

Disclosure Document

PacReef Income Today Portfolio

Managed Portfolio Disclosure Document for investors investing through the IDPS operated by HUB24 Custodial Services Ltd (HUB24) dated 1 December 2015, as updated from time to time. The Manager is PacReef Asset Management Pty Ltd (ABN 95 601 146 525) a corporate authorised representative of AVALONfs Pty Ltd (ABN 43 162 297 298, AFSL 437518) (who manages the portfolio for HUB24, investment manager and operator of the IDPS.)

Issued by HUB24 ABN 94 073 633 664, AFSL 239122 and to be read in conjunction with the IDPS Guide.
www.hub24.com.au

Managed portfolio

Managed portfolio	PacReef Income Today Portfolio
Code	PAC001
Inception date	9 April 2015
Portfolio manager	<p>PacReef Asset Management Pty Ltd (ABN 95 601 146 525) is a corporate authorised representative of AVALONfs Pty Ltd (ABN 43 162 297 298, AFSL 437518).</p> <p>The Portfolio manager is responsible for designing and managing the composition of this managed portfolio to meet the investment objectives and investment strategy detailed below.</p>
Benchmark	ASX All Ordinaries (TR) {formally known as the ASX All Ordinaries Accumulation Index}
Designed for	The Income Today Portfolio is designed for investors seeking a growing income stream over time with below market volatility from income producing Australian securities.
Investment objective	<p>The primary aim of the Income Today Portfolio is to achieve a growing income stream, including franking credits, from the investments held. The overall objective of the portfolio is to achieve a total return, including capital gains, equal to or greater than 2%pa above the Benchmark, before fees, over rolling 5 year periods.</p> <p>All income derived from this portfolio will be distributed to an investor's HUB24 cash account when received.</p>
Investment strategy	<p>The Portfolio uses a Bottom-up Value investing approach to identify the appropriate securities to be held. This investment approach aims to identify a diversified mix of securities that produce a growing income stream purchased at fair, or below fair value.</p> <p>The Portfolio will invest in ASX Listed securities and Cash within the asset allocation ranges set out below.</p>
Investment universe	ASX Listed Equities (excluding those classified as being within the GICS sectors of Energy or Metals & Mining), ASX Listed Real Estate Investment Trusts, ASX Listed Hybrid Securities and Cash.
Minimum suggested timeframe	5 years
Turnover aim	Portfolio management aims to keep turnover to a minimum and will typically rebalance the portfolio quarterly.

Asset allocation ranges		Minimum	Maximum	Neutral asset allocation
	S&P/ASX 200 Constituents	0.0	100.0	75.0
	Constituents outside the S&P/ASX 200	0.0	25.0	15.0
	Hybrid Securities ¹	0.0	15.0	5.0
	Cash	0.0	100.0	5.0
1. Issued by S&P/ASX 200 Constituents				
Investment management fee	0.66% p.a. (inclusive of GST) of the amount invested in this portfolio. This fee is deducted from your cash account monthly in arrears by the 15 th day of month end and is additional to the management costs of the underlying assets.			
Brokerage for all securities	For information about brokerage for trading securities within a portfolio which ordinarily applies, refer to the 'Additional explanation of fees and costs' in the HUB24 IDPS Guide.			

PacReef Asset Management Pty Ltd

PacReef provides a funds management overlay structure incorporating the rigor of a professional funds manager, to help advisers with portfolio construction, management, oversight and reporting. PacReef has in place the people, processes and systems to provide an industrial strength approach to constructing investment portfolios for advisers and their clients.

Investment philosophy and process

PacReef's investment philosophy is that a disciplined approach to investment selection should result in outperformance over time. PacReef believes in robust portfolio risk management whereby both the strategy and the underlying investments selected should demonstrate historical achievement of investment objectives within reasonable volatility.

Investment approach

The investment approach for the Income Today Portfolio can be categorised as Bottom up Value investing.

PacReef's approach for this Portfolio is based on the fact that long term performance is best achieved by investing in companies that produce a growing income stream (expressed as Earnings per Share). Whilst the short term movements in share prices can be unpredictable and often occur due to circumstances unrelated to the company itself, over the longer term share prices are reflections of the growing profitability of a company.

Further, by investing in companies which produce a growing income stream the overall performance of the portfolio is less reliant on share price movements and will seek to achieve a great deal of its total return from cash dividends and franking credits.

Therefore, PacReef's objective is to identify companies that offer above average earnings growth and to purchase shares and/or securities in those companies at fair, or below fair value.

The aim of this approach is to deliver above benchmark levels of income on a year to year basis with the potential for capital growth over the medium to long term.

The Portfolio is prepared to hold securities in these companies during periods where the capital value of the stock either underperforms the benchmark or falls providing that our reviews of our underlying assumptions continue to indicate that the medium to long term outlook for investment is positive. This is based on PacReef's belief that the market is often moved based on a very short term outlook for investments, whereas our strategy is focussed on the medium to long term outlook. However, should a review indicate these underlying assumptions have changed then PacReef may look to exit a stock regardless of its share price performance relative to the benchmark.

This strategy is expected to lead to lower turnover of the portfolio resulting in lower than average capital gains tax and higher than average franking credits when compared with other investment portfolios and managed funds.

Both reduced capital gains tax and increased franking credits may make this Portfolio a highly tax effective investment strategy.

The income focus of this Portfolio reduces the reliance on movements in share price to deliver positive results to investors.

The Portfolio is largely Index agnostic which means the Portfolio may experience significant tracking error when compared to the Benchmark.

Risks

Before you consider investing in this portfolio, it's important you understand the risks that can affect your investments. Investment risks may vary significantly from those set out below and will depend on the actual investments used by the portfolio.

The summary below is a guide only and it is not an exhaustive list of all the risks. For more general information about risk see the "Risks" section of the HUB24 IDPS Guide. The risks relevant to this portfolio depend on the underlying investments. For information about risks with regard to your personal situation speak to your adviser.

Diversification risk

Lack of diversification across asset classes over your entire portfolio of investments may cause your portfolio's return to fluctuate more than expected. For example, if the portfolio invests entirely in shares rather than spreading investment funds across other asset classes (such as property, cash and fixed interest), share market movements could significantly affect your investment.

Market risk

Movements in a market sector due to, for example, interest rate movements or other economic factors, may have a negative impact on your investments and/or on the returns in your portfolio. Market values can change rapidly and it's possible to lose some or all of your investment.

Foreign exchange risk

If parts of your investment are priced in a foreign currency, international factors such as exchange rate fluctuations and movements in international stock markets may affect the value of your investment. These investments may also not be hedged (protected) effectively, or at all, against exchange rate fluctuations.

Sector risk

There are risks associated with a particular industry's specific products or services due to, for example, changes in consumer demand or commodity prices. For instance, if a portfolio invests heavily in a sector such as energy, the value of your investment might change with the price of oil.

Liquidity risk

In difficult market conditions, some normally liquid assets may become illiquid. This could restrict the ability to sell them and to make withdrawal payments or process investment switches in a timely manner. For example, we might not be able to sell listed securities that are rarely traded, or that are restricted or suspended from trading. Another example might be a property trust where the underlying property (e.g. a shopping centre) takes a long time to be sold. Term deposits are generally an illiquid investment as they may not be redeemable before their maturity date, and early redemption usually results in reduced returns or a penalty.

Manager risk

Underlying investment managers for managed funds or managed portfolios may not anticipate market movements or execute investment strategies effectively. Changes in their staff may also have an impact on the performance of a managed fund or managed portfolio.

Specific asset risk

There are risks associated with specific assets, for example certain managed funds in which the managed portfolio invests may use leverage (borrowing to invest), undertake short selling (selling shares they don't actually own) or invest in sophisticated financial products such as derivatives, futures, foreign exchange contracts and options. Use of these methods and/or instruments could cause large losses in proportion to the money invested in them. Before selecting these types of assets as part of your investment strategy, you must read the relevant product disclosure statement or disclosure document.

Interest rate risk

Changes in interest rates may affect the value of interest bearing securities and shares in some companies.

Inflation risk

Your investments may not keep pace with inflation so over time, your money may have less purchasing power.

Credit risk

Your capital and/or the interest earned on that capital may not be paid due to the underlying bank or deposit-taking institution defaulting.

Derivatives and sophisticated investment products risk

The use of sophisticated financial products such as derivatives has the potential to cause losses that are large in relation to the amount invested. Some managed funds in which a managed portfolio invests use derivatives and this may imply some embedded leverage that could, under some circumstances, magnify losses. The cost of using this type of financial product may also reduce returns.

How PacReef Asset Management Pty Ltd manages risk

PacReef is unable to eliminate all investment risk, but does analyse, manage and aim to reduce the impact of risks by actively monitoring investment markets and portfolios and through the use of carefully considered investment guidelines.

Important information

Purpose of this document

This document is intended only for the purposes of providing an overview of the key features of this particular managed portfolio available via the IDPS Service operated by HUB24 Custodial Services Ltd (ABN 94 073 633 664, AFS licence No. 239 122) ('the Operator'). The information contained in this document is not intended to be a definitive statement on the subject matter nor an endorsement that this managed portfolio is appropriate for you and should not be relied upon in making a decision to invest in this Service.

Financial commentary contained within this document is provided by PacReef Asset Management Pty Ltd (ABN 95 601 146 525) a corporate authorised representative of AVALONfs Pty Ltd (ABN 43 162 297 298, AFSL 437518), who is the Portfolio Manager of this Portfolio. PacReef Asset Management Pty Ltd does not guarantee the performance of the Portfolio, the repayment of capital or any particular rate of return.

Referring to the relevant disclosure document

You must read the IDPS Guide and the Financial Services Guide for this IDPS Service available from your adviser, in particular, in relation to the risks associated with, and the amounts that may be payable for using this Service. You must speak to your adviser and obtain your own independent financial, legal or tax advice before considering whether an investment in this managed portfolio and this Service is suitable for you.

Refer to the IDPS Guide for a general overview of the general risks associated with investing in this managed portfolio via this Service.

Representations and warranties

No representations or warranties express or implied, are made as to the accuracy or completeness of the information, opinions and conclusions contained in this document. In preparing this document, the Operator has relied upon and assumed, without independent verification, the accuracy and completeness of all information supplied by or obtained from third parties.

To the maximum extent permitted by law, neither the Operator, nor its directors, employees nor agents accept any liability for any loss arising in relation to this document.

The information contained in this document does not take into account the objectives, financial situation or needs of any particular person. The Operator is not authorised to provide any personal financial advice. The investment strategy may or may not be successful and the Manager may or may not be successful in identifying investment opportunities.

The Operator, its associates and their respective directors and other staff each declare that they, from time to time, may hold interests in financial products and/or brokerage, fees or other benefits from transactions arising as a result of information contained in this Managed portfolio disclosure document.

The Benchmarks referred to above is a registered trademark unconnected with the Operator, its related parties or associates or the Manager.

Consents

The information contained within this document has been provided by PacReef Asset Management Pty Ltd who have given their consent to the statements in relation to themselves (including their name) and being included in this document. PacReef Asset Management Pty Ltd have not authorised or caused the issue of the IDPS Guide.



Sydney

Level 8, 20 Bridge Street
Sydney NSW 2000

Tel: 1300 854 994
Fax: 1300 781 689

Postal address: GPO Box 529 Sydney NSW 2001

www.hub24.com.au