

Advised Portfolio Service (APS) Key Features

This Key Features document should be read in conjunction with the Custody Terms. If you are also applying for an ISA account you must also read the SMARTfund ISA Key Features.

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Introduction to the Advised Portfolio Service (APS)

The APS has been designed to help your adviser serve your investment needs.

With APS, an investment account is created for you that your adviser can use to invest your funds according to your individual needs and investment goals. The investment account aims to provide a flexible means to invest money over the medium to long term.

APS accounts can be created for:

- Individual investors
- Corporate investors
- Trusts

Advice and Custody

Your adviser

When you invest through APS you are required to appoint your financial adviser to provide instructions to us and to receive communications from us on your behalf. This is in addition to their role of giving financial advice to you under your arrangement with them.

The adviser you nominate on your application form will be your authorised representative; Praemium will only take instructions in relation to your account from that adviser. Your adviser is responsible to provide all relevant information to you.

Your custodian

Praemium International Limited (Praemium) acts as the Custodian for all investments held in the APS. Its ultimate holding company is Praemium Limited, one of Australia's leading suppliers of online financial portfolio administration and Separately Managed Account (SMA) technology. Praemium Limited is incorporated in Australia and listed on the Australian Stock Exchange. Praemium International Limited is incorporated in Jersey and is regulated by the Jersey Financial Services Commission under reference IB0271. Praemium International Limited's registered office is at, 3rd Floor East, Salisbury House, 1-9 Union Street, St Helier, Jersey, JE2 3RF.

Please note: All assets held within your account are held on your behalf. Your cash, securities and liabilities are separately recorded in your account.

The investment structure

The model portfolio

Your adviser will work with you to select investments most appropriate to your needs and wishes. These investments may be in a single fund or in a selection of funds (or other asset types) with allocated percentages of each, called a *model portfolio*.

Tax wrappers

Depending on your circumstances it may be appropriate to hold all or part of your

investments in a tax-efficient wrapper. The APS has access to a wide range of providers; your adviser will be able to help you select the one most suited to your needs.

Product types

With the APS you can invest in the following product types:

- **General Investment Account (GIA)**—a taxable investment account. As there are no tax benefits, there are no restrictions on how much you can invest.
- **Individual Savings Account (ISA)**—allowing you to invest up to the HMRC Stocks and Shares ISA subscription limit each year.
- **Third Party Products**—allows you to hold investments which are part of another product 'wrapper' (e.g. an Offshore Bond or QROPS) provided by a third party with whom Praemium International Limited has an agreement.

Available investments and currencies

Your adviser will have an agreed asset list from which they will make recommendations to you. Assets can include ETFs, funds, passive instruments and equities, and there are also multi-currency options available. Investments can be made in GBP, USD and Euro.

How it works

Initial investment

When your application process is complete, your initial investment will be receipted to your account within two days of receiving funds into the account designated on the application form. If your initial investment is paid by cheque, payment must have cleared the bank before cash will be receipted. Assets will be purchased at the next trading point.

Aggregating of trades

The Praemium APS seeks to minimise brokerage costs by eliminating unnecessary trading. We aggregate trades for any given asset, which means we execute a single trade for the asset and then spread the cost of that single trade across all relevant accounts.

Rebalancing

Because market fluctuations will cause the percentages of your model portfolio to change, you and your adviser may wish to have the percentages adjusted, or *rebalanced*, back to the original allocated percentages of the model portfolio (known as "weightings"). With APS your portfolio can be rebalanced either quarterly, semi-annually or annually. If your portfolio has drifted outside an agreed tolerance level, your adviser (with your agreement) may instruct us to rebalance the portfolio outside this timeframe.

You will receive Contract Notes from Praemium once trades have settled on your rebalanced account.

Please note: The regular rebalancing function can be turned on or off, or its frequency changed in the future by your adviser (with your agreement).

Corporate actions

As Custodian, Praemium receives communications from companies who have made changes that affect their securities (i.e. rights issues, tender offers, stock splits, dividends and mergers); these changes are called *corporate actions*.

Our policy regarding corporate actions affecting securities held in the APS is as follows. Unless we have received instructions from your adviser in sufficient time to act on it:

- We will elect to receive dividends and distributions in cash, which will be credited to your cash holdings within your Account.
- We will adopt a neutral position and not vote at meetings of holders of securities, although we may exercise our discretion and vote depending on the particular circumstances.
- We will abstain from making any positive election on other corporate actions.

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 holding being less than an entitlement of an individual investor holding the same number of securities directly.

Cash buffer

In order to ensure there is sufficient cash to pay the fees and charges associated with your account, we will maintain a minimum amount of cash in your account of 2%.

If at any time your cash buffer falls below the required minimum, we will sell some of the securities in your investment account to bring your cash back up to the required minimum level.

Income and dividends

Unless specified otherwise, income or dividends received on your behalf will form part of your cash buffer. If instead you would like your dividends to be paid out to your nominated bank account each month, please specify this on the Application Form or ask your adviser to request a change to the treatment of income for an existing account.

Fees

If you invest using APS you will incur fees and expenses. These will include:

- **Initial Fees** which are deducted by us when you invest and before securities are bought for your account. These may include:
 - An initial Adviser Charge (if any) as agreed with your adviser
 - The Account Set-up Fee (on your first investment only)
 - Any initial fees applied by a product selected by you and your adviser that we have agreed to process.
- **Ongoing Fees** which are deducted by us from your account each month while it remains open. These include:
 - An ongoing Adviser Charge (if any) as agreed with your adviser
 - The ongoing custody & execution fee
 - Any ongoing fees applied by a product selected by you and your adviser that we have agreed to process.
- **Trading & other costs** which are deducted by us from your account when

securities are bought or sold. These may include:

- Your share of any brokerage and other trading costs associated with the actual net trade
- Transfer and other taxes, duties and withholding amounts (if any) applicable to the security bought or sold or income credited to your account
- One-off administrative charges that apply when we agree with you or your adviser to do a one-off administrative task for your account
- **Indirect expenses** which depend on the securities bought for your account. These include any initial or on-going management charges of funds held in your account and typically reflected in their price.

Your Application Form will clearly set out the initial and on-going fees that are payable to your adviser and to us, the Custodian. Any fees relating to a product you and your adviser have selected will be as set out by the provider of that product. Our one-off administrative charges are set out in our schedule of fees and charges as published from time to time or as agreed by us at the time of the request.

On-going fees are calculated at an annual rate, prorated daily and deducted monthly from the cash balance within your account on or around the 15th of each month. Charges based on percentage of funds invested will be calculated based on the average value of your account the previous month.

Below is supplementary information about fees within the APS.

Account Setup Fee

The custodian receives a one-off Account Setup Fee when your account is first set up. This will be deducted from your initial investment before any investment is made. If you have previously paid the Account Setup Fee no deduction will be made.

The Account Setup Fee is paid only once as long as your account remains open. If you no longer hold any investments through APS the Custodian may close your account and a further Account Setup Fee will be payable if you reinvest.

Custody Fee

The annual Custody Fee is calculated for each month (based on the average daily value of your account) and deducted in the following month.

The annual Custody Fee is charged by the Custodian for the global custody and execution services it provides.

Adviser Charge

This is the charge you have agreed to pay your adviser for the services they provide. Your adviser may agree charges with you that are:

- an initial fee which is deducted from your initial investment before any investment is made; or
- an on-going annual fee which is calculated for each month (based on the average daily value of your account) and deducted in the following month; or
- both the above.

Product Provider Charges

These charges are specific to the product selected by you and your Adviser. Praemium

advises you to read the Key Features and Terms and Conditions of each product before you invest.

There is no product charge for a GIA or an ISA.

Trading & other costs

Praemium operates the APS with a view to keeping trading costs borne by investors low (see above section on Aggregating). The costs incurred by us when trading a security are generally fixed in amount and are shared by all those whose accounts trade in that security in proportion to their holdings. Accordingly, trades that are executed as part of the normal APS trading cycle are generally widely shared.

You may be able, in some circumstances, to give specific instructions on buying or selling of assets; however, trades outside the normal APS trading cycle may mean that you pay all or higher associated brokerage charges.

Other costs specific to your account are deducted as and when incurred. These may include any applicable transfer or withholding taxes or duties and charges for one-off administrative actions requested by you or your adviser.

Indirect Fund & Securities Expenses

Where securities acquired for your account have their own management or other charges or expenses (such as funds and other collective investment schemes) these will form part of the total expenses borne by your investment.

Before you apply

Important documents

As with any investment structure it is important that you are fully informed about key potentials and risks. Your adviser will have provided the following three documents which we recommend that you read carefully:

- Key Features Document (this document)
- Illustration—provides projected outcomes of the recommended investments
- Our Custody Terms.

UCITS funds

If your Adviser is recommending a UCITS fund, they should also provide you with a copy of the most up-to-date **Key Investor Information Document** (KIID), whether for new investments or a switch.

Setting up your APS account

After you have read the documents and agreed the structure with your adviser, there are just a few steps to get started investing.

Application form

In addition to your details the Application Form will ask for the following information:

- The initial investment amount
- The model portfolio and assets in it you are purchasing
- The charges to be paid your adviser on your behalf
- Your nominated bank account

Your Adviser may also request copies of documents for identification purposes, to satisfy Anti-Money Laundering requirements, e.g. a certified copy of your passport and a bank statement.

Nominated bank account

Your nominated bank account is where we will pay income, dividends and withdrawals, and from where you are able to arrange for automatic withdrawals or regular contributions to be applied to your account (provided your account has direct debit capability).

Please note: your investment must be in the same currency as your bank account.

Regular Contribution Plan

Under the Regular Contribution Plan we will withdraw a specified amount (£250 minimum) from your nominated bank account by direct debit on or about the 11th of each month and transfer it into your investment account. Once you make the initial designation on the 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 create or modify contributions at any time free of charge; however, notice is required by the 25th of the previous month in order for the change to go into effect for that month.

You can stop contributions at any time free of charge; however, notice is required by the 5th of each month in order for the change to go into effect for that month.

If a direct debit is rejected for a particular month we will not purchase the assets on your behalf for that month. We will also try to contact your adviser 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.

Regular withdrawals

It is also possible to draw an amount from your account at regular intervals (i.e. monthly). Praemium will withdraw the amount specified on your Application Form (£250 minimum) from your cash buffer on or about the 22nd of each month and transfer it into your nominated bank account.

If there is insufficient cash in your account Praemium will sell assets from your investment account to cover the withdrawal before it is paid out. Assets will also be sold from your investment account if the withdrawal takes the cash in your account below the minimum 2% cash buffer (after allowing for other transactions on your account such as income and fees). If your total cash and assets are below the withdrawal amount the payment will not be made into your account. Praemium will then contact your adviser to inform them that the payment has not been made.

Managing your APS account

Viewing your account

Once your account is active your adviser can provide you with secure online access to view your account. Your Adviser will send you an email with your User ID and a separate email with a temporary password. The first time you login, you will need to choose your secure password.

From your secure login you will be able to see your investments, transaction history, fees, dividends, asset allocation and performance. You will also be able to print customisable report packs for your records.

Please note: Your adviser will have access to certain information in your online account and may also grant online access to related third parties (i.e. your tax adviser or accountant).

Making additional investments

To make an additional investment you will need to complete an Additional Investment Form specifying the funds you are adding and the assets you wish to purchase.

Additional investments can be made at any time by cheque or electronic transfer. Once cleared, the additional investments will be invested at the next trading point.

Once trades have been executed for your account Praemium will send you a Contract Note detailing the purchase.

Partial lump sum withdrawal

To withdraw a lump sum that is less than the value of your total portfolio your adviser will complete a Withdrawal Instruction on your behalf. Once we have received the instructions we will place the relevant trades at the next trading point.

The withdrawal amount will accumulate as part of your cash holding until the full amount has been redeemed. Payments will be made into your nominated account via BACS; we will only make payments by cheque in exceptional circumstances and at the discretion of the Custodian. Payments made by cheque will incur an additional administration charge. We are unable to make payments to third parties.

You will receive the value of the securities sold less any fees and charges (including brokerage).

Switching

You can switch between model portfolios at any time. After receiving instructions from your adviser, your APS Account will be adjusted at the next trading point.

Changing personal details

For all changes of personal details, appropriate original documentation (or certified copies thereof) accompanied by appropriate signatures and a letter with full details of the change must be sent to the address shown below. You should also notify your adviser of any change to your personal details.

Closing your account

If you would like to withdraw all the funds in your account your adviser will fill out the Withdrawal Instruction on your behalf indicating a full withdrawal.

We will place trades to sell all of your holdings. After trades have settled your account will remain open until all investment income has been receipted into the account. We will pay the remaining balance into your nominated bank account after all trades have settled and then close your account. If after closing your account we continue to receive amounts of income arising from securities that had been held in your account we will also pay those amounts into your nominated bank account.

Additional information

Asset protection

Your cash and investments are always held separately from the Custodian's own property and from those with whom we place any cash or assets. Should the Custodian cease to operate, your cash and assets will remain yours and any administrator is obliged to return them to you.

Tax certificates

Praemium will send you a tax certificate each year to assist with your tax returns.

Making a complaint

At Praemium we take complaints seriously. If you are unhappy about any aspect of our service please write to us at:

Praemium International Limited
PO Box 655
St Helier
Jersey
JE4 5ZJ

Email: enquiries@praemiuminternational.com

Telephone: 01534 765450

Details of our complaint procedures are available upon request.