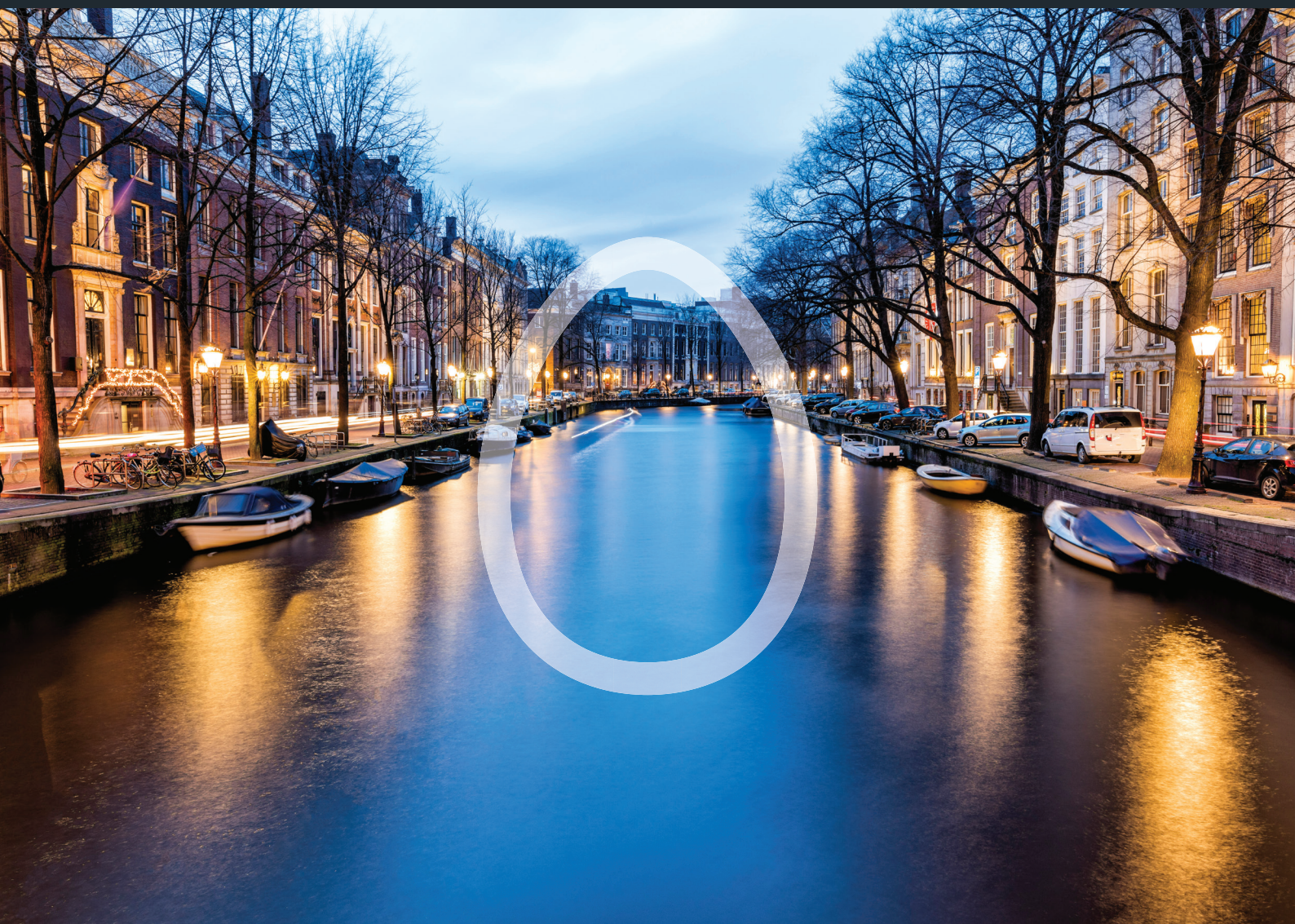


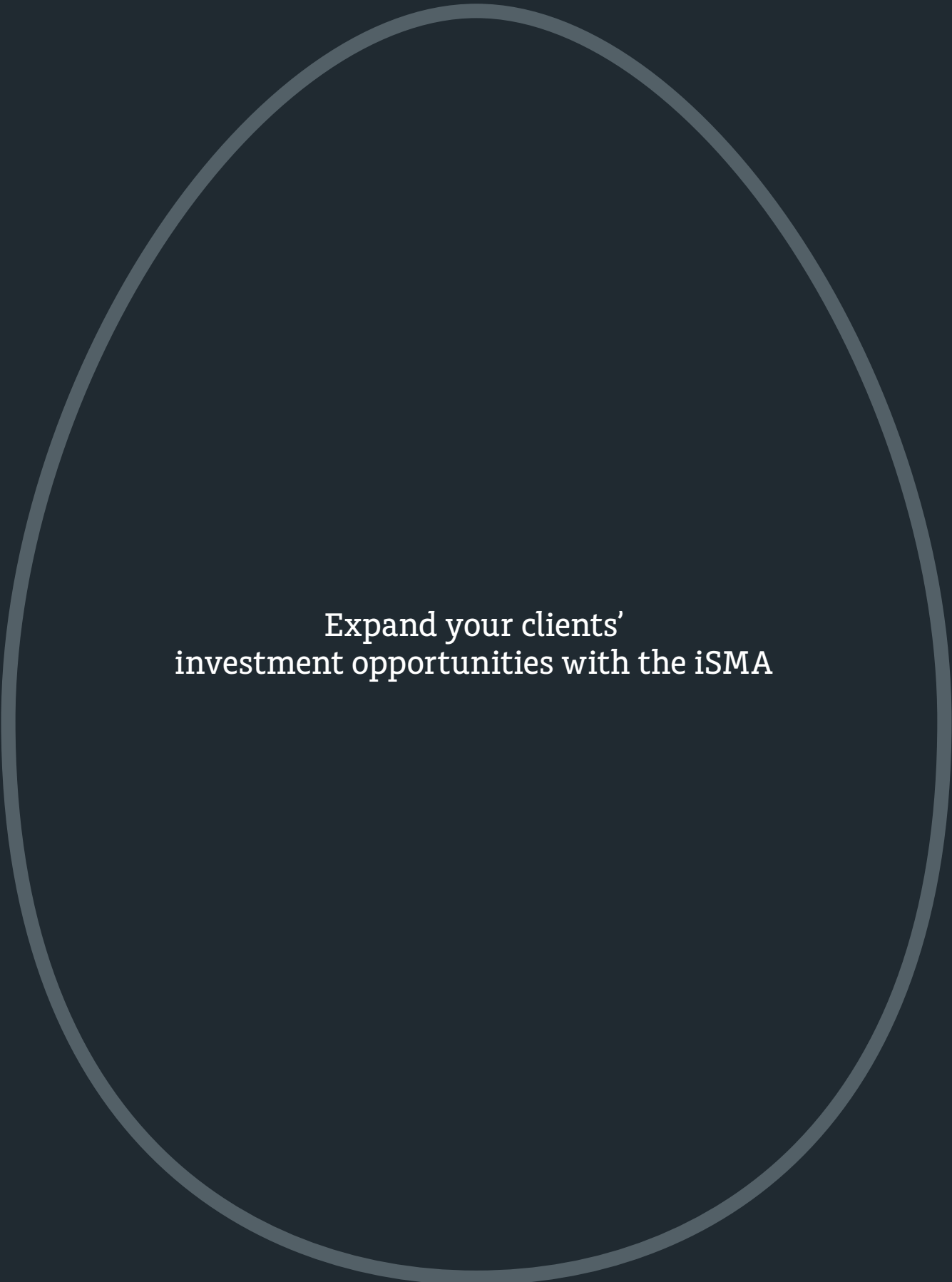


# UNDERSTANDING THE NAVIGATOR INTEGRATED SEPARATELY MANAGED ACCOUNT ('THE iSMA')

*User Guide for Advisers*

**Preparation date**  
2 May 2022





Expand your clients'  
investment opportunities with the iSMA

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# SEPARATELY MANAGED ACCOUNTS (SMAs) – AN EFFICIENT WAY TO INVEST IN A RANGE OF ASSETS

## About the iSMA

The iSMA is a way for your clients to gain exposure to a **range of assets according to a defined investment strategy and objective**. Depending on the type of iSMA model portfolio option, **they may include listed securities, managed funds and cash investments**.

Your client (or trustee for superannuation) is the beneficial owner of the underlying securities and other investments, meaning they are able to receive applicable income on those assets in the form of dividends or distributions, and may benefit from franking credits on dividends. The iSMA offers many benefits for your clients including professional management of investments, visibility of the assets held in the portfolio and the convenience of consolidated reporting.

**The iSMA is as easy to use as managed funds and allows you to:**

- manage all investments through the one platform/account
- invest through a super, pension or investment account
- choose from a range of options which vary in their investment objective, strategy, style and risk/return profile to meet your client's personal preferences and goals



# FEATURES OF THE iSMA

## 1. Click and manage all investments on the one platform

Investing in the iSMA is easy as investing in a managed fund on MLC's Wrap platform.

### How to invest into the iSMA on the platform

Consider a client who wants a managed fund and a model portfolio option using the iSMA. With our online technology, n-link, simply click the 'Add Investments' link to invest money into the model portfolio option.

Switch Details

☒ Fast Track Switch

☐ Adviser Share Transaction Fee

☐ Asset Allocation

☐ Sell Down Sequence

☐ Reinvest/Cash Sweep

☐ Portfolio Details

Tax Optimisation Mode

First In First Out

Sell

Holdings Available to Sell	Sell by Parcel	# Units Available	\$ Value Available	IMC %	% Amount to Sell	\$ Amount to Sell	# Units to Sell	\$ Share Fees and Brokerage	Est. Sell \$ Value	Cancel RBP/AF
AUSBIL Investment Trusts - Australian Active Equity Fu		9949.3952	\$33,890.62	0.90						
BlackRock Global Allocation Fund (Aust) - Class D		6831.5540	\$8,484.79	0.20						
Maple-Brown Abbott Diversified Investment Trust		5661.2622	\$12,415.15	0.95						
PM CAPITAL Enhanced Yield Fund		3817.7374	\$4,295.34	0.55						
Perennial Value Shares Wholesale Trust		7883.6092	\$10,424.50	0.92						
Platinum International Fund		5472.8547	\$11,209.50	1.35						
<a href="#">St George Bank &amp; Merch TL</a>		8500.0000	\$6,500.00	0.00						
<a href="#">SMA Blue Chip Top 20</a>			\$11,330.51	0.21						
Cash (Available)			\$747.32							
(click Holding to Sell by Parcel/View SMA)			Total Cash	\$3,768.93	Total Share Charges and Sell Value (est.)				\$0.00	\$0.00

Buy

Products to Buy	IMC %	% Amount to Buy	\$ Amount to Buy	# Units to Buy	\$ Share Fees and Brokerage	Est. Buy \$ Value	
SMA PIC Growth Moderate	0.56						<a href="#">Delete</a>
Total Share Charges and Buy Value (est.)					\$0.00	\$0.00	
Cash (to Cash Account)					\$0.00		

Add Investments

### EFFICIENCY

One of the efficiency benefits of having the iSMA model portfolio options on platform is that they are easy to manage. Many of the administration processes for the iSMA are the same as investing in a managed fund. These include:

- applications
- switches, additional investments, withdrawals and regular investment facilities
- research, and
- reports and statements.

## 2. Choice of investment manager

To give you peace of mind, we work with names you know and trust and you can choose from a range of investment managers.

### AUTOMATIC PAYMENT OF INVESTMENT INCOME

Investment income for the iSMA model portfolios is received by the iSMA as cash and initially deposited into the cash component of the respective model portfolio option. From there, some portfolios have automatic payment of investment income. This means that the investment income is then automatically directed to the investor's platform Cash Account. The multi asset portfolios that have automatic payment of investment income also give the investor the option, at an account level, to automatically redirect this investment income back into the model portfolio option.

Some portfolios do not have automatic payment of investment income. This means that the investment income will remain in the model portfolio option to be reinvested.

# OUR SINGLE SECTOR MODEL PORTFOLIOS

The iSMA model portfolios cover a range of asset classes, such as Australian listed shares, Australian listed property trusts and Australian listed fixed income:

Category	Model Portfolio name	Investment manager	Model management fee (% pa) <sup>+</sup>
Australian Equity: Diversified	Blue Chip Top 20	Antares	0.21
	Pendal Australian Share	Pendal	0.60
	JBWere Income	JBWere	0.55
	Antares Ex-20 Australian Equities	Antares	0.75
	Antares Dividend Builder	Antares	0.46
	Antares Elite Opportunities	Antares	0.62
	Ausbil Australian Concentrated Equities	Ausbil	0.92
	Redpoint Industrials	Redpoint Investment Management	0.40
	Perennial Value Shares for Income	Perennial	0.77
Fixed Interest: Australian	JBWere Listed Fixed Income	JBWere	0.55
Property: Australian Listed	Zurich Australian Listed Property	Zurich	0.81

<sup>+</sup> Other fees apply. Refer to the Product Disclosure Statement for the fees and other costs that you may be charged.

# OUR MULTI ASSET MODEL PORTFOLIOS

The iSMA multi-asset model portfolios invest in a range of assets which may include listed securities, managed funds, ETFs and cash investments:

Asset class	Portfolio name	Investment manager	Management Fee (% p.a.) <sup>+</sup>
Multi-Asset: Diversified	PIC Lifecycle Growth Moderate	Lonsec Investment Solutions	0.305
	PIC Lifecycle Growth Assertive	Lonsec Investment Solutions	0.305
	PIC Lifecycle Growth Aggressive	Lonsec Investment Solutions	0.305
	PIC Lifecycle Income Conservative	Lonsec Investment Solutions	0.305
	PIC Lifecycle Income Moderate	Lonsec Investment Solutions	0.305
	PIC Lifecycle Income Assertive	Lonsec Investment Solutions	0.305
	MLC Premium Conservative 30	MLC	0.305
	MLC Premium Moderate 50	MLC	0.305
	MLC Premium Balanced 70	MLC	0.305
	MLC Premium Growth 85	MLC	0.305
	MLC Premium High Growth 98	MLC	0.305
	MLC Value Conservative 30	MLC	0.254
	MLC Value Moderate 50	MLC	0.254
	MLC Value Balanced 70	MLC	0.254
	MLC Value Growth 85	MLC	0.254
	MLC Value High Growth 98	MLC	0.254

Multi-Asset Model Portfolios may invest in managed investment schemes which may expand your breath of investment over additional securities and trusts increasing diversification.

<sup>+</sup> Other fees apply. Refer to the Product Disclosure Statement for the fees and other costs that you may be charged.

### 3. Transparency

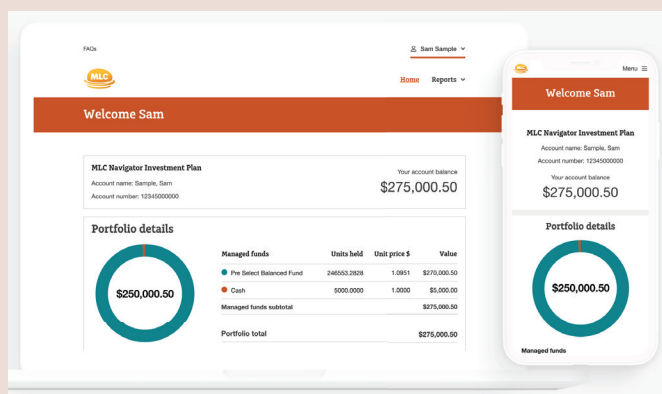
See all your clients' investments consolidated in reports and statements.

Many clients like to know which investments they're invested in. The iSMA can be an opportunity for advisers to provide greater transparency.

#### 3.1 Consolidation of investments and the iSMA

With the iSMA, all listed securities and managed funds are shown to your client on their statement and to you on the platform. The investments are updated daily with the latest information and all holdings/units are transparent. For your clients looking for more control, they can see their listed securities and managed fund/units within the iSMA model portfolio option, and can view their list of investments on their statement and in their online account.

#### A CLIENT'S VIEW



#### All investments on one statement.

It's the same reporting and the iSMA model portfolio option will appear on a client's periodic statement. The statement:

- shows all investments to the client, and
- is transparent about which assets the investment manager has chosen

#### Visibility of all investments online

- brings together all of your client's investments selected from the platform investment menu, such as the iSMA model portfolio options, term deposits, listed securities and managed funds
- provides your clients with a more complete view of their investments.

#### TIP

We've designed our statements to provide a snapshot of model portfolio holdings for your clients and for you. For example, on the periodic statement we'll show clients a summary of the iSMA model portfolio holdings.



#### IMPORTING PLATFORM DATA INTO YOUR FINANCIAL PLANNING SOFTWARE

For managed funds and direct shares, MLC gives you the option to export certain data into your financial planning software - but how will this work for the iSMA? MLC uses the industry standard, EPI 4.2 format for the iSMA, which allows us to exchange information with many third party financial planning software products.

This means you can import the following into your Financial Planning Software:

- buys and sells in and out of the model portfolio
- the value of the model portfolio trade
- the current value of the model portfolio, and
- view the underlying assets in the SMA model portfolio

### 3.2 Consolidation of corporate actions

Corporate actions can sometimes cause confusion for the more passive style of client or for clients who are new to listed securities. Investors in the iSMA will not receive communications relating to rights issues or corporate actions or provide us with any direction on how to act or vote.

We will act in accordance with the advice provided by the relevant investment manager.

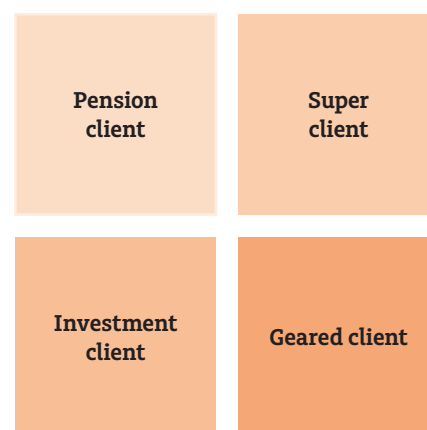
#### How the iSMA is different

1. With the iSMA, corporate actions won't be mailed to your client but will be managed by the platform, based on the advice provided by the investment manager of each model portfolio.
- 2 Your client won't be overwhelmed as they won't be receiving corporate action letters and won't need to spend time on investment matters they may not understand.
3. All decisions are made by the investment manager, who has the experience and expertise to understand this information and to seek to maximise any opportunities on their behalf.

### 4. Available to super, pension and investment clients

The iSMA is available to super, pension and investment clients.

#### Suits a range of clients



This is an opportunity to provide a new or different investment option to managed funds or listed securities.

#### What platforms is the iSMAs available on?

- MLC Wrap Super (including Series 2)
- MLC Wrap Investments (including Series 2)
- MLC Navigator Investment Plan (including Series 2)
- MLC Navigator Retirement Plan (including Series 2), and
- all badges.



## Download a consolidated portfolio balance.

The Portfolio Valuation Report and the Detailed Portfolio Valuation Report in n-link allow you to:

- **Consolidate** all total listed securities, managed funds, term deposits, cash, and SMA model portfolio investment values.
- **Highlight** all the key investments and amounts.
- **Manage** your clients details.

## View realised and unrealised gains – n-link report: **Capital Gains Estimation Summary**

The iSMA allows you to view the realised and unrealised gains of a client's portfolio.

- It **shows** realised and unrealised gains made during the year.
- It **summarises** transactions at an asset and SMA level.
- It's **useful** for client reviews at tax time.
- It's **available** anytime via n-link.

Find a client's total asset exposure – n-link report: **Asset Blending Statement**.

- **Shows** total listed securities and managed funds exposure both across the iSMA and the client portfolio.
- **Highlights** your client's exposure to individual listed securities and managed funds.
- **Is useful** for client reporting or portfolio management.

A consolidated transaction summary – n-link report: **Detailed Transaction Summary or Investment Transaction Summary**.

- **Consolidates** all total listed securities, managed funds, term deposits, cash, and model portfolio transactions.
- **Highlights** all the transaction details and decisions.
- **Useful** for client reporting or portfolio management.
- **Summary** version for simplicity.

## 7. Gearing

Gearing is available with the iSMA.

There's no difference in gearing for a managed fund or the iSMA. A client can borrow money to invest and buy model portfolio options. Gearing is available through providers that have been approved on the MLC platform but is subject to the margin lender's loan to valuation ratio (LVR). When gearing for a client, it's important to keep in mind that the process is the same across the platform. It is only available on investment accounts and there are a range of margin loan providers available offering different rates and fees.

## 8. Portability

You can easily transfer Australian listed securities and managed funds (known as 'in specie') in and out of the iSMA through our 'SMA Transfer' on n-link.

You can find the SMA Transfer button on the Portfolio Valuation page of your client's account on n-link.

### How to transfer listed securities or managed funds into the iSMA

1. Search for your client, click the **SMA transfer** button and click the asset(s) you wish to transfer (can be by parcel, percentage or units).
2. Click the **Add SMA to transfer** and select the SMA you wish to transfer the asset(s) to, then click **OK** to confirm.
3. Save, validate or print the forms for your client's signature then click **Submit** to finalise the transaction.

#### QUICK TIP

- If you use the SMA transfer option, there may be a reweight of the models required to ensure they meet the required model allocations. A sell down of some transferred assets and a purchase of others within the model may result.
- You can only transfer to one model at a time and you should check your warning messages for any CGT implications.

### How to transfer listed securities or managed funds out of a model portfolio to another model portfolio

1. Search for your client, click the **SMA transfer** button and insert the percentage or dollar amount of the existing model portfolio option you wish to transfer.
2. Click **Add SMA to Transfer** link and select either Transfer SMA Direct to Holdings or select another model portfolio and click **OK** to confirm.
3. Save validate or print the forms for your client's signature then click **Submit** to finalise the transaction.

### Transferring assets online between model portfolios

To transfer listed assets between model portfolios, you must use the SMA Transfer button.

#### QUICK TIP

##### Protecting trades at certain times

For some trades, investment managers may decide to protect or cloak their trading decisions and not 'give away' their trades until their transactions are finished.

In these instances, an investment manager may protect or cloak their trade decisions from advisers and clients. This means that during the cloaking period (which can be up to five days) any underlying assets in the model won't be visible online or in reports until after the specified period has finished.

## Additional information

### 1. Limited access to tax parcelling

Tax parcelling is a key advantage of using our platform. You can select the most tax-favourable parcel of shares or investment fund units to sell, which may not necessarily be the first one purchased, and help reduce your client's CGT liability.

There are two things to consider when looking at tax parcelling:

- **Parcelling at a platform level:**  
At a platform level, parcelling is available on the Wrap platform for all investments, so you can use this to monitor CGT on an investment by investment basis.
- **Parcelling within a model portfolio:**  
You need to be aware that you cannot control the tax parcelling of assets within the model portfolio as the trades need to be undertaken automatically by the model portfolio to ensure that each investor is in line with the model portfolio.

The iSMA model portfolios uses the 'first in first out' (FIFO) method when trading.

### 2. Re-weighting within the model portfolio

If the investment manager re-weights the model portfolio, we'll automatically implement a re-weight across each investor's investments, to reflect the changes.

### 3. The iSMA has an offer document

Just like managed funds, the iSMA has its own Product Disclosure Statement (PDS – electronic only), which you can obtain via [mlc.com.au](https://mlc.com.au)

### 4. Minimum trade size:<sup>3</sup> designed to reduce brokerage costs

A minimum trade size per listed security trade will normally apply and listed securities within your account will only be traded if the required trade exceeds the minimum trade size. The minimum trade size is equal to the greater of 0.10% of the balance of your investment in a model portfolio or \$250. This is designed to reduce the number of small share trades within your client's account and minimise brokerage costs associated with trades.

### 5. Cash held in the iSMA

Just as a managed fund will hold an allocation to cash, each model portfolio will hold cash to provide liquidity for trading, the deduction of fees, or as a tactical asset allocation decision. This cash for each model portfolio is held with an Authorised Deposit-taking Institution (ADI).

For further information on the iSMA, please speak to your Business Development Manager or call Adviser Services on 133 652.

<sup>3</sup> The minimum trade size may not be applied in the event of an initial investment into a model portfolio, withdrawals, trades as a result of a reweight initiated to bring the cash component within a model portfolio back to a balance of 1%, or where the investment manager has requested an entire holding of a share to be removed from a model portfolio.



**For more information call MLC  
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**Important information**

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