

Appendix A

Managed Discretionary Accounts

This Appendix forms part of this Financial Services Guide including Part 1 – Company information and Part 2 – Advisor information. The three parts together comply with the Managed Discretionary Account Services Instrument 2016/968.

WDS offer a managed discretionary account (MDA) service via Watershed Funds Management Pty Ltd. If you choose to use this service, we will manage your investment portfolio on a discretionary basis in accordance with an Investment Program recommended by your Financial Adviser. This means that we do not need to contact you for before making a change to your investments that is within the scope of the agreed Investment Program.

Your Financial Adviser will recommend this service in a Statement of Advice if they consider it is suitable for you.

You will need to enter into an MDA Contract with us before we can provide the MDA Service.

The MDA Contract will include the following important information:

- The Investment Program will explain:
 - The investment strategy that we will implement on your behalf;
 - The nature and scope of the discretions you will authorise and require us to exercise when managing your investments;
- Any significant risks associated with the MDA Contract;
- The basis on which your Financial Adviser believes the MDA Contract is suitable for you; and
- That the MDA Contract may not be suitable for you if you have provided your Financial Adviser with limited or inaccurate information about your relevant personal circumstances or if those circumstances change.

You will receive annual portfolio reporting which includes detailed performance analysis and full transaction reporting. Specifically, we must provide to you:

- An Annual Transaction Summary
- Report(s) from our Registered Company Auditor(s) containing opinion(s) regarding:
 - Our internal controls and procedures;
 - Whether the aggregate of assets, liabilities, revenue and expenses have been properly reconciled during the year.

Your Financial Adviser is obligated to review the suitability of the Investment Program and the MDA Contract for you at least every 13 months. You can request changes to your Investment Program at any time through your Financial Adviser, whose contact details can be found in their Statement of Advice.

Significant Risks of our MDA Service

The main risks of our MDA Service include:

- Loss of Investment Control.

Investing through an MDA Service means that we have discretion to make decisions about your portfolio in accordance with your Investment Program without obtaining your instructions before each transaction we undertake. We will exercise any rights (such as voting rights) relating to the investments in your Investment Program on your behalf.

Although you will not know about the changes we make to your investments before they are made, we will only make adjustments which are consistent with our understanding of your relevant personal circumstances and the agreed Investment Program.

It is important you understand what you are authorising us to do on your behalf. Full details are in the MDA Contract. Talk to your Financial Adviser if you are not clear.

- Investment Risks

All investments carry risk. Different strategies may carry different levels of risk, depending on the investments that make up the strategy. Investments with the highest long-term returns may also carry the highest level of short-term risk. The level of risk for each person will vary depending on a range of factors, including age, investment time frames, where other parts of their wealth are invested; and their risk tolerance.

The value of investments and the level of returns will vary. Future returns may differ from past returns. Returns are not guaranteed, and investors may lose some of their money.

An MDA Service is not suitable for all clients. If you want to retain control of all investment decisions, we do not recommend this service for you. However, if you understand the risks associated with having someone else make all of the investment decisions on your behalf then it may be suitable for you.

Administration of your Investments

Our MDA Service is provided through technology platforms operated by licensed external platform providers who undertake the following activities:

- Facilitating investments, share trades and other transactions on our behalf;
- Facilitating currency conversion to transact in and hold financial products listed overseas;
- Providing a contact centre that you can call or email administration queries in relation to your MDA Account;
- Acting as the mail house for the financial products held in your MDA Account;

- Reporting on the transactions in and value of your MDA Account, generally via an online portal; and
- Providing tax reporting and software data feeds to your accountant and/or Financial Adviser.

Your financial adviser will recommend a suitable platform for your MDA account in their Statement of Advice. They will provide you with Product Disclosure Statement or IDPS Guide which contains more information about the platform. We only invest in financial products that are available through the platform.

Custody of your Investments

Your investments are held on trust for you by a licensed custodian appointed by the platform. The custodian holds the legal title to the investments, and you are the beneficial owner. This allows us to trade more cost effectively across multiple MDA accounts, while protecting your investments.

Your Financial Adviser can provide details of the custodian of the technology platform they have recommended. More information about the custodian can be found in the Product Disclosure Statement (or IDPS Guide) for the platform.

Fees and Costs

Consumer Advisory Warning

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 account 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 the features of an MDA service justify the fees and costs.

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 investment fee calculator to help you check out different fee options.

The following table shows fees and other costs you will be charged for using our MDA Service. These will be deducted from your MDA Account so it is important to understand their impact on your investments.

Our investment decisions may also have capital gains and income tax consequences for you, depending on your personal circumstances. Your tax adviser will be able to advise you about this.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of Fee or Cost	Amount	How and When Paid
Fees when your money moves in and out of your MDA Account		
Establishment Fee The fee to open your account	Nil	Not applicable
Contribution Fee The fee on each amount contributed by you	Nil	Not applicable
Withdrawal Fee The fee on each amount you take out of your MDA Service account	Nil	Not applicable
Exit Fee The fee to close your account	Nil	Not applicable
Management Costs¹ The fees and costs for managing your MDA account		
MDA Service Fee The fee for managing your investments	Up to 0.66% pa of the value of the funds in your MDA account	Deducted from your Cash Account within the platform at the end of each month (based on the average balance for the month) and paid to Watershed Funds Management.
Indirect Costs – Balanced Portfolio The fees charged by fund managers and exchange traded funds in which your MDA account is invested	Estimated at 0.22% pa of the value of your MDA account	Deducted by the fund manager and reflected in the value of your investment in the fund. You do not pay this fee. See below for more information about indirect costs.
Service fees		
Switching fee The fee for changing your investment options	Nil	Not applicable

¹

Other fees apply. See “Additional Explanation of Fees and Costs” below

Additional Explanation of Fees and Costs

Management Costs

Indirect Costs - If the MDA portfolio invests in exchange traded funds, listed investment companies or managed investment schemes (managed funds), the investment managers of these products will charge a fee for their services based on the value of your investment (as will the managers of any exchange traded funds, listed investment companies or managed investment schemes in which they invest, and so on.) These are called indirect costs.

The indirect costs estimate in the above table is based on the costs (including any performance fees) incurred in the last financial year by the managed funds in which your account was invested (and any managed fund in which they invested and so on). These costs may change in the future.

Adviser Remuneration - The MDA Service Fee does not include the fees charged by your Financial Adviser for their services. Your Financial Adviser will tell you about their fees in their Financial Services Guide and Statement of Advice.

Transactional and Operational Costs

The following transactional and operational costs will be incurred in addition to the costs shown in the above table

Brokerage – When we buy or sell shares or other investments that are listed on a stock exchange on your behalf, the platform that arranges the transaction will charge brokerage of between 0.22% and 0.33% of the value of the trade. Generally, the rate of 0.22% applies when the platform can contra a trade against an opposing trade from another platform investor. The brokerage rate of 0.33% applies if a trade is made on a stock exchange.

For example, if we purchase \$10,000 of listed shares for your MDA portfolio, and the platform can contra this trade with another investor wishing to sell these same shares, the platform will charge \$22 of brokerage.

Buy-Sell Spread - When we invest in managed investment schemes on your behalf, there will be a difference between the price paid to acquire the investment and the price for which it could be sold at that time. This is called the buy-sell spread. The estimated buy sell spread is 0.02% on the MDA portfolio. This means that if \$100,000 is invested in the MDA portfolio, the price paid will be \$20 more than the investment could be sold for at that time. The buy sell spread is retained by the investment manager, we do not receive any part of it.

Other Costs

Advice Fees

Our fees do not include the fees that will be charged by your Financial Adviser for recommending our service and reviewing its suitability for you. Your Financial Adviser will tell you about their fees in their Financial Services Guide and Statement of Advice.

Platform Costs – Our fees also do not include the costs of the platform that your Financial Adviser recommends. Your Financial Adviser will advise the exact amount of this cost when recommending the platform, and you will be able to find more information in the Product Disclosure Statement or IDPS Guide for the platform. Platform fees will be deducted from your platform account at the end of each month, based on the average value of your investments.

Example of Annual Fees and Costs

The table on the following page gives an example of how the fees and costs of the MDA Service would apply on an initial \$50,000 investment, and a further \$5,000 deposited during year 1.

Your Financial Adviser can provide details of the custodian of the technology platform they have recommended. More information about the custodian can be found in the Product Disclosure Statement (or IDPS Guide) for the platform.

Example – Balanced Investment program		Balance of \$50,000 with a contribution of \$5,000 during the year
Contribution Fee	Nil	For every additional \$5,000 you put in, you will be charged \$0
Plus management costs of up to 0.66% deducted directly and 0.22% deducted indirectly	0.88%	And, for every \$50,000 you have in the Balanced Investment Program, you will be charged up to \$440 each year
Equals cost of Balanced Investment Program		If you invested \$50,000 at the beginning of the year and put in an additional \$5,000 during that year, you would be charged fees of between \$440 and \$570 ¹ during the year depending on the timing of the \$5,000 deposit

¹In addition, brokerage fees and buy sell costs will be incurred for securities including listed shares and managed investment schemes purchased in your MDA account. For every \$50,000 invested in the Balanced Investment Program, we estimate brokerage costs of \$120 and buy sell costs of \$10.

Professional Indemnity Insurance

Professional indemnity insurance is maintained by Watershed Dealers Services Pty Ltd which covers us for any errors or mistakes relating to our MDA Services. This insurance meets the requirements of the Corporations Act and covers the services provided by us and our employees after they cease working with us provided, we notify the insurer of the claim when it arises, and this is done within the relevant policy period.