



Financial Services Guide

A guide to our relationship with you

15 December 2017



The purpose of this document

The purpose of this Financial Services Guide (FSG) is to help you decide whether to use any of the financial services we offer. The FSG contains the following sections and will provide you with key information including:

1. Who is Prescott Securities
2. The financial services and products we provide
3. Providing instructions to your financial adviser
4. Our process in helping you achieve your goals
5. About our MDA Service
6. Fees/commissions that may apply
7. Relationships or Associations
8. How we look after your privacy
9. If you have a complaint
10. Professional Indemnity Insurance
11. Who I can contact for more information

1. Who is Prescott Securities?

Although you may only see the local face of our business, we are part of the wider Findex Group Limited, one of the leading and largest providers of accounting, financial and related services to individual and small to medium enterprise across Australia and New Zealand.

Prescott Securities is owned by Findex Group Limited (Findex) ABN 40 125 588 714.

Prescott Securities is a trading name of Findex Advice Services Pty Ltd ABN 88 090 684 521 which holds Australian Financial Services Licence number 243253.

Our contact details are as follows:

Prescott Securities
Head office:
Level 17, 181 William Street
Melbourne VIC 3000

Telephone: (03) 9258 6878

Your financial adviser is an employee representative, and as such we are responsible for the financial services provided by your financial adviser. Prescott Securities has authorised your financial adviser to distribute this FSG.



Your financial adviser's details are set out in the 'Adviser Profile' which forms part of this FSG. These documents should be read together.

On the first occasion that we provide you with personal financial advice, you will receive a statement of advice (SoA). If the advice becomes ongoing in nature, we will provide additional advice documentation to you depending on the type of advice.

These documents will:

- explain our advice and how our advice is in your best interest,
- provide information about our remuneration (including commissions and fees), and
- disclose any associations or relationships that could potentially influence us in providing advice to you.

Copies of all advice documents will be retained on your file.

If we make a product recommendation to you, we will also provide you with, or explain how to access, a product disclosure statement (PDS) issued by the product provider. The PDS contains information about the costs, benefits, risks and other features of the financial product. To help you make an informed decision, you should read this information before purchasing any recommended financial products.

2. What financial services and products we provide

We can offer financial services and advice that covers the following areas:

- Wealth creation.
- Retirement planning including superannuation and strategies for transitioning to retirement.
- Risk insurance and asset protection.
- Portfolio management.
- Social security, and aged care.

Our services are designed for people and organisations serious about professionally managing their current resources. Creating and building assets is your first step towards ensuring your financial security.

We owe our success in building clients' assets to the commitment we make to you and to the sound advice we provide, time after time. You benefit from:

- our extensive experience;
- our straightforward professional approach and
- our ability to draw on information and support from other divisions of Findex.



Our advisers will direct you through the wide range of products and strategies with confidence. Unless we tell you otherwise, our advisers are authorised to advise and deal in the following financial products:

- Managed Investments, including Investor Directed Portfolio Services (IDPS) and Managed Discretionary Account (MDA) services;
- Standard Margin Lending facilities;
- Securities;
- Term Deposits and Cash Management Accounts;
- Derivatives (limited to old law securities options contracts and warrants);
- Government Debentures, Stocks or Bonds;
- Superannuation, including Self Managed Super Funds (SMSF), and Retirement Savings Accounts;
- Annuities and Pensions;
- Life products such as:
 - life insurance,
 - income protection,
 - key person insurance,
 - business risk insurance,
 - disability cover, and
 - life investment products.

Prescott Securities **does not** currently provide advice or products with relation to:

- Real estate or direct property advice; or
- Legal services.

Prescott Securities advisers are generally restricted to its Approved Product List (APL), which is compiled through a stringent collaborative process using external consultants and internal expertise. However Prescott Securities advisers will always consider products outside of their APL in any given situation where required to do so by relevant laws or regulatory obligations.

Your financial adviser is authorised as either a registered tax (financial) adviser or a registered tax agent. They are authorised to provide a tax service, where the advice is:

- provided in the context of the personal advice authorised by the licensee, and
- part of the financial advice which interprets and applies the tax laws (including tax, superannuation and SMSF laws) to your personal circumstances.



Registered tax (financial) advisers are not authorised to provide tax agent services (i.e. those services in relation to the preparation and filing of tax returns and liaison with the ATO, etc). Where tax agent services are provided (i.e. those services in relation to the preparation and filing of tax returns, and liaison with the ATO, etc), these services constitute a separate business activity and are not provided under the licensee's AFSL. We are only responsible for advice relating to the financial products and service.

3. Providing instructions to your financial adviser

You may provide specific instructions to your financial adviser by letter, email, telephone, fax or other means as agreed. If you provide your financial adviser with instructions via email or telephone, your financial adviser may request a signed instruction in order to confirm your authority.

4. Our process in helping you achieve your goals

Your needs are as individual as you are. We focus very carefully on understanding your unique issues, so our solutions are specifically developed for you, for your circumstances and to accommodate your attitude to investing.

The success of your financial plan depends critically on obtaining an in-depth understanding of your financial circumstances, income, investments, assets and liabilities - so that we know your current and future requirements.

As such we will request for your personal details, goals and objectives, your current financial situation and any other relevant information we may ask of you so that we can offer you advice most appropriate to your circumstances. If you do not do so, the advice may be inappropriate to your needs. You may, by agreement, instruct your adviser to limit the scope of the advice you are seeking.

We typically analyse your short and long term goals in the context of your lifestyle, family considerations, working life and retirement. Once we understand your position, we develop a strategy to achieve your goals while also factoring in your attitude to risk. In line with the Future of Financial Advice requirements, our advice is always provided with your best interests at the forefront of our process.

We ask that you carefully read the information (and any warnings) contained in the Statement of Advice provided to you before making any decision relating to a financial product.

Because managing risk is a critical element of sound financial planning we will, where possible, explain the risks involved in any financial products and/or strategies we recommend.



Understanding and managing risk centres on a two-part process known as the risk/return trade-off.

1. Do the strategies and investment recommendations have the capacity to meet your financial objectives?
2. Are you prepared for the volatility (up and down swings in the market) or changes to the economic or regulatory environment that can negatively impact on your plans?

The two concepts can be quite different. On the one hand you may have significant financial capacity to take on risk but little emotional tolerance for it. On the other hand you may have significant appetite to take on risk but little financial capacity to absorb adverse market volatility or regulatory change. The risks need to be very carefully considered (and understood) before proceeding.

The Prescott Securities advice process measures your risk profile as a reference point in order to minimise glaringly inappropriate asset allocation or strategies. In portfolio construction, we use sophisticated probability modelling tools to try and predict portfolio outcomes that are likely to meet your performance objectives relative to your risk tolerance. If the two were incompatible, we would need to agree with you to raise your risk tolerance and/or scale back your objectives.

Except under special circumstances permitted by Prescott Securities and agreed with you, Prescott Securities does not allow its Advisers to:

- act as a trustee or operate a trust account on behalf of clients;
- hold a Power of Attorney to hold funds or have access to withdraw client funds;
- act on behalf of another Australian Financial Services Licensee unless dual authority is permitted by both Licensees; or
- ask clients to sign documents, which have not been fully completed with your details, and carrying instructions approved by you.

Prescott Securities ensures its Advisers:

- are only authorised to provide services to you where appropriate qualifications are held;
- remain up to date with relevant industry and legislative changes to maintain advice credentials and capabilities;
- are provided with appropriate support and tools to provide technically compliant financial advice;
- are provided with high quality financial product research; and
- are monitored and supervised to ensure they comply with the requirements of the law and Prescott Securities standards.

5. About our MDA Service

Our MDA service is designed to pro-actively manage your portfolio making mandated adjustments within agreed risk parameters as and when markets and investments change. This service is far more responsive to market demands requiring far less paperwork and possessing a convenient, one-stop reporting function.

With an ideal investment program agreed with your adviser, clients using our MDA service provide us with authority to take care of the day to day investment choices and asset allocation all within an agreed set of risk parameters. The practical result allows you and your adviser more time to concentrate on the more personalised and complex specifics in best navigating your financial journey. Your adviser will discuss with you whether our MDA Services is the best portfolio management option for your circumstances.

Appropriateness

Your adviser will first consider the appropriateness of you using our MDA service and will recommend this service in a Statement of Advice (SoA) if they consider it is suitable for you.

Your adviser will also recommend a suitable Investment Program for you. The investment program will comply with the Corporations Act, in particular Division 3 of Part 7.7. and explain:

- The basis on which your adviser considers our MDA service to be suitable for you;
- Statements about the nature and scope of the discretions we exercise and the investment strategy that is to be applied in exercising those;
- Information about any significant risks associated by using our MDA service; and
- Warnings that the service may not be suitable for you if you have provided limited or inaccurate information relating to your relevant personal circumstances and may cease to be suitable if your relevant personal circumstances change.

Your adviser will provide all the information about our service considered most appropriate to your circumstances from time to time. They will review your investment program and determine whether or not our MDA Service remains appropriate for your circumstances each time you meet, as well as any changes to our service that you may require. This should ideally be at least every 12 months.

You will need to enter into an MDA contract with us before we can provide the service. Prescott Securities will work with you to ensure that any portfolio formulated for you is in accordance with the MDA contract and its investment program.



A selected partner

We work hand in hand with encircle, a service operated by Avanteos Investments Ltd, a division of Colonial First State Custom Solutions (CFSCS). CFSCS' key role is to hold client assets (CFSCS provides Custodial and Trustee services on your behalf). In addition, as the administrators they manage all portfolio data so we can report to you. We will review on a weekly basis compliance reports and meet with CFSCS to track the performance of their administrative and custodial functions.

Encircle provides you with online access to your account. Portfolio reports are available at the close of each quarter as well as an annual report at the close of each financial year to assist with your tax reporting obligations. Detailed reports will also be provided directly from the portfolio administration service on a continuous basis. You may obtain research reports and portfolio information as and when you require them from your adviser.

Directions and instructions to us

Should you wish to alter your risk profile, further customise your asset allocation, make transactions on your portfolio, or on all matters including giving instructions on corporate actions, you (and anyone you authorise in writing) will need to instruct us through the agreed means, to carry out any transactions on your behalf.

Risks

All investments are subject to varying risks. As with all financial products, should your adviser recommend an MDA service to you, they will discuss the risks with you and confirm it in the advice document they provide to you. We ask that you carefully read the information (and any warnings) contained in the SoA provided to you before making any decision relating to our MDA Services.

Before entering into an MDA contract with us you should consider the risks associated with our MDA services.

The main risk of using our MDA service is that you will not know about the changes we make to your investments before they are made. However, we will only make adjustments which are consistent with our MDA contract and the agreed investment strategy as determined between you and your adviser.

Other risks associated with MDA services are generally that the investment portfolios may not perform as intended, the service could change or terminate, the investment process may change, the agreed fees and expenses may change or the administration process or systems and those on whom we rely to provide them may, though unlikely, experience some sort of system failure.

These investment specific risks include:

- **Investment risk:** the risk that you may lose all or part of the money you invest.
- **Market risk:** the earnings and values of the assets within your MDA portfolio may be affected by movements in interest rates, currency exchange rates, commodities, overall economic conditions (both domestic and international) and other factors that are beyond the control of your adviser.
- **Asset class risk:** share markets rise and fall over time. The market value of company shares and dividends paid (if any), are dependent on the sector in which the company operates, the company's profit outlook, the performance of company management and changes in the economy. Share prices are generally more volatile than property, bonds or cash. As a consequence of these risks, an MDA client should be prepared for falls in the market and the possibility of a negative return on their investment.
- **Taxation risk:** capital gains tax may be payable on any investment assets sold. You should discuss any taxation considerations that may arise as a result of your investments with your tax adviser. There is also the risk that tax legislation may change which may adversely impact your investment.
- **Basis risk:** this risk relates to listed investments which trade at a price greater or less than the value of their underlying assets. Basis risk can potentially cause a gain or loss of value for investors depending on the price at which the investments are traded at the time they are bought or sold.
- **Gearing risk (only when you borrow to invest):** borrowing to invest can magnify your losses when the market declines. If your outstanding loan balance exceeds the security value of your investments beyond the buffer limit you will need to meet a margin call. The interest rate on your margin loan may rise or fall from time to time.

Stopping the service

You may terminate our MDA services and/or our relationship at any time by providing written notice to us. In extreme circumstances, we may elect to terminate our MDA service with you, by giving notice should your participation in encircle ceases or you otherwise fail to meet your obligations under our contract.

On termination, any accounts utilising our MDA services may be required to leave the encircle platform. If you remain, additional platform fees will apply on top of the usual platform fees. Fees are payable until your funds have been transferred from the encircle platform (except for frozen funds unable to be transferred). Please refer to the relevant encircle Product Disclosure Statement or Investor Directed Portfolio Service Guide for more information.

If you terminate your adviser and do not nominate another adviser, the platform provider may appoint another adviser or advisory firm, which we have no control over.

Changing our contractual arrangements

We can change our agreement with you about the service by reasonable notice to you by providing at least one month's notice. If the changes are material we will send you the new terms by post or email link and give you the opportunity to cease the service if you so wish.

6. Fees/commissions that may apply

Prescott Securities is paid by fees or commissions or a combination of both, depending on the service we provide and product you invest in. We will tell you about any payments and other benefits we receive as a result of preparing and implementing your financial plan. We will include the information in our advice to you, or as soon as practicable afterwards. Product Disclosure Statements (PDSs) also contain more detail on the fees that the product provider will receive.

If we can, we will tell you the exact amount. If we don't know that when we advise you, we will explain how the payments (including commission) and any other benefits are calculated.

If you have been introduced to us by a professional third party– we may pay an introductory fee or commission rebate to that third party. That introductory fee or commission rebate would be calculated according to various factors which may include the number or size of referrals. Where we pay a fee or a commission for a referral, we fully disclose to you who will receive that fee or commission and the amount they receive.

You can always ask for more information about payment arrangements, including information about the range of amounts or rates of remuneration. Even if personal advice is not given to you, you can request this information within a reasonable time of receiving the FSG and before any financial service is provided to you.

Prescott Securities advisers are paid a salary. They may also receive a bonus if they achieve certain performance standards for quality, compliance and productivity.

Initial Appointment

This is free and doesn't oblige you to do anything.

Strategy fees

Commonly there is a fee for developing a strategy for you. This may be an agreed initial advice fee or an agreed fee for further advice at any other time you require us to undertake this on your behalf. The fee amount depends on the complexity of your situation and will be agreed prior to us undertaking the work. We will invoice you for the work once the strategy has been presented to you.



Ongoing fees

Ongoing advice and administration services may be provided to you to ensure the strategy and products recommended continue to meet your needs, objectives and financial situation.

If your adviser is involved with you on an ongoing basis we will generally charge you an ongoing fee for advice and for portfolio construction and management.

Fees may be fixed or linked to the value of your portfolio. A combination of the two is not uncommon.

Example of a fixed fee arrangement:

You may wish to agree to a fixed fee with your adviser. This could be \$5,000 per annum or an amount that you agree upon depending on the complexity of advice.

Example of a % based fee arrangement:

This could be 1% per annum of the value of your portfolio which be charged monthly on the average daily portfolio value.

Assuming a constant average daily portfolio value of \$500,000 this fee would be \$417 each month.

The fee component will be agreed upon with you prior to provision of advice and will be stated in your Client Service Agreement and/or SoA. We will continue to charge the agreed ongoing fee until you notify us that our services are no longer required.

Brokerage fee

Prescott Securities may receive commissions in relation to facilitating share trades through our preferred brokers. If you receive personal advice, more detailed information about fees, commissions or other benefits will be contained in your SoA.

Risk insurance fees and commissions

For risk insurance products, you may be charged an administration service fee of up to 45% of the insurance premium or for new insurance policies, Prescott Securities will accept either:

- upfront commission of up to 100% per annum; and/or
- trail commission of up to 45% per annum

However as of 1 January 2018 the fees will reduce to:

- upfront commission (excl. GST) of up to 80% per annum; and/or
- trail commission of up to 20% (excl. GST) per annum where an upfront commission has been received

Our fees may be deducted from your policy each month or payable directly to us.



Alternatively, some of our advisers will rebate this commission and charge you an agreed set fee instead. That agreed fee will be calculated based on the complexity of the work and the amount of time required by the planner to give the advice and/or implement it. The fee will be agreed with you prior to advice being provided and be disclosed in the advice document.

Product Issuer and Wrap Provider Fees

Prescott Securities may receive ongoing commissions from providers of investment and wrap products (paid directly by the provider) that we arranged on your behalf before 1 July 2014. These vary depending on the product provider. They are paid by the product provider and are not an additional cost to you.

Execution Service

If we arrange for you to purchase an investment on which we have not provided advice, we may charge a fee for carrying out your instructions. This may be either a flat fee or be based on a percentage of the value of the transaction with a minimum charge. The fee will be agreed with you in advance.

Mandate fees

Whilst this fee may initially be received by Findex, it is fully passed onto the respective mandate manager. In the rare event, that a manager may need to be replaced we may elect to internalise the management within Findex for a period of time. In such instances Findex will continue to charge you the mandate manager fee and retain this fee. We will notify you in such instances should this occur.

7. Relationships or Associations

Findex Advice Services, ABN 88 090 684 521 AFSL 243253, provides and operates Managed Discretionary Account (MDA) Services. Findex Advice Services is a wholly owned subsidiary of Findex Group Limited ABN 40 128 588 714.

Findex is one of Australia's largest privately owned providers of wealth, accounting, lending and risk protection advisory services. Findex has developed a proprietary system for identifying the individual needs of its clients and providing advice and services to meet those specific needs. As a result, it has solutions to suit Australians at every stage of their lives, delivered via Prescott Securities, Prescott Securities Advisers, Centric Lending Services, Financial Index Wealth Accountants, and Prescott Securities, and CIVIC Financial Planning. From time to time Findex will share client information between its divisions for the sole purpose of delivering an improved level of service and comprehensive financial solutions to its clients.

Findex also owns Specialised Private Capital Ltd (SPC) ABN 87 095 773 390 AFSL No.246744 and Alliance Capital Management Pty Ltd (ACM) which is a Corporate Authorised Representative (Number 401978) of SPC both of which hold supplier agreements with a number of the financial product providers (including managed investment schemes and administration (wrap) platforms) that Prescott Securities recommends to its clients.



SPC receives payments and rebates from a number of those product providers.

Findex and its sub-entities hold exclusive distribution rights to the encircle platform. These may be recommended to you if deemed appropriate to your circumstances and not in contravention of your best interests. These platform services have an independent Trustee and Custodian (Super/Pension) or independent Operator and Custodian (Investment) who supervise administration and approved investments. The approved investments are all provided by external professional Fund Managers or purchased directly on the ASX.

Findex also has supplier agreements with a number of administrative platforms. We may receive additional payments for arrangements entered into prior to 1 July 2013. These payments are usually based on the amount invested with the product provider. If the relevant products are recommended to you, more details about this arrangement will be provided in the SoA and your consent for such payments to be made will be required.

If you purchase or sell direct securities through us, we may receive a fee for these transactions. Details of which will be disclosed in your advice document.

Your financial adviser may also receive a range of other benefits from product providers such as marketing support or sponsorship, entertainment, conferences, accommodation and travel which will be disclosed in your SoA.

We maintain a public register outlining the forms of alternative remuneration that we both pay and receive. A copy of this register can be accessed upon request. Any of the payments listed above will be made to the extent permitted by law.

8. How we look after your privacy

Australian Privacy Principles apply to the collection of personal or sensitive information. This means that information provided by you in the course of receiving financial planning services must only be used:

- to provide you with information, products or services that you might reasonably expect or request
- to fully understand or anticipate your needs during our relationship
- to manage rights and obligations under any laws applying to the services provided, or
- to conduct research, or planning and marketing, which includes direct marketing,
- although you do have the right to specifically instruct that your details aren't used for these purposes.

The type of information which will usually be requested will include details about your financial, taxation, health, employment and estate planning matters. This may include details relating to your partner or family members.



As a financial service provider, we have an obligation under the Anti-Money Laundering and Counter-Terrorism Finance Act 2006 to verify your identity and the source of any funds.

This means that we will ask you to present identification documents such as passports and driver's licence and we will retain copies of this information.

You are entitled to request access to your file for the purpose of reviewing and correcting the information held. However, you cannot access information where it would have an unreasonable impact on the privacy of another person or if the information is relevant to legal obligations or legal proceedings.

In providing services to you, from time-to-time we will disclose information about you to other professionals, including insurance providers, superannuation trustees, product issuers as well as our service providers. It is generally unlikely that we will disclose your personal information to overseas recipients.

However, any overseas disclosure does not affect our commitment to safeguarding your personal information and we will take reasonable steps to ensure any overseas recipient of your personal information complies with Australian privacy law.

You are entitled to obtain access to the information we hold about you by contacting the Privacy Officer on (03) 9258 6878 or by writing to:

Privacy Officer
Findex Group Limited
Level 17, 181 William Street
Melbourne VIC 3000

For more information about how we collect, use, store and disclose your personal information, our Privacy Policy can be accessed on our website www.findex.com.au

9. If you have a complaint

If you have a complaint about the financial services provided to you, you should take the following action:

1. Speak to your financial adviser about your concerns, or
2. Call us on (03) 9258 6878.

If, after speaking to us or your financial adviser, your complaint is not resolved within five (5) business days, please write to:

Disputes Manager
Findex Group Limited
PO Box R1851 Royal Exchange NSW 1225

If we have not resolved your complaint within 45 days, or you are not happy with the outcome you may complain to the Credit and Investments Ombudsman Ltd, an independent dispute resolution body. They can be contacted on 1800 138 422, online at www.cio.org.au or via post at PO Box A252, South Sydney, NSW, 1235.



Alternatively, if your concerns involve ethical conduct you may wish to raise them in writing with the Financial Planning Association. They can be contacted at PO Box 109, Collins Street West, Melbourne VIC 8007.

You can also make a complaint and obtain information about your rights on the Australian Securities and Investments Commissions free call information line: 1300 300 630 or online at www.moneysmart.gov.au.

10. Professional Indemnity Insurance

We maintain professional indemnity insurance that satisfies the requirements for compensation arrangements under section 912B of the Corporations Act 2001. The insurance provides indemnity up to the sum insured for Prescott Securities and for our Advisers in respect of authorisations and obligations under our Australian Financial Services Licence (subject to terms and conditions). This insurance covers former Advisers and employees for work done whilst they were engaged with us.

11. Who can I contact for more information about this guide?

If you have any further questions about the financial services Prescott Securities provides, please contact our head office on (03) 9258 6878.

Please retain this document for your reference and any future dealings with Prescott Securities.

Prescott Securities
Level 17, 181 William Street
MELBOURNE VIC 3000

Ph: (03) 9258 6878

This FSG was issued on 15 December 2017 by Findex Advice Services trading as Prescott Securities

ABN: 88 090 684 521 | AFSL 243253.