**Statement of Advice (SOA) Strategy Text for InterPrac Model Portfolios**

## Recommendation

Invest $ in the InterPrac Growth/Income Model Portfolio utilising the Model Portfolio SMA accessed via the Investor 1st Superannuation/IDPS Platform.

## InterPrac Model Portfolios

The InterPrac Model Portfolios are Australian Equities Portfolios that, both launched in May 2012. The model portfolios utilise the expertise of the InterPrac Investment Committee in equity markets to provide low cost but actively managed portfolios of direct Australian Equities.

## InterPrac Income Model Portfolio

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| Designed for | The **InterPrac Income Model Portfolio** is designed for investors preparing for retirement, transitioning to retirement and in retirement who:   * Are seeking an above market average and tax effective income yield with modest long term capital growth predominantly through investment in listed Australian securities; * Are willing to accept a concentrated exposure to the Australian equity market over the medium to long term (3-7+ years); and * Are prepared to accept the potentially high-risk tolerance of this Portfolio in order to achieve the return objectives. |
| Investment objective | The InterPrac Income Portfolio aims to tax effectively meet an investor’s income needs by investing in an Australian shares Portfolio that focuses on the provision of strong levels of income through dividend receipts with some capital growth.  The Portfolio is benchmark unaware although performance may be compared against the return of the S&P/ASX 200 (TR) over a 5 year period before fees. |
| Investment strategy | The InterPrac Income Portfolio typically aims to be fully invested in listed Australian shares. However, when the Manager considers that the share market is overvalued and/or there are insufficient candidates that are considered suitable for inclusion in the Portfolio, the Manager may reduce the risk of capital loss by re-allocating portion of the invested capital away from shares towards lower risk assets and strategies. |

The InterPrac Income Portfolio has set rules it follows and whilst we believe the best period to own a share in a high quality business is forever, we take a reasonably active strategy to protect against giving back profits on investments and limiting the price we pay to own any investment.

We are benchmark unaware and look to have a somewhat contrarian approach in selecting investments for the Portfolio. We believe a Portfolio should at any one time hold no less than 10 different companies and no more than 25, believing whilst diversification is sage, any more than 25 creates ‘worsification’ of an income focussed equity portfolio.

## InterPrac Growth Model Portfolio

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| Designed for | The **InterPrac Growth Model Portfolio** investors in their accumulation phase and those in retirement who:   * are seeking strong capital growth with a moderate tax effective income yield predominantly through investment in listed Australian securities; * are willing to accept a concentrated exposure to the Australian equity market over the medium to long term (3-7+ years); and * are prepared to accept the potentially high risk tolerance of this Portfolio in order to achieve the return objectives. |
| Investment objective | The InterPrac Growth Portfolio is aimed at investors seeking a direct Australian share Portfolio focused on delivering strong capital growth and who are less reliant on regular income flows from the strategy. The Portfolio is benchmark unaware although performance may be compared against the return of the S&P/ASX 200 (TR) over a 5-year period before fees.  The aim is to achieve an 8% capital growth return per annum over rolling 5 year periods, with minimal income payments capped at a maximum average of 3% per annum. |
| Investment strategy | The InterPrac Growth Portfolio typically aims to be fully invested in listed Australian shares. However, when the Manager considers that the share market is overvalued and/or there are insufficient candidates that are considered suitable for inclusion in the Portfolio, the Manager may reduce the risk of capital loss by re-allocating a portion of the invested capital away from shares towards lower risk assets and strategies. Refer to Investment philosophy and process section for further information. |

In essence, the Growth Portfolio objective is to value the best stocks on the ASX, determine a value for each of them, buy when the price is well below that value, hold them as they appreciate in both price and value, and only sell when the price surpasses the value by a set margin. The Portfolio construction approach is benchmark unaware, value-oriented and can often be contrarian in style relative to short-term market opinion.

In addition to taking a contrarian approach when the market discounts ASX 200 companies we wish to own a share of, the Growth Portfolio also looks to invest up to a maximum of 25% of the Portfolio in smaller emerging companies that are generally too small to attract big broker research or heavy media.

Whilst we do invest in these smaller companies, when we are fully invested, the Portfolio typically holds around 80% of its exposure from companies in the ASX 200. The average weighting of 20% of listed companies outside the ASX 200 is further restricted by a maximum exposure limit of 5% to any individual ex-ASX 200 security.