

Fortnum Financial Advisers

Financial Services Guide (FSG)

Part 1

Version 10.0

Issued by:

Fortnum Private Wealth Ltd

Trading as Fortnum Financial Advisers

ABN 54 139 889 535

Australian Financial Services Licence
(AFSL) 357306



Effective 1st of October 2017

Contact Address: Suite 2, Level 6, 111 Pacific Highway North Sydney NSW 2060

Phone: (02) 9904 2792

Registered Office: C/- Peters and Partners, Suite 301, Level 3, 77 King Street Sydney NSW 2000

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Welcome

This Financial Services Guide has been authorised for release and distribution by Fortnum Private Wealth Ltd ABN 54 139 889 535 Australian Financial Services Licence (**AFSL**) 357306 (FPW), trading as Fortnum Financial Advisers (**FFA**).

This Financial Services Guide (**our Guide**) provides you with important information about Fortnum Financial Advisers (**FFA**) and its Authorised Representatives (**Advisers**) who may provide you with the services described in our Guide.

Our Guide consists of two parts:

- Part 1 of our Guide (this document); and
- the Principal Practice Profile

The information in our Guide is not complete without both documents, which must be read in conjunction with each other.

Part 1 contains important information about FFA, our Advice process, any arrangements or relationships which may influence advice that is provided to you by us, how we protect your privacy, the process available to you if you are unsatisfied with the services or advice provided to you and how FFA, your Adviser or Principal Practice.

The Principal Practice Profile provides information on the Principal Practice of which your adviser is a director and/or an employee, as well as your adviser's skills and qualifications, their fees, any further details or conflicts you should be aware of and the services they are authorised to provide on behalf of FFA.

In addition, if your adviser recommends you establish a Managed Discretionary Account Service (MDA Service), they will provide you with a separate MDA Service Financial Services Guide, which must be read in conjunction with our Guide.

It's important that you take the time to read the information provided so that you can make an informed decision about whether to use the services offered by us. If you need any clarification on what you have read, please don't hesitate to contact us. We are committed to having open and honest communication with you at all times, as this is the foundation of good advice and a successful ongoing relationship.

References in our Guide to:

- "We", "our" and "us" means FFA, your financial adviser or Principal Practice.
- "Advice Document" means Statement of Advice ("**SoA**") or Record of Advice ("**RoA**").

Your Adviser, as an Authorised Representative of FFA, is authorised by FFA to distribute our Guide to you.

You should note that FFA acts for you when your adviser provides services to you. Further, if you take out or renew an insurance product as part of the services provided to you, neither FFA nor your adviser acts for the insurer, whether under a binder (i.e. a power to commit the insurer to an insurer policy), or otherwise.



Fortnum Financial Advisers

FFA brings together a number of like-minded advisers who share a “client-first” approach, and in which most Principal Practices have a financial stake. Our name comes from a combination of two words – fortress and numbers. This represents our duty to you, the client – our dedication to protecting your financial security and our strength in numbers.

Fortnum Private Wealth Ltd ABN 54 139 889 535 AFSL 357306 (FPW) is a company that trades as Fortnum Financial Advisers. FPW is owned by current and former Principal Practices, participating FPW staff and contractors.

How does FFA maintain adviser standards?

Our advisers are required to undertake continuous professional development and we host regular training programs to keep advisers up-to-date with legislative changes to the taxation, social security, superannuation and investment environments. Our philosophy is one of continually raising the bar and always acting in your best interests.

Our advisers have direct access to technical, risk and investment research professionals who can provide additional analysis on strategy and products so that we can provide quality advice to you. Risk management specialists monitor and regularly audit our advisers to maintain high quality advice standards.

Who is responsible for the advice I’m given?

FFA is responsible for any financial advice or service your Adviser provides under our AFSL.

Financial services and / or products FFA can provide

FFA is licensed to provide financial product advice and deal with the following products:

- Deposit and payment products
- Debentures, stocks or bonds issued or proposed to be issued by a government
- Derivatives
- Life investment or life risk products
- Interests in managed investment schemes, including Investor Directed Portfolio Services (IDPS or ‘Wrap’)
- Managed Discretionary Account (MDA) services
- Retirement savings accounts
- Securities
- Standard margin lending facilities
- Superannuation (including Self-Managed Super Funds)

A wide range of financial products from various product providers are available and are thoroughly researched by qualified research professionals including Innova Asset Management, Zenith and Morningstar. Our Advisers are only authorised to advise on products which are approved by FFA for use. Your adviser will only recommend a

product to implement your strategy after considering its suitability in relation to your individual objectives, financial situation and needs.

Please refer to the Principal Practice Profile for more detailed information on the products and services your adviser is authorised to provide.

Strategies your Adviser may provide advice on or services in relation to, include but are not limited to:

- Investment strategies including gearing and savings plans
- Budget and cashflow planning
- Superannuation, including salary sacrifice and consolidation strategies
- Personal insurance strategies
- Centrelink / DVA entitlements
- Retirement planning
- Estate planning
- Ownership and structures e.g. discretionary and family trusts, Self-Managed Super Funds
- Portfolio review services
- Referrals to specialists e.g. accountants, solicitors
- Managed Discretionary Account (MDA) Services

Any additional services on offer, or limitations to the list above, will be outlined in the Principal Practice Profile.

FFAs' advice process

FFA has a comprehensive advice process in place designed to ensure that the advice provided is suited to your needs and financial circumstances.

In summary:

1. Getting to know you

It's all about you. When you meet with your adviser, they will discuss your expectations, help you to identify your financial goals and provide you with details of the services that they can offer. During this meeting and/or at a follow-up meeting, they may also gather information about your financial situation, needs and objectives and your risk profile and ascertain what the scope of the advice to be provided will be. Your consent and agreement on the scope of the advice will be documented via a Letter of Engagement.

If you do not wish to provide the information they require to formulate our recommendations, your Adviser will advise you about the possible consequences of not having disclosed your full personal information and the impact on the recommendations given. You should consider these implications carefully.

2. Developing strategies and providing you with advice documents

Initial advice

Your adviser will formulate a strategy to help achieve your needs and objectives and will put together any personal advice in a Statement of Advice (SoA). A SoA sets out the scope of the advice, your current personal and financial position, the basis for the advice and how it addresses your needs and objectives. It will also disclose the fees and charges payable by you and the remuneration and other benefits we may receive.

The SoA will also make reference to any potential conflicts of interest that you need to be aware of when deciding whether to rely on the advice. Your adviser will explain any risks associated with implementing the recommendations. Please ask your adviser to clarify any risks you do not understand.

Further advice

Where a further review is conducted or ad-hoc advice is requested from you and personal advice is provided, the advice may be provided via a new SoA, or a Record of Advice (RoA) as applicable to the circumstances. Further advice may be in the form of a RoA where the further advice does not significantly differ from the original advice provided.

Where further advice is provided, and if you have not already been provided with a copy of the new SoA or RoA, then you may, for a period of seven years after the further advice was first provided to you, request a copy of the new SoA or RoA. This can be done by contacting your Adviser in writing/email or telephone.

Product Disclosure Statement

If your Adviser recommends a product as part of your financial strategy, they will provide you with the relevant Product Disclosure Statement (PDS). The purpose of a PDS is to assist you in making a decision about the particular financial product. It contains information about the product's key features, benefits, risks and fees.

3. Gaining your consent to proceed

Your Adviser will discuss their recommendations with you, make any changes you require and gain your agreement to implement those recommendations. They will then implement those recommendations.

4. Keeping you on track

To ensure that the advice your Adviser provides you with continues to meet your financial situation, needs and objectives, we offer an Ongoing Review Service which provides regular reviews and written reports on the valuation and status of your investment portfolio.

If you wish to take up this service, please contact your adviser so they can provide more information and outline their fees.

If your Adviser recommends, and you enter into, an Ongoing Service Agreement for a period of more than 12 months:

- You will receive an Annual Fee Disclosure Statement (FDS) each year. It will outline the fees paid and the services you received in the preceding 12 months.
- You may also receive an Opt-in Notice every two years along with your FDS. This document will ask you to confirm that you would like to continue the Ongoing Service Agreement with your Adviser.

Instructing your adviser

At times, you may wish to make changes without receiving advice. In these cases, we can take your instructions by telephone, email or in person at the Principal Practice office you are dealing with and arrange for the transaction to be completed, without providing personal advice.

If you wish to proceed without advice from us, we will ask you to confirm your instructions in writing. Once implemented, we will provide you with a Statement of Transaction (SoT) letter, which confirms your instructions, informs you that no advice has been provided and discloses any fees and charges payable by you as well as any benefits we may receive.

Charging options

The remuneration and other benefits listed below and in the Principal Practice Profile generally cover what FFA, its advisers and associates may receive as a result of the services provided to you. Specific amounts and benefits can often only be calculated once the recommendations are made to you.

There are various ways that you may pay FFA for the services we provide to you, including:

- Fee for service - where you pay a fee for the services that we provide;
- Commission (paid by product and service providers) in the form of initial (up-front) and / or ongoing (trail) commission;
- A combination of both.

Each of these is discussed in further detail below.

Fee for service

Fees for service payments may be payable for:

- **Preparation of advice and Initial advice:** We may charge fees for the preparation, presentation and/or implementation of our advice to you. These fees will be based on your individual circumstances, the complexity involved in your situation and the time it takes to prepare personal financial advice for you. We will discuss these fees with you and gain your agreement on the fees before we provide you with advice. The fee will also be disclosed to you in your Advice Document and will be agreed upfront and documented in your Letter of Engagement.
- **Ongoing adviser services:** We may charge a fee for the services provided on an ongoing basis commencing from the implementation of the recommendations contained in the Advice Document. The amount and the services included will be determined in consultation with your adviser.
- **Ongoing review and advice services:** We may charge a fee to provide ongoing portfolio reviews including further advice suitable to your needs. This fee will be determined in consultation with your adviser and documented in a formal Ongoing Service Agreement.

In all instances, your adviser will discuss the calculation of the fees when you meet and agree on the services to be provided. Fees charged are generally payable after

the services have been provided, however, ongoing adviser service fees are generally paid in advance. The agreed fees will be documented in our Letter of Engagement and also set out in the Advice Document.

How are fees for services calculated and paid?

Fees charged for our services may be:

- a dollar amount;
- a percentage of the amount invested;
- an hourly rate;
- a combination of some or all of the above, as agreed with you.

If you pay a fee for service to FFA, they pay a proportion of this to the Principal Practice as detailed in this Guide under the heading 'Remuneration received by Principal Practices'.

Payment of fees for services

We will discuss and agree the method of payment with you before we provide you with our services. Generally, we will either invoice you directly, or deduct from your investments, or adopt a combination of these methods for the fees payable. Cash transactions will not be accepted.

Commissions on Group Life Insurance Products

FFA does not receive any initial or ongoing commission on group life insurance products held through superannuation including employer, corporate or industry superannuation plans. However, existing commission arrangements are grandfathered and will continue to be paid if the product was entered into before 1 July 2014. In instances where we advise that you retain such products we will continue to receive any existing ongoing commissions that are payable.

In respect of all other life insurance products apart from group insurance plans held through superannuation FFA may receive payments in the form of initial commissions and/or ongoing commissions from the product providers for any product you choose to use that is recommended by us. These commissions are included in the fees and / or premiums you pay for the product. You do not pay these fees to us directly. We may rebate some or all of these to you.

How are commissions (initial and ongoing) from a life insurance product and service provider calculated and deducted?

Initial commission from a life insurance provider is typically up to 125% of the first year's premium that you pay.

Ongoing commission can be up to 35% of the premium from year two onwards for the life of the policy.

The actual commission that will be received by FFA and your Principal Practice will be disclosed to you in your Advice Document.

Example

If you pay \$1,000 p.a. in premium for a life insurance product recommended to you and the applicable initial commission is 80%, then FFA will receive initial commission of \$800 (i.e. \$1,000 x 80%). FFA may then pass on anywhere up to the full amount, \$800 in this example, to the Principal Practice.

Commissions on Investment Products

Generally, FFA does not receive initial or ongoing commissions in respect of investment products. However, there are some products which continue to pay commissions where the product was entered into before 1 July 2014. In instances where we advise that you retain such products we will continue to receive any existing ongoing commission that is payable.

All remuneration percentage rates paid from the product and service provider are dependent upon the specific products you hold and are inclusive of GST where applicable. Specific details of the commission paid from the product and service provider will be fully disclosed in your Advice Document.

Remuneration received by Principal Practices

All fees for services paid by you and/or commission paid by product and service providers are paid to FFA. FFA pays an amount to its Principal Practices which depends on the gross revenue generated by the Principal Practice over the previous 12 months. The Principal Practice may receive up to 100% of the fees or commissions received. The Principal Practice may share part of this amount with its advisers.

Your Advice Document will provide further details of amounts paid to FFA, the Principal Practice and your adviser.

How is my Adviser remunerated?

Please refer to the Principal Practice Profile for details on how your adviser is remunerated. You should have a clear understanding of how your Adviser is paid before you act on any recommendations.

Referrals

If you have been referred to your Principal Practice by another party, we may pay them a fee or reward. A referral fee and/or commission may also be payable by FFA to a third party for the introduction of credit business.

The third parties to whom referral fees may be paid include advisers within FFA, accountants, legal professionals, general insurance agents, real estate agents, credit assistance providers and other professional referral sources.

A reasonable estimate of the referral fee and / or commission payable to the third party and how it is calculated will be disclosed in your Advice Document or in a referral letter.

The referral payment will be paid from the remuneration received by us and will not be an additional cost to you.

Other forms of remuneration or benefits

FFA, Principal Practices and Advisers may be entitled to other benefits when providing services to you.

FFA, Principal Practices and Advisers keep a register of small value benefits (i.e. \$100 to \$300 in value) which may be received by them from product and service providers. These benefits are permissible unless they are received frequently or when similar benefits received combine to exceed \$300 per annum. If you would like a copy of the register, please ask your adviser and a copy will be made available to you within seven days.

If your adviser is an Accountant who is subject to the Accounting Professional and Ethical Standards, under APES 230 all benefits received, regardless of value, will be recorded on their register.

1. Payments from Product and Service Providers

FFA receives payments from a number of product and service providers of up to 0.40% (inclusive of GST) per annum of amounts invested with the relevant providers before 01 July 2014. Of the amount received, the Principal Practice receives 60% and the balance is retained by FFA and is used in paying its expenses.

As at the date of our Guide, FFA receives payments from the following product and service providers: OnePath, Colonial, Navigator, Man Invest, IOOF and Life Risk Partnership.

For example, if the total revenue generated under the Partnership Agreements with a particular provider is \$1000.00, the Principal Practice receives \$600.00 (i.e. \$1000.00 x 60%) and FFA retains the balance of \$400.00.

Fortnum Advice Platform Trust (FAP Trust) is an entity that sponsors a financial product called "Fortnum Advice Wrap" which is administered by BT Portfolio Services. All payments received by Fortnum Financial Advisers in respect of investments through the Fortnum Advice Wrap are held by the FAP Trust. Of this amount, the FAP Trust distributes payment to Principal Practices holding units in the FAP Trust and participating FPW staff.

Details as to whether your Advisers' Principal Practice is a unitholder in the FAP Trust are contained in the Principal Practice Profile.

For example, if \$100,000 revenue is generated from investing with Fortnum Advice Wrap, the Trust will distribute 60% to its Principal Practices who hold Class A units in the trust (i.e. \$100,000 X 60% = \$60,000). A further 20% is distributed to participating staff who hold Class B units in the trust (i.e. \$100,000 X 20% = \$20,000). The remaining 20% is distributed to the holders of Class C units which are held by both Principal Practices and participating staff (i.e. \$100,000 X 20% = \$20,000).

2. Licensee Advice Fees

If your Adviser recommends that you utilise the Fortnum Advice Wrap, SuperWrap or SuperWrap Pension Plan (and you implement their recommendation), you may pay a Licensee Advice Fee of up to 0.05% per annum of your account balance up to a maximum of \$250 per annum to FFA.

If your Adviser recommends that you utilise the e-Clipse Invest IDPS, (and you implement their recommendation), you may pay a Licensee Advice Fee of up to 0.08% per annum of your account balance up to a maximum of \$775 per annum to FFA.

If your Adviser recommends that you utilise the e-Clipse Super or Super Pension Plan, (and you implement their recommendation), you may pay a Licensee Advice Fee of up to 0.08% per annum of your account balance up to a maximum of \$800 per annum to FFA.

3. Payments from Insurers

FFA may receive additional payments from our insurance providers based on achieving certain targets. This payment, which could be up to 5% of Fortnum Financial Advisers' total in-force business, is used for operational development and training purpose.

4. Payments from the Aviate Group

FFA receives a referral payment of 1% of the purchase price of any property purchased as a result of a referral to the Aviate Group. FFA deducts its fee as detailed in the paragraph above headed 'Remuneration received by Principal Practices' and pays the balance to your Adviser's Principal Practice.

Professional Indemnity Insurance

FFA is covered by professional indemnity insurance satisfying the requirements under section 912B of the Corporations Act (2001) relating to insurance obligations.

Our insurance arrangements cover claims made against us as the licensee and for the conduct of our Advisers (whilst acting as an Authorised Representative of our AFSL).

Your privacy

We collect and keep a record of your personal information, including sensitive information (i.e. information about your health), in order to provide you services including financial advice.

We may also use the information we have collected in order to comply with any legislative or regulatory obligations we have, and to help us run our business.

FFA is committed to the confidentiality and security of your personal information.

It will be necessary for us to collect, use and disclose your personal information. If you do not consent to this, or we are unable to collect all the necessary personal information, we will not be able to provide you with the relevant financial planning and advice services.

In most cases, we collect personal information directly from you. In other cases, however, we may collect your personal information from third parties. The third parties we may collect from include, but are not limited to:

- Your accountant
- Your lawyer or solicitor
- Other financial services institutions
- Insurance providers

- Any other third parties where you have provided consent

In order to manage and administer our financial planning services, it may be necessary for us to disclose your personal information to third parties. The parties to whom we may disclose your personal information include, but are not limited to:

- Financial institutions for the provision of financial products such as investments, superannuation and life insurance;
- FFA Advisers for the purpose of providing you with financial services and advice;
- Organisations undertaking compliance review of our financial advisers or review of the accuracy and completeness of our information;
- Organisations providing mailing services, maintenance of our information technology systems and printing of our standard documents and correspondence;
- Other members of the Fortnum Group (such as Innova Asset Management) for the purposes of assisting your Adviser with the provision of financial advice and service;
- Any Government or Regulatory body for whom we have a legal obligation to provide this information to;
- Referral Partners;
- Organisations providing us with support in relation to administration or the generation of advice documentation.

We may disclose your personal information to organisations to an entity which is located outside of Australia, to enable them to undertake the specified services. It is possible that an organisation listed above may disclose your personal information to overseas recipients, but it is not possible for us to provide any further details of that in this document.

FFA will not disclose your personal information to overseas recipients without informing you. Your adviser may disclose your personal information to overseas recipients in order to access services they provide, such as paraplanning and administration. The Privacy Policy for FFA will outline the relevant countries. If your Principal Practice has a Privacy Policy, this will be stated in the Principal Practice Profile under the heading 'Privacy Policy'.

In some cases, it may be necessary to share your personal information with other parties for the provision of certain services such as information technology or for the provision of financial products which you have selected.

Where you wish to authorise any other parties to act on your behalf to receive information and/or undertake transactions please notify us in writing. Should you choose to revoke this authority in the future, please notify us in writing.

Where your Adviser becomes a representative of another licensee or sells their business to another licensee, FFA may also use and disclose the information collected about you to enable your adviser or the new business owner to continue to provide you with financial products and services on behalf of that other licensee.

We collect your personal information as permitted by, and in accordance with, the Privacy Act. Other legislation may also apply, such as the Anti-Money Laundering and Counter-Terrorism Financing Act.

You may access the privacy policy of FFA by visiting our website or by telephoning us. The privacy policy includes details of how you may access, and seek correction of, your personal information which we hold. It also includes details of how you may complain if you believe that we have breached the Australian Privacy Principles under the Privacy Act and how we deal with such complaints.

You may contact FFA by telephoning us on (02) 9904 2792 or by visiting our website at www.fortnum.com.au

What to do if you have a complaint

1. If you are unhappy about the advice or service provided by your adviser or FFA, please put your concerns in writing and send to:

Head of Advice
Fortnum Financial Advisers
P.O. Box 1988
North Sydney NSW 2059

We will investigate your complaint and respond to your concerns as quickly as possible and within 45 days.

2. If we have not responded to your complaint within 45 days or if you feel it has not been resolved to your satisfaction, you may refer your concerns to the Financial Ombudsman Service (FOS), which provides an accessible, fair and independent dispute resolution service. You can contact FOS at:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Online at www.fos.org.au;
By email at info@fos.org.au; or
By calling 1800 367 287.

3. You can also contact the Australian Securities and Investments Commission (ASIC). ASIC is Australia's corporate, markets and financial services regulator. ASIC contribute to Australia's economic reputation and wellbeing by ensuring that Australia's financial markets are fair and transparent, supported by confident and informed investors and consumers. You can contact ASIC at:

Australian Securities and Investments Commission
PO Box 4000
Gippsland Mail Centre Victoria 3841
www.asic.gov.au
1300 300 630

Conflicts you should be aware of

Relationships and associations

The extensive list of products and services approved by FFA includes products and services provided by entities with whom FFA Principal Practices or their Advisers and Directors and employees of FFA may have a relationship or association.

We believe that your interests should be placed first and that products and services should only be recommended if it is in your best interests. However, it is important that you know of, and are comfortable with, those relationships and associations and any benefits that arise.

Your Adviser, or their Principal Practice, either personally, directly or through an associated entity, may be a shareholder in Fortnum Private Wealth Ltd (which trades as Fortnum Financial Advisers and is referenced as FFA), Fortnum Financial Group Limited (FFG), Fortnum Lending Services Pty Ltd or Innova Asset Management Pty Ltd.

If so, FFA, FFG and consequently your adviser or the Principal Practice (as shareholders in FFA and/or FFG) may benefit from these recommendations. Any shareholding will be disclosed in the Principal Practice Profile under the headings 'Shareholding in Fortnum Private Wealth Ltd' and/or 'Shareholding in Fortnum Financial Group Limited (FFG)'.

In addition, Some Directors of FFA are Directors/Officers and/or shareholders, either directly or indirectly, in companies that provide financial products or services that your adviser may recommend to you if appropriate.

Accordingly, these Directors may be seen to influence or benefit from any recommendation by an FFA adviser for you to utilise any of these products or services.

This includes, but is not limited to, Fortnum Private Wealth Ltd (which trades as Fortnum Financial Advisers and is referenced as FFA), Fortnum Financial Group Limited (FFG), Fortnum Lending Services Pty Ltd or Innova Asset Management Pty Ltd.

Fortnum Advice Platform Trust (FAP Trust)

FFA's Principal Practices (or related entities) may hold units or other interests in FAP Trust which gives them an interest in benefits distributed by FAP Trust. Distributions by FAP Trust are paid to Principal Practices in proportion to the gross revenue of FAP Trust referable to clients of the Principal Practice entity, according to their unit holding. Should this apply for your Adviser or their Principal Practice, this will be disclosed in the Principal Practice Profile under 'Fortnum Advice Platform Trust'.