

# Investment Advice

## **InterPrac Business Principle**

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Description	Research, Asset Allocation, RPAR, Platforms, Hedge Funds, Unlisted Property, Structured Products, Hybrids ETF's LIC's Managed Funds and Listed Shares. Direct property
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## Purpose

The document outlines the services and processes supported by InterPrac in the provision of portfolio guidance for its authorised representatives.

It also provides guidance, by investment product type, regarding inherent risks and basic client disclosure.

## Scope

Supported products and platforms

Sources of product research

Supported service providers

Strategic Asset Allocation

By Investment type - risk and basic client disclosures

Supportive documentation eg approved products list, Investor1st SoA text

## Policy

InterPrac's Investment Guidance is primarily evidenced in the Approved Product List and Strategic Asset Allocation

Supplementary portfolio construction advice and investment product 'suitability' can be obtained from Sequoia Investment Management Service (IMS) and InterPrac's Investment management team (Garry Crole, Michael Butler).

InterPrac publishes weekly a guidance in support of internally managed share portfolios 'Hello Monday'.

InterPrac supports Hub 24 & AusPrac Super as it's platforms of choice for shares and managed funds.

InterPrac supports Morrisons for share-trades & Diversa for group insurance in superannuation

## Approved Product List

### Morningstar Research

Morningstar is our preferred provider for research and each adviser is provided a Morningstar account access as part of the onboarding process.

An investment product will be deemed to be part of the approved list if it is rated Gold, Silver or Bronze. Any managed funds with a rating below this are not approved unless specifically identified in the Additional Approved Product List on the Adviser Resource Centre. Alternatively, an appropriate Lonsec rating may be identified (see Lonsec content below).

Additional information covering the Morningstar Research ratings system and methodology is available from Morningstar.

It is a requirement for the adviser recommending a particular product to retain on file a copy of the report confirming the research rating at the time the advice is given.

Please note - If a fund is not rated Gold, Silver or Bronze with Morningstar Research or if it does not hold a Recommended or Highly Recommended rating by Lonsec Research then it is **NOT APPROVED** for your use and cannot be recommended to a client unless written approval is provided by the InterPrac Investment Committee.

### Lonsec Research

Lonsec Research may only be referred to as an alternative approved research provider where products do not have a Morningstar Research rating, usually due to size, years in business operation or demand of fee-paying clients.

An investment product not rated by Morningstar but rated by Lonsec as Recommended or Highly Recommended will be deemed to be part of the Approved list.

Lonsec research may be obtained via Michael Butler.

### Non-Approved Products

Products may be separately approved by the Investment Committee. To obtain approval to use a product with consent from the InterPrac Investment Committee for inclusion to the InterPrac Approved Product List, please contact the National Compliance Manager.

## Strategic Asset Allocation

InterPrac does not mandate the adoption of its in-house Strategic Asset Allocations

InterPrac supports the following Strategic Asset Allocations:

	Risk Profile <sup>[1]</sup>				
	Underlying Asset Class Exposure				
Asset Classes	Conservative	Moderately Conservative	Balanced	Growth	High Growth
Cash <sup>[2]</sup>	45%	25%	15%	10%	5% <sup>[3]</sup>
Fixed Interest <sup>[2]</sup>	45%	45%	25%	20%	5% <sup>[3]</sup>
Australian Shares	5%	10%	25%	30%	45%
International Shares	-	10%	20%	25%	45%
Listed Property	5%	10%	15%	15%	0%
Other	-	-	-	-	-

[1] Asset Class allocations have a tolerance of +/- 10%

[2] Exception: a Conservative portfolio can arbitrarily allocate funds between the Cash and Fixed Interest classes to meet client objectives

[3] Exception: if margin lending/gearing is an appropriate strategy, then the target defensive allocation should be no more than 5% Cash. The fixed interest allocation is allotted to Growth assets to meet the client objectives.

Portfolio recommendations must align with the client's assessed risk profile. Any recommended sub-asset allocation variance exceeding +/- 10% must be explained and justified.

SMSF Portfolio recommendations must align with the trustee's Investment Strategy. This may be different from the assessed risk profiles of the members.

When advising the Trustees of a SMSF regarding the Investment Strategy, it is the strategic objectives of the Fund as a whole that determine asset allocation. It is important to have on file evidence of any pre-existing documented investment strategy and to consider in your discussions with the trustees of the Fund, the preferred asset allocation and investment objectives of the Fund.

## Alternative Strategic Asset Allocations

Practices wishing to establish their own default SAAs, that differ minimally from the InterPrac default <above>, may do so.

A minimal difference occurs when sub-asset allocations vary by less than, or equal to, +/- 10% of the InterPrac default. <above>

If sub-asset allocations default at greater than +/- 10%, permission must be obtained from the National Compliance Manager.

## Platforms

InterPrac does not mandate the use of any particular investment platform.

### Hub 24

InterPrac supports Hub 24 Wrap and Managed Account platform from the perspective of its low underlying costs and broad product availability.

InterPrac's white-labelled version of HUB24 is called **Investor1st** (IDPS and Super/Pension platform).

## **AusPrac Super**

Australian Practical Superannuation is a sub-plan of MAP Superannuation Plan. The Trustee is Diversa Trustees Limited. The Sponsor and Promoter is OneVue Wealth and Sequoia Asset Management Pty Ltd is the appointed sub-Promoter.

## **Share Trading Services**

InterPrac does not mandate the use of any particular broking platform. Please note - any referral arrangements with stock brokers or trading platforms must have an agreement in place between the broker (and their respective company) and InterPrac Financial Planning. You must refer them to speak with us before engaging their services.

### **Morrison's**

InterPrac supports Morrison's from the perspective of its low underlying costs and full-service capabilities. Morrison's is a subsidiary of the Sequoia Financial Group.

Morrison's Securities trading platform provides access to Morningstar research for direct equities.

## **Specific Investment Product Types**

InterPrac supports and respects that Advisers will have favoured products that, in their opinion, will most effectively serve the Best Interest of their clients.

Nevertheless, even if an AR holds strong personal views on the value, or risk, inherent to a type of investment product, InterPrac requires that the fundamental principles <outlined below> must be part of any initial client disclosure.

Moreover, in the monitoring of portfolio advice, the Licensee will assume the following principles to determine advice suitability.

### **Direct Property**

An adviser may not provide personal advice regarding the purchase or sale of a particular property.

However, an adviser can advise upon the implications of a sale or purchase.

Property has been traditionally classed as a growth asset.

### **Listed and Unlisted Property**

An adviser may provide personal advice regarding the suitability of such investments to the extent that they are approved by the Licensee.

Commercial properties, based upon stable leasing arrangements, are best classed as income producing assets.

However, given the complexities around commercial property investments (eg. stapled structures), they can be treated as growth assets.

### **Listed & Unlisted Shares**

Listed Shares are growth assets and not to be classed as low risk even if the shares are blue chip; producing long term stable dividends.

InterPrac supports model share portfolios (income, growth) that can be acquired through the Investor1st platform.

All ASX 300 shares can be used for client portfolios where that advice is supported by credible research obtained from a qualified source, such as a stock broker or analyst. Otherwise, approval must be sought from the investment committee.

Direct share research on most stocks within the ASX Top 300 can also be obtained through the InterPrac's Morningstar Research portal or Morrisons.

You must obtain the research report from the respective research or stock broking provider before recommending the investment to a client. Include the research report in the client file and provide it with the Statement of Advice.

If you are using an approved Model Portfolio such as the InterPrac Income or Growth model portfolios, the underlying shares in the portfolio are automatically recommended.

For direct shareholdings within a SMSF or platform-based superannuation account, individual stocks outside the ASX 300 are limited to a maximum exposure of 10% of the total direct share portfolio (each one individually) to mitigate risk and increase diversification benefits.

The purchase of unlisted shares by a client (eg. an SMSF) may result in particular legislative and tax implications not applicable to other investors. Advisers must be very aware of these implications or seek advice from a credible technical source (eg. CentrePoint Alliance, Colonial First State)>. The Compliance Team can provide access phone numbers to CPAL, CFS.

### **ETFs**

Exchange Traded Funds typically adopt a passive investment style that seeks to track or replicate an asset or market index but can also offer active management where the investment manager is seeking to outperform the index by applying an active investment philosophy.

In addition to the underlying asset class risk, ETFs are subject to market risk and may be valued at more or less than their net tangible asset value. Where ETFs contain derivative exposure (eg. synthetic ETFs) the risks to investors are increased by the additional element of credit risk.

Given this double risk overlay, ETFs cannot be treated as low risk investments.

In volatile periods (eg. bear market), smaller ETF providers may also be subject to liquidity risk if investors withdraw significant funds. InterPrac requires advisers to stick with the larger proven ETF providers.

### **Hybrids**

Hybrids are not to be equated with fixed interest products even where the product is primarily considered for the production of income to support a client's needs.

The potential for reversion to an equity asset, and with consideration of securitised debt arrangements in some products, means that Hybrids must not be treated as low risk investments.

### **LICs**

Listed Investment Companies can adopt an Index or Sector specific investment philosophy.

In addition to the underlying asset class risk, they are subject to market risk and may be valued at more or less than their net tangible asset value.

Given this double risk overlay, LICs cannot be treated as low risk investments.

### **Managed Funds**

The universe of eligible funds is delineated by the InterPrac Approved Product List.

Managed funds represent not only investable assets but typically provide internal portfolio management expertise and administrative portfolio support services. These 'extras' may be valuable to a client and should be fairly represented in comparison to direct investment alternatives.

## Hedge Funds

Given the sophisticated investment strategies that typically underlie these products, they should be used with more experienced investors or as a minor component of a portfolio for a less experienced investor.

In a determination of portfolio risk, hedge funds must be treated as high risk, 'Other' assets as page 3.

## Guidance on Insurance Providers

All APRA licensed insurers and their respective retail (or wholesale) products are approved for use.

APRA (Australian Prudential Regulatory Authority) licensed insurance companies cover all the major insurance companies operating in Australia and meet stringent liquidity plus regulatory guidelines providing comfort that they have the capacity to cover the claims of your clients.

Advisers need to undertake their own due diligence process when selecting which life insurer is to be recommended to a client. InterPrac approves the use of all life insurance comparison tools provided by software such as LifeRisk Online, Xplan, Midwinter or AdviserLogic. Advisers who do not use this software must use the online quotation tools available from the relevant insurance products being recommended. To meet your best interest duty, you need to have at least 3 different quotes from the insurers you have selected as well as comparing against the client's current insurance providers.

Each client's specific recommendation and the chosen product you believe best meets the needs of the client based on product features, benefits and or price is then the one you should recommend.

## Consequences

Failure to practically apply the investment product principles and research requirements may result in:

- Failure to demonstrate Best Interests Duty
- Revocation of Licensee Authorisation
- Licensee imposed remedial activities

## Associated Documentation

Found of the Adviser Resource Centre website:

- InterPrac Approved Product List
- Statement of Advice Appendix text – Investor1st