Prescott Securities

STOCKBROKERS & FINANCIAL ADVISERS

# Financial Services Guide

# This Financial Services Guide is designed to help you decide on which services are appropriate for your situation. It contains important information on who we are and how to contact us along with information about the financial services, investments and products we are authorised to provide.

**Ownership of Prescott Securities Limited**
Prescott Securities is a wholly owned subsidiary of WHK Group Limited. WHK Group is a listed Australian company, (ASX code WHG) and a major integrated financial services group.

**Responsibility for Services Provided**
Your adviser is a representative of Prescott Securities. Specific information about individual advisers is contained in their Adviser Profile.

Every attempt will be made to ensure you have access to the adviser best able to satisfy your needs and on occasions, this may mean dealing with more than one adviser.

Prescott Securities is responsible for the services provided to you by our advisers.

**What We Do**
The core business of Prescott Securities is combining excellence in investment portfolio construction and maintenance, financial planning, lending and personal insurance advice.

Prescott Securities is authorised to provide advice on, or transact (ie deal) in, any of the following:

- Interest paying deposits;
- Debentures, stocks or bonds issued or proposed by a government;
- Life insurance products;
- Managed Investments and investment schemes (both listed and unlisted);
- Retirement savings accounts (as per the Retirement Savings Account Act 1997);
- Securities, including those quoted on the Australian Securities Exchange (ASX);
- Superannuation;
- Standard Margin Lending facility;
- Mortgage and lending products and services.

## Documents you may receive from us

In addition to this Guide, you may receive a Statement of Advice and a Product Disclosure Statement from us.

A Statement of Advice (SoA) is a written record of the personal advice we give to you. The SoA will set out:

- Our understanding of your relevant personal circumstances and your investment objectives;
- Our recommendations about strategies, specific investments and financial products;
- The basis of those recommendations (for example, why we think the investments and products are appropriate for you);
- Relevant disclosure about any fees, commission and associations.

In general, we must provide you with the SoA the first time we provide you with personal advice about each type of investment or financial product or when there has been a significant change in your circumstances.

If we provide personal advice in circumstances where we are not required to give you the SoA you may request a record of this advice at any time for a period of seven years after the date the advice was given.

A Product Disclosure Statement (PDS) is a type of offer document prepared for financial investments and products. A PDS provides information about a product - for example, its features, benefits, fees and associated risks - to enable you to make an informed investment decision.

A PDS must be given to you in connection with any offer or recommendation to invest in:

- Managed funds;
- Superannuation products;
- Insurance based products.

A prospectus may be issued instead of a PDS for some financial products - for example, shares and debentures.

## How to instruct or contact us

You decide how you would like to give us instructions. Our contact details are on the last page of this Guide. You can use a combination of verbal (including the telephone), normal post, email or fax.

## Knowing you is important

When providing specific personal advice, we are required by law to have a reasonable basis for making recommendations. This means we require information about your situation, your objectives and individual needs.

You must ensure your adviser fully understands your situation and requirements when asking us to prepare advice. You should also make us aware of any changes that will impact future advice.

Where accurate information is not available, or our understanding of the information is incorrect, the advice provided may be compromised.

## How we are paid

For investment portfolio advice Prescott Securities offer a fee only service for most new clients. Any change to this approach will be agreed with you and disclosed in the SoA.

Existing service clients may have engaged us on different terms and these are confirmed every year in the Annual Review. They are welcome to transfer to the current fees and charges. Below is a description of our current fees and charges. We reserve the right to vary our fees by prior arrangement with you.

## How our advisers are paid

Up to 40% of Prescott Securities' revenue can be applied to an Adviser's package to cover salary, superannuation, long service leave, insurance and other benefits.

Bonuses, a share of revenue and other benefits may also apply. The benefits may be influenced by meeting certain revenue, compliance and other targets.

Some of our advisers are paid a salary, with remuneration not based on revenue generated.

## Free initial consultation

The purpose of the initial consultation is to seek specific information regarding your relevant personal circumstances so that personal advice can be provided and tailored for you.

You should not act on any representations made during the initial consultation.

The personal advice relevant to you will be set out in a Statement of Advice.

There is no charge for an initial discussion, which allows you and your adviser to assess the merits of working together and to consider the services that best meet your needs.

Following the initial consultation and prior to commencing any work, we will discuss with you the fee structure applicable.

## Fees

Please note that GST is payable and included in the fees quoted in this document. While some fees we charge may be tax deductible, we recommend that you confirm this with a professional tax adviser who can give consideration to your particular circumstances.

## Plan preparation fee

A fee will be charged for the preparation of a Financial Plan an (SoA). This cost will be a minimum of $1,650 with the fee depending upon the complexity of your situation. We will give you a fixed price quote before work commences.

## Ongoing service fees

Clients retain us to provide ongoing advice. We will provide a Service Agreement clearly defining the services provided and the fees involved at time of engagement.

There is a minimum annual charge of $3,300 for our ongoing service. An estimate of any trail commissions paid to Prescott may be offset against the following year's annual charge.

The ongoing service fee is calculated on the funds under advice at the time of appointment and updated at each Annual Review. This fee is scaled as follows:

| Funds Under Advice | Rate |
|---|---|
| Up to $1 million | 1.1% |
| >$1m <$2m | 0.55% |
| >$2 million | 0.44% |

## Other fees

The fees set out below are not included in our Ongoing Service Fees.

We may also charge incidental fees for other administrative services - but only after having disclosed and agreed them with you beforehand.

## First year service fee

There is a first year service fee payable at the time of engagement. This fee will vary depending on the level of complexity of your financial plan. This fee will be negotiated with your adviser, with a minimum of $2,200.

## Buying or selling investments listed on the ASX

For our service clients the cost is a flat $55 brokerage per trade.

If investments are held within a Wrap platform a transaction fee charged by the platform provider may also apply. This will be detailed in the relevant Product Disclosure Statement.

For transactions on investments not included in the funds under advice, the cost will be discussed and agreed with you prior to execution.

## Initial public offering and capital raising

Brokerage, handling and placement fees may also be earned on Initial Public Offerings or other off-market activities. These will be disclosed to you at the time of advice, if known.

## Additional investments

After your initial portfolio has been established, should new funds be added to your funds under advice (e.g. regular contributions, lump sum contributions or savings plans), an additional fee may apply.

## Our fees - a comparative example (see table below)

A new Service client with an initial $500,000 to invest; may end up with $200,000 in investments listed on ASX, $100,000 in interest bearing investments and with the remainder in managed investments.

We have outlined the fees for this example (below) and also if another $100,000 is added in the second year by the Service Client, the fees would be as shown.

| **Example of fees (incl. GST)** | | | **Ongoing service** |
|---|---|---|---|
| | | **Year 1** | **Year 2** |
| Portfolio value | | $500,000 | $630,000 [3] |
| Annual ongoing service fee 1.1% | | $5,500 | $6,930 |
| Plan preparation fee | | $1,650 | - |
| Year 1 service fee | | $4,950 | - |
| **Other Fees** | **No. of Trans** | **Year 1** | **Year 2** |
| Interest Bearing Investment $100,000 | 3 | - | - |
| Managed Funds $200,000 [1] | 3 | Rebated [2] | - |
| Share purchases $200,000 | 10 | $550 | - |
| Share transactions for Year 2 | 4 | - | $220 |
| Offset of Trail Commission on Managed Funds - estimated | | - | ($880) |
| **Total Costs** | | **$12,650** | **$6,270** |

[1] Managed Funds assumed 4.4% initial commission and 0.44%trail commissions

[2] Rebated in the form of additional units.

[3] Assumed 6%pa return on initial investment, ($500,000 + $30,000 +$100,000) = $630,000.

## Personal risk insurance

When we arrange life insurance policies on your behalf we will receive commission on the establishment of these products. The commission will vary between different insurance companies. Commissions paid in the first year will vary between 0% and 124% of the first year's premium depending on the type of product recommended. Upon renewal of your insurance in subsequent years we receive commission between 0% and 35% of the yearly premium.

Your adviser can provide you with full details of the calculation of a particular commission, fee or other benefit for providing specific advice.

## Finance broking

We aim to meet the borrowing needs of our clients in a way which is complementary to their long term wealth creation goals.

We have access to dedicated financial broking services.

## Margin lending

A credit facility from an external margin lending provider allows investors to borrow against the security of a wide range of listed companies and managed funds. A margin lending facility allows you to negatively gear your investments, similar to gearing your property, or to borrow up to a maximum of 75%, dependent on the product.

When we provide advice on a margin lending facility we may receive commission. The commission will vary between providers. Your adviser can provide you with full details of the fee or other benefit for providing specific advice.

## Other services and fees

While we encourage clients to engage us for ongoing service, we understand that some clients may not require or wish to receive ongoing service. Therefore, we offer general advice, execution only and/or placement facilities.

### How the fee is calculated and charged for these services may be:

- A fixed dollar amount;
- A percentage of the amount invested;
- Based on an hourly rate; or
- A combination of some or all of the above.

These fees will be discussed and agreed with you prior to the transaction.

### ASX Listed Investments

Brokerage is $33 plus 1.65% of the transaction value, with a minimum of $110.

The brokerage rate applied may be at a lower rate depending on the type and level of service provided and the size and frequency of transactions.

### Commissions and other benefits

A Product Issuer may pay upfront / initial commission. This can range between 0% to 6.6% and ongoing / trail commission which can range between 0% to 1.21%. These are based on the amounts you invest depending on the product issuer. All costs are outlined fully in each investment's PDS should these be relevant to you.

For example: Where you decide to buy a product we recommend to you the product issuer may pay an upfront commission, usually this is 4% of the amount you invest, although the exact amount may vary from 3% to 10% depending on the product. For an investment of $10,000 in a product whose manager pays 4% upfront commission Prescott Securities would receive $400. In addition to the upfront commission, ongoing commission of 1% of the value of your holding in a product may also be paid monthly for as long as you hold the product.

For Administration Platforms (eg Wraps) a transaction fee may apply. This will be detailed in the relevant PDS.

Volume bonuses may also be paid to us by Product Issuers and Administration Platforms. This will vary dependent on the Product Issuer or Administration Platform. For our Service Clients, this may be offset against the following years Ongoing Service Fee.

## Investment risk

Investment values can never be guaranteed and the value of most investments can drop in value as well as appreciate. This can often result from broad market movements but it can also apply to specific investments regardless of the market conditions. Investment markets can suffer as a result of political, economic, taxation, environmental or legislative changes.

Understanding the level and the type of risk involved in different investments is important and the portfolio needs to reflect your objectives and need for income. While your adviser will take care in recommending adequate diversification and quality investments, neither Prescott Securities nor our advisers guarantee the performance or the return of capital from any investments recommended.

## Potential conflicts of interest

Prescott Securities and your adviser are required by law to maintain a register listing all material forms of alternative remuneration (i.e. other than commissions). This register is publicly available and a copy can be obtained by asking your financial adviser or contacting our Compliance Officer.

The manner in which an adviser is paid should not affect the quality of the advice provided. Our advisers may receive salaries, bonuses, a share of revenue and other benefits.

From time to time, Fund Managers and Platform providers may provide training assistance and resources to your adviser.

These Administration Platforms (eg Macquarie Group Limited and BT Financial Group) pay a bonus for funds invested; this figure ranges up to 0.47% per annum.

Please note: any interests of WHK Group, Prescott Securities, your adviser or their associates have in these or other administrative platforms recommended will be disclosed to you.

If Prescott Securities pays any referral fee to a third party this will be disclosed to you including who will receive that fee or commission and the amount.

In order to manage a potential conflict, we do not provide advice on WHK Group Limited (WHG) securities.

The management of Prescott Securities and its advisers may be shareholders in and/or have options to buy shares in, or hold Performance Rights to shares in WHK Group Limited. They may also participate in profit sharing arrangements based on the achievement of business objectives.

## Anti money laundering requirements

As a financial service provider, we have an obligation under the Anti Money Laundering and Counter Terrorism Finance Act to verify your identity as an individual client and also the identity of a company or trust which you may act on behalf of.

This means that we will ask you to present identification documents such as passports, driver's licence, trust deeds and or company certificates. We are required under the Act to retain copies of information gathered and also pass this information to third parties through which you would be investing or through such product providers as fund managers and share brokers. We assure you that this information will be held securely in line with our Privacy Policy.

## Complaints

If you have a complaint please tell us. We are always striving to improve the services we offer and rely on feedback from our clients to help us in this regard. If you have concerns, please contact your adviser to discuss them. If you are not satisfied with the response received you should either write to:

Complaints Officer
Prescott Securities Limited
245 Fullarton Road
Eastwood SA 5063

or Phone 08 8372 1300 and talk with our Complaints Officer.

We will endeavour to resolve your complaint fairly and quickly. All complaints will be dealt with within 45 days.

## Independent complaints service

We are members of the Financial Ombudsman Service (FOS) and if the complaint cannot be resolved to your satisfaction you have the right to complain directly to FOS. FOS can be contacted on 1300 780 808 or at GPO Box 3, Melbourne, Victoria, 3001 or via Website: www.fos.org.au. This service is provided to you free of charge.

The Australian Securities & Investments Commission (ASIC) also operates a free call information line on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

## Professional indemnity insurance (compensation requirement)

We confirm that we have arrangements in place to ensure we continue to maintain Professional Indemnity insurance in accordance with s.912B of the Corporations Act 2001.

In particular, our Professional Indemnity Insurance, subject to its terms and conditions, provides indemnity up to the "Sum Insured" for our authorised representatives/ representatives/advisers in respect of our authorisations and obligations under our Australian Financial Services Licence. This insurance will continue to provide such coverage for any authorised representative/representative/ advisers who have ceased employment for work done whilst engaged with us.

## National Guarantee Fund (NGF) - Protection for Securities

The NGF provides a guarantee that transactions will be completed and settled when you buy or sell through us any securities traded on the Australian Securities Exchange (ASX) Limited. "Securities" includes shares, debt instruments, interests in managed investment schemes and warrants admitted to trading status on the ASX.

The Securities Exchanges Guarantee Corporation Limited (SEGC) as trustee, administers the NGF.

Further information about the types of claim that can be made is detailed in the NGF Information Booklet available from www.segc.com.au or call SEGC on 02 9227 0424.

## Personal information we keep on file

We keep a record of your personal information which may include; details of your investment objectives, financial situation and needs; records of any discussions of significance we may have had with you; and recommendations made. If you wish to look at your file, please ask your adviser.

## Privacy Policy Statement

Prescott Securities is committed to complying with the Privacy Act of December 2001.

We may collect information from you for the following purposes:

- Provision of wealth management, financial planning, stockbroking, personal insurance, and loans/mortgages both initially and on an ongoing basis;
- Completion of associated documentation and application forms: including anti money laundering requirements;
- To provide agreed services to assist in meeting your requirements, goals and objectives;
- To market services that may be supplied by Prescott Securities or by other suppliers, which may be of interest to you, unless informed not to do so.

Prescott Securities is required to collect certain information from you in order to provide the range of services noted above. This requirement is included in but is not limited to, the Corporations Act, Superannuation Guarantee Act, Income Tax Assessment Act, certain regulations issued by the Australian Securities and Investments Commission, as well as, the Rules of Professional Conduct of the Financial Planning Association.

Whilst you are not obliged to provide us with the information requested, if you decline to do so, we may be unable to provide the level of service and advice required and expected of us. In connection with the provision of services, it may be necessary for us to disclose your personal information to other professionals and organisations such as:

- Financial institutions (incl. fund managers, life companies, superannuation trustees and share brokers, etc);
- Government Departments eg Australian Taxation Office and Centrelink;
- Associated companies and internal divisions of the WHK Group, to assist in the provision of client services;
- External service providers and auditors.

We undertake not to use or disclose information collected, for purposes other than those detailed above or related purposes, unless the law requires the disclosure or you have provided us with consent to do so.

Prescott Securities recognises how important the privacy of your personal information is to you. We will therefore, at all times, seek to ensure that the personal information collected and held by us is protected from misuse, loss, unauthorised access, modification or disclosure.

Prescott Securities is committed to ensuring that the personal information we hold about you is accurate, complete and up to date and that it remains confidential. If you believe that the personal information we hold about you is incorrect, we request that you contact us and we will take all reasonable steps to correct the information.

If at any time, you wish to have access to the information we hold, you are welcome to request this by telephoning the Head of Compliance on 08 8372 1300.

Prescott Securities detailed Privacy Policy is available on the Prescott Securities website www.prescottsecurities.com.au or by contacting your adviser or the Head of Compliance.

## Disclaimer

The information contained in this Privacy Policy Statement is a summary only and is based on the requirements of the Privacy Act (Private Sector) 1998 and the National Privacy Principles issued September 2001.