, not a single consolidated report.</p>
<p>The timing of payments, rate of return (due to fees or taxes payable), timing of distributions and price of investments may differ from those available to direct investors.</p>	<p>The investor receives direct payment, rate of return and pricing of investments.</p>
<p>The time to acquire or withdraw from an underlying investment may be delayed by SMA administrative requirements.</p>	<p>Investment and withdrawal are made in accordance with the parameters of the particular investments.</p>
<p>A corporate action may impose a limit or cap on the number of entitlements per holding, which may result in an investor receiving fewer investments or a lesser entitlement than a direct investor.</p>	<p>The investor's entitlement under a corporate action is determined by their individual holding and is not affected by the holdings of others.</p>
<p>Generally, investors holding investments through the SMA will not be able to access shareholder discount cards and other similar schemes.</p>	<p>The investor has full access to any shareholder discount schemes.</p>

General information continued

- your right to withdraw from the SMA and what you are entitled to receive when you withdraw or if the SMA is wound up;
- your rights to attend and vote at meetings of the SMA – these mainly reflect the requirements of the Corporations Act which also deals with investor rights to requisition or call a meeting; and resolutions passed by a requisite majority at a meeting of investors are binding on all investors; and
- your ability to transfer or register investment interests (where accepted by us) over your Account.

There are also provisions governing our powers and duties, some of which are discussed elsewhere in this PDS.

Others include:

- when we can terminate the SMA and what happens if we do. The SMA will terminate 80 years less one day after it was established unless terminated earlier. We can terminate the SMA by giving the required notice, and if we do, you share pro rata in the net proceeds from us selling the investments;
- our right to be paid by, or receive a benefit from, an incoming Responsible Entity, and not be required to account to investors for such payment or benefit;
- when we can amend the Constitution. Generally we can only amend the Constitution where we reasonably believe that the changes will not adversely affect your rights as an investor. Otherwise the Constitution can only be amended if approved by special resolution at a meeting of investors;
- our right to refuse to accept application for interests without giving any reason;
- our right to determine minimum application, withdrawal and holding amounts and powers in support of these minimums;
- our ability to terminate your participation in the SMA on 14 days notice or if you breach any terms and conditions of the SMA Constitution or your Account;
- our right to deduct amounts you owe us from withdrawal proceeds; and
- our broad powers including to act on properly authorised instructions, invest, and generally manage the SMA.

In particular, your Account will be credited with:

- all monies you pay into the SMA;
- all other monies and assets that we receive from you or on your behalf;
- any investments acquired on your behalf; and
- such other amounts and assets that we determine to be appropriate to credit to the Account.

Your Account will be debited with:

- all monies paid out to you or your Nominated Representative;
- any monies required to settle a investment transaction for you;
- any monies required for the payment of fees, charges, expenses and taxes associated with your Account or instructions;
- any assets disposed of on your behalf; and
- such other amounts as we determine to be appropriate to debit to the Account.

In some circumstances we need not act on your instructions (such as where your Account does not include sufficient funds or where it is impractical or impossible to do so – for instance when markets are closed or disrupted).

The Constitution provides that the liability of each investor is limited to its investment in the SMA. An investor is not required to indemnify us or our creditors in respect of the SMA. However, no complete assurance can be given in this regard as the ultimate liability of a member has not been finally determined by the courts.

All liabilities, which in our opinion are attributable to a particular investor or investor's Account, are to be satisfied either or both:

- from that investor's Account; and/or
- by you upon receipt of an invoice from Praemium.

No limitation of liability applies for such liabilities.

The Constitution also deals with our liabilities in relation to the SMA and when they can be reimbursed to us out of the SMA's assets, for example, subject to the Corporations Act:

- we are not liable for acting in reliance and in good faith on professional advice;
- we are not liable to investors for any loss provided we did not act negligently or we believed we acted in good faith in accordance with the law and the Constitution; and
- we can be reimbursed for all liabilities we incur in connection with the proper performance of our duties in respect of the SMA.

General information

continued

A copy of our documented policy in relation to the exercise of discretions in determining the value of interests in the SMA is available from us at no charge.

Compliance Plan

We have lodged a Compliance Plan for the SMA with ASIC. The Compliance Plan sets out the measures we will take to ensure we comply with the Corporations Act and the Constitution for the SMA.

To oversee compliance with the Compliance Plan, we have established a Compliance Committee. The Compliance Committee is required to report breaches of the Constitution and the Corporations Act to the directors of the Responsible Entity and in some circumstances to ASIC.

Auditor

The current auditor of the Separately Managed Accounts is Deloitte Touche Tohmatsu of 550 Bourke, Melbourne VIC 3000.

Custody

We have appointed HSBC Bank Australia Limited (HSBC) as the custodian of the SMA. Whilst HSBC holds the legal title to assets and investments, investors retain the underlying beneficial interest. HSBC does not perform any supervisory role and is required to act in accordance with proper instructions received from us, for example, effecting settlements on behalf of the SMA.

As a custodian, HSBC is required to meet prescribed regulatory and financial requirements. We may change the custodian at our discretion from time to time.

Enquiries and complaints

If you have a query or complaint, please contact your Nominated Representative who may be able to deal with this in the first instance on your behalf.

If you have a complaint that is not resolved by your Nominated Representative, you can either call Praemium on (03) 8622 1222 or write to our Complaints Handling Officer at Praemium, PO Box 322, Collins Street West, Melbourne VIC 8007; or send it by email to complaints@praemium.com.au. Please provide us with all information relevant to the complaint that is in your possession or control. We will acknowledge receipt of the complaint as soon as practicable within two working days of its receipt.

We will deal with any complaint and respond to you as soon as practicable and may ask you for further information that we think is necessary to enable us to properly consider the complaint. If we cannot resolve the matter within 45 days of receiving your complaint we will provide a written explanation to explain our assessment.

If your complaint is not dealt with to your satisfaction within this timeframe, you may refer your complaint to the Financial Ombudsman Service ("FOS") of which we are a member and which is an independent entity at no cost.

The FOS contact details are:

Mail: GPO Box 3, Melbourne, Victoria, 3001

Telephone: 1800 367 287

Website: www.fos.org.au

Email: info@fos.org.au

Privacy

The information requested on the Application Form is used by us for the primary purpose of establishing and administering your Account. We may be unable to process your Application and provide you with the requested investment without this information.

Our Privacy Policy detailing our handling of personal information is available upon request. You may request access to the information held by us about you and your investment, and we ask that you advise us of any changes to such information you may have provided.

We may disclose information to related overseas entities for the purpose of providing internal support for our service and product offering. These entities are currently located in the United Kingdom, China, Hong Kong and Armenia and comply with Australian privacy requirements. We may also disclose your information to external parties on your behalf, such as your Nominated Representative. Where reasonably possible we will not retain personal information received via unsolicited third parties which is not relevant to the operation of our business.

We may use your information on occasion, to advise you about other services or products offered by us or by Praemium Limited and its related bodies corporate, but you may elect to stop receiving such information by giving us notice to that effect at any time by contacting support@praemium.com.au.

Please note, that in accordance with the requirements of the Anti-Money Laundering and Counter Terrorism Financing Act, we may be requested to disclose your personal information to the Australian Transaction Reports and Analysis Centre (AUSTRAC).

You may contact our Privacy Officer on (03) 8622 1222 if you wish to update or request access to your information or if you have any queries regarding our Privacy Policy.

General information

continued

Anti-Money Laundering and Counter-Terrorism Financing

We are required to comply with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ('the AML legislation'). The AML legislation requires us to (amongst other requirements) verify the identity of investors making applications into the SMA.

We cannot accept an application to invest in the SMA until satisfied that the identity of the investor has been verified in accordance with the AML legislation. The processing of applications may be delayed until the requested information is received in a satisfactory form and the identity of the investor is verified.

By completing the Online Sign Up Process or any AML forms requested by Praemium during the application process, you agree that:

- you do not make an application for investment in the SMA under an assumed name;
- any money used by you to invest in the SMA is not derived from or related to any criminal activities ;
- any proceeds of your investment will not be used in relation to any criminal activities;
- upon request, you will provide us with additional information we reasonably require for the purpose of AML Legislation; and
- we may obtain information about you or any beneficial owner of an investment from third parties if we believe this is necessary to comply with AML Legislation

In order to comply with AML Legislation, Praemium may be required to take action, including:

- delaying or refusing the processing of any application or redemption; or
- disclosing information that we hold about you or any beneficial owner of investments to our related bodies corporate or relevant regulators of AML Legislation and may be prevented from informing you that such reporting has taken place; or
- request additional identification/verification documentation or other information from an investor or their Nominated Representative to verify the investor's identity or comply with the AML legislation. Where documentation provided is not in English, an English translation must be provided by an accredited translator (who is accredited by the National Accreditation Authority for Translators and Interpreters Ltd at the level of Professional Translator or above).

And in any of these circumstances, we will not be liable to you for any resulting loss.

Investor identification requirements

We intend to rely on your Nominated Representative to verify the identity of their investors in accordance with the AML legislation.

The Online Sign Up Process requires your Nominated Representative to confirm that they have verified the identity of the investor and agree that Praemium may access a record of this verification conducted by the Nominated Representative to verify their identity.

Unless requested, we do not require original documents or certified copies used by the Nominated Representative to verify the identity of the investor. Where document(s) verifying the investor's identity are provided to us by the Nominated Representative, Praemium will still (as permitted under the AML legislation) be relying on the Nominated Representative to verify the identity of the investor.

Appointed representatives

Praemium is required to verify the identity of legal representatives and agents appointed to act on behalf of an investor. We cannot proceed to act on the instructions of a nominated legal representative until such time as we verify the identity of that representative. Appointed legal representatives include, but are not limited to, an attorney (appointed under power of attorney) and executors of estates.

Consents

The Model Portfolio Managers listed in the Investment Menu have given and not withdrawn their written consent to being named in the Investment Menu as the Model Portfolio Manager in respect of their Models in the form and context in which they are included. They do not make any other statement in the Investment Menu.

FACTA and Common Reporting Standards

FATCA was enacted in 2010 by the United States Congress to target non-compliance by US taxpayers using foreign accounts. CRS is a broader OECD led framework for the collection, reporting and exchange of financial account information between revenue authorities across jurisdictions. FATCA and CRS have important implications for financial institutions globally, including an obligation to identify foreign accounts and report information relating to foreign accounts to the foreign tax authorities or, under FATCA, to withhold 30% tax on US connected payments to non-participating foreign financial institutions. To comply with the FATCA and CRS requirements, Praemium will collect additional information from you and will disclose such information to the ATO. This information may ultimately be shared with revenue authorities in other jurisdictions under the various exchange of information agreements that Australia has entered into with other jurisdictions.

Investor authorisations, acknowledgments & agreements

Authorisations

Authorisations to your Nominated Representative

To invest in the SMA, you are required to appoint a Nominated Representative to provide instructions on your behalf to us.

By appointing your Nominated Representative, you are also giving us the authority to provide your Nominated Representative with information about your Account on your behalf. You acknowledge that your Nominated Representative will be responsible for providing this information to you.

Appointment of a Nominated Representative

This appointment is subject to the following terms and conditions. Please read them carefully.

Your Nominated Representative will be permitted to:

- make applications on your behalf;
- provide all instructions relating to your Account and all investments of your Account including (without limitation) selecting and switching Model Portfolios, making additional applications, making withdrawals from your Account, and changing your Account details;
- make enquiries regarding your investments and obtaining information about your Account and all assets held;
- provide instructions to the Responsible Entity of the SMA on your behalf including the above and any transactions incidental to any of the above; and
- receive any communication regarding your Account on your behalf.

Directions or an enquiry from a person who we have no reason to believe is not your Nominated Representative shall be deemed to be your personal acts.

We will continue to act upon any instructions from your Nominated Representative until we receive a written cancellation of the appointment.

We may cancel or vary the terms of this appointment by giving you 14 days notice.

You release, discharge, and indemnify us and all of our successors and assigns from and against all losses, actions, liabilities, claims, demands, and proceedings arising from your appointment of a Nominated Representative and all acts, omissions, matters and things done, not done or purported to be done by a Nominated Representative even if not authorised by you and neither you nor any person claiming through you will have any claim or right against us or any of our successors

and assigns in relation to any act, omission, matter, and thing done, not done or purported to be done by your Nominated Representative or any person purporting to be your Nominated Representative provided that we do not have reasonable grounds to believe that they are not your Nominated Representative.

Online instructions by your Nominated Representative

Instructions may be given to us by your Nominated Representative online. Please be aware that fraudulent or other unauthorised instructions can be made by persons with access to your Account details. Accordingly, you agree to release and indemnify the Responsible Entity against all claims and demands arising as a result of our acting on what appeared to us to be instructions given by your Nominated Representative on your behalf.

If Praemium receives instructions online and also in writing from your Nominated Representative, Praemium will act in accordance with the written instructions to the extent of any inconsistency.

Investment authority to the Responsible Entity

- by investing in the SMA you are providing us with a standing instruction to make investments on your behalf in accordance with the Model Portfolio/s that you/your Nominated Representative have nominated as part of the Online Sign Up Process.
- under this authority, we will rebalance your Account by buying or selling investments in accordance with changes made to your selected Model Portfolio/s as advised by Model Portfolio Manager/s.
- instructions to change Model Portfolio/s will be accepted from your Nominated Representative on your behalf.
- additionally, you authorise us to move funds within your Account as instructed by your Nominated Representative and as described in the PDS to facilitate the payment of fees and settlement of trades.
- this authority will continue until your Account is closed.

Investor authorisations, acknowledgments & agreements

continued

General declarations

I/We:

- agree to be bound by the provisions of the Constitution (as may be amended from time to time) which governs the operation of the SMA.
- acknowledge and agree that the fees set out under “Fees and other costs” will be deducted directly from my/our Account.
- acknowledge and agree that neither the performance of any specific Model Portfolio offered through the Investment Menu (“Investment”) nor any particular rate of return from, nor any repayment of capital invested in any Investment is guaranteed by Praemium, Praemium Limited or any of its associates or subsidiaries, nor the Model Portfolio Manager.
- acknowledge that my/our Account will be managed in accordance with the relevant Model Portfolio(s) I/we have selected and notified to the Responsible Entity. Therefore investments will be purchased and sold from my/our Account to reflect any changes made to the Model Portfolio(s) from time to time in accordance with the process outlined in the PDS.
- acknowledge that a Model Portfolio may cease to be offered at any time at the Responsible Entity’s discretion and further contributions discontinued or the Model Portfolio terminated and all assets held as part of the Model Portfolio realised.
- represent that I/we have access to the internet on a substantial and continuous basis.
- agree to receive any PDS and other information by email or by a hypertext link sent by email, via my/our Nominated Representative and to access and read this information/ PDS, except that all confirmations of any transactions in connection with my/our Account, including the establishment of my/our Account in the SMA, will be provided to me/us by my/our logging onto my/our Account.
- agree that Praemium will not be responsible for any failure of a Nominated Representative to provide any such e-mail or other communications to me/us.
- agree to notify the Responsible Entity in writing of any change in my/our email address before or as soon as possible after the change.
- agree to the disclosure and use of information as contemplated in the section titled ‘Privacy’.
- authorise the Responsible Entity to provide my/our Nominated Representative with information regarding my/our investments.

Direct debit request service agreement

This section outlines the terms and conditions of the direct debit request arrangement between yourself and Praemium Australia Limited (“Praemium” or “us”).

Praemium’s responsibilities

Praemium will only make direct debits from your nominated bank account. If you elect to use the direct debit facility, your initial contribution amount will be processed on the day Praemium accepts your complete Online Sign Up Process.

Praemium will not disclose your bank account details to any other party, unless:

- such disclosure is for the purpose of this agreement (including disclosing information in connection with any query or claim);
- you have agreed in writing that it can; or
- the law requires Praemium to do this.

If a payment date is a weekend or public holiday, your Account will be debited on either the Business Day preceding or the Business Day following the weekend or public holiday. If you are unsure about which day your Account has been debited, you should ask your financial institution.

Praemium reserves the right to cancel the direct debit arrangement without notice if any debits are returned unpaid by your nominated financial institution.

Praemium will give at least 14 days notice to your Nominated Representative if it proposes to change these terms and conditions.

Your responsibilities

Before making a direct debit request you should:

- check with your financial institution that the account you want to nominate can support direct debits. Additional charges may also be applied by your financial institution for this service. We recommend that you contact them for further details.
- confirm that the account details that you have provided are correct.
- ensure that you have sufficient cleared funds in your account to cover payment when due. Your financial institution may charge a fee if payment cannot be met.
- ensure that the direct debit request is signed in the same way as the account signing instruction held by the financial institution for the nominated accounts.

Investor authorisations, acknowledgments & agreements continued

You must tell us in writing if you close or change the account that you have previously nominated.

You may cancel your direct debit request, stop or defer an individual debit or request a change to the debit amount online through your Nominated Representative, in writing.

It is your responsibility to arrange with Praemium a suitable alternative payment method if the direct debit arrangements are cancelled, either by you or the nominated financial institution. You should check your account statement from your financial institution to verify that the amounts debited from your account are correct. If you believe that a debit has not been correctly processed you should immediately contact our Client Services Team at support@praemium.com.au or on (03) 8622 1222.

Any disputes will be dealt with in accordance with Praemium's complaints process, which is outlined under "General information".

You agree to indemnify us against all losses, costs, damages and liability that we incur arising from you breaching these terms and conditions or providing us an invalid or non-binding direct debit request. This indemnity is a continuing obligation, separate and independent from your other obligations and survives termination of this agreement. This indemnity does not apply as a result of our fraud, negligence or breach of trust.

Online Sign Up Process

Important Information

Our communications to you, including the provision of this PDS, will be in digital form. You can access a copy of the PDS at any time from next.morningstar.com.au

If you are printing an electronic copy of this PDS you must print all pages.

If you make this PDS available to another person you must give them the entire electronic file or printout.

You cannot invest in the SMA unless you use the Online Sign Up Process at next.morningstar.com.au/invest/.

How to apply to the SMA

1. The Online Sign Up Process is to be completed by the Applicant.
2. The completed Online Sign Up Process is sent to Praemium
3. Payment to be completed.

An application will generally only be processed once the completed documentation is received at Praemium together with payment of the application amount.

We consider that it is important for you to obtain personal advice about your financial circumstances and needs and the suitability of an SMA Account.

Glossary

Account means your interest in the SMA that is issued under this PDS.

Business Day means an ASX trading day.

Eligible Investments means any ASX listed CHESS sponsored security and any unlisted investment as listed in the Investment Guide, or other investment given prior approval by Praemium.

ETF means Exchange Traded Fund.

Investment Menu means the list of Model Portfolios that are available for investment.

Minimum Cash Holding means the cash held in your Account in addition to any cash held in the Model Portfolio(s) which may be used to maintain your Account.

Model Portfolio(s) or Model(s) means the investment model(s) offered under the SMA that are applied to your Account.

Model Portfolio Manager(s) means the person(s) responsible for providing and administering the relevant Model Portfolio(s) for your Account as disclosed in the Investment Menu.

Nominated Representative is Morningstar Investment Management Australia Limited (ABN: 54 071 808 501| AFSL: 228986) and is authorised by you to provide instructions to us and receive certain information and communications from us on your behalf.

Online Sign Up Process means the application process which is available at next.morningstar.com.au

PDS means this Product Disclosure Statement.

Praemium, us, we or our means Praemium Australia Limited ABN 92 117 611 784, AFSL No 297956, the Responsible Entity of the SMA.

Rebalancing Date is generally each Business Day.

Regular Contribution Plan is the arrangement where we direct debit regular monthly contributions from a linked bank account to your Account.

Responsible Entity is Praemium Australia Limited.

SMA or Separately Managed Accounts means the registered managed investment scheme which is known as the Separately Managed Accounts ARSN 114 818 530.



Product Disclosure Statement

Separately Managed Accounts
ARSN 114 818 530
Dated 6 April 2018

Responsible Entity & Issuer

Praemium Australia Limited
ABN 92 117 611 784 | AFSL 297956

Marketing & Distribution

Morningstar Investment Management Australia Limited
ABN: 54 071 808 501 | AFSL: 228986



Investment Menu Dated 6 April 2018

This Investment Menu is issued by Praemium Australia Limited
(ABN 92 117 611 784, AFSL 297956).

The information in this document forms part of the following
Product Disclosure Statement:

Morningstar Next Product Disclosure Statement (PDS)
dated 6 April 2018

Contents

3	Model Portfolio Manager Profile
	Morningstar Models
4	Morningstar Cautious Model
5	Morningstar Balanced Model
6	Morningstar Growth Model

Model Portfolio Manager Profile



Morningstar Investment Management Australia Limited (ABN 54 071 808 501; AFSL 228986) ('Morningstar') is a leading provider of asset allocation, portfolio construction and investment research services with over 35 years' experience in the United States, Australia and other international markets.

Morningstar advises and manages funds for superannuation funds, institutions, platform distributors, financial advisers and individuals. Morningstar's disciplined investment approach delivers objective, cost effective and holistic solutions for clients – helping them reach their financial goals.

Morningstar's goal is to preserve capital and undertakes comprehensive fundamental analysis of global asset classes and securities.

Model Portfolio Profile: MN0001

Morningstar Cautious

Investment objective

To achieve a consistent income return and a modest amount of capital growth, by investing in a diversified portfolio of income and growth asset classes, with an emphasis on defensive asset classes.

Model Portfolio Manager

Morningstar Investment Management Australia Limited

Designed for investors who...

The Cautious Model Portfolio is designed for investors whose main objective is stability of income. A lower risk of capital loss can be expected, but overall returns are also likely to be lower.

Investment Strategy and approach

This is an actively managed diversified portfolio of securities across: income oriented asset classes, such as cash and fixed interest securities; and growth asset classes such as Australian equities, property and global securities. In general, the portfolio's long term average exposure will be around 70% income assets and around 30% growth assets, however the allocations will be actively managed within the allowable asset allocation ranges depending on market conditions.

Benchmark Index

Inflation, as measured by CPI, plus 1.0% per year

Indicative number of stocks

25 - 80

Minimum Model Investment

\$10,000

Investment Fee*

Investment Fee 0.47% per year
Performance Fee Nil

Indirect Cost Ratio*

Approximate ICR 0.16% per year

Asset allocation ranges (%)		
	Minimum	Maximum
Australian Shares	0	30
Global Shares	0	30
Australian Property Shares	0	15
Global Property Shares	0	15
Global Infrastructure	0	10
Alternatives	0	25
Australian Bonds	0	30
Global Bonds (hedged)	0	30
Global Inflation Linked (hedged)	0	20
Cash	10	70

1. *Further information on fees and costs can be found in the Product Disclosure Statement.

Model Portfolio Profile: MN0002

Morningstar Balanced

Investment objective

To achieve a moderate amount of capital growth along with a consistent income return, by investing in a diversified portfolio of growth and income assets.

Model Portfolio Manager

Morningstar Investment Management Australia Limited

Designed for investors who...

The Balanced Model Portfolio is designed for investors whose main objective is to maintain stable returns. They are prepared to accept a low to medium risk of capital loss to achieve this objective.

Investment Strategy and approach

This is an actively managed diversified portfolio of securities across: growth asset classes such as Australian equities, property and global securities; and income-oriented asset classes, such as cash and fixed interest securities. In general, the portfolio's long term average exposure will be around 50% growth assets and around 50% income assets, however the allocations will be actively managed within the allowable asset allocation ranges depending on market conditions.

Benchmark Index

Inflation, as measured by CPI, plus 2.5% per year

Indicative number of stocks

25 - 80

Minimum Model Investment

\$10,000

Investment Fee*

Investment Fee	0.47% per year
Performance Fee	Nil

Indirect Cost Ratio*

Approximate ICR	0.21% per year
-----------------	----------------

Asset allocation ranges (%)		
	Minimum	Maximum
Australian Shares	0	45
Global Shares	0	45
Australian Property Shares	0	20
Global Property Shares	0	20
Global Infrastructure	0	15
Alternatives	0	25
Australian Bonds	0	30
Global Bonds (hedged)	0	30
Global Inflation Linked (hedged)	0	20
Cash	0	55

1. *Further information on fees and costs can be found in the Product Disclosure Statement.

Model Portfolio Profile: MN0003

Morningstar Growth

Investment objective

To achieve capital growth through investing in a diversified portfolio of growth and income asset classes, with an emphasis on growth asset classes.

Model Portfolio Manager

Morningstar Investment Management Australia Limited

Designed for investors who...

The Growth Model Portfolio is designed for investors whose main objective is to achieve balanced returns to meet their medium to long term financial goals. They are prepared to accept a medium risk of capital loss to achieve this objective.

Investment Strategy and approach

This is an actively managed diversified portfolio of securities across: growth asset classes such as Australian equities, property and global securities; and income-oriented asset classes, such as cash and fixed interest securities. In general, the portfolio's long-term average exposure will be around 70% growth assets and around 30% income assets, however the allocations will be actively managed within the allowable asset allocation ranges depending on market conditions.

Benchmark Index

Inflation, as measured by CPI, plus 3.5% per year

Indicative number of stocks

25 - 80

Minimum Model Investment

\$10,000

Investment Fee*

Investment Fee	0.47% per year
Performance Fee	Nil

Indirect Cost Ratio*

Approximate ICR	0.23% per year
-----------------	----------------

Asset Allocation Ranges (%)		
	Minimum	Maximum
Australian Shares	0	60
Global Shares	0	60
Australian Property Shares	0	25
Global Property Shares	0	25
Global Infrastructure	0	20
Alternatives	0	25
Australian Bonds	0	20
Global Bonds (hedged)	0	20
Global Inflation Linked (hedged)	0	15
Cash	0	45

1. *Further information on fees and costs can be found in the Product Disclosure Statement.



Morningstar Investment Management Australia Limited
Level 3, International Tower 1
100 Barangaroo Avenue
Barangaroo
NSW 2000
Tel: 1800 316 544