



IDPS GUIDE

Ralton Smaller Companies Portfolio

Non-Unitised Portfolio Disclosure Document for IDPS Investors dated 22 December 2011.
The Portfolio Manager is Ralton Asset Management Limited.

Issued by HUB24 Custodial Services Ltd ("HUB24") ABN 94 073 633 664 AFSL No. 239122.
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Non-Unitised Portfolio

Non-Unitised Portfolio	Ralton Smaller Companies Portfolio
Code	RAS004
Inception date	22/10/2009
Manager	Ralton Asset Management Limited (AFSL 298210, ABN 45 114 924 382)
Benchmark	S&P/ASX Small Ordinaries Index
Designed for	<p>The Non-Unitised Portfolio is designed for investors who:</p> <ul style="list-style-type: none"> • Are seeking long term capital growth from a concentrated portfolio of smaller companies, with some tax effective income; • Are seeking consistent above market returns; and • Have a long term investment horizon of at least five years and accept the risk of significant price fluctuations.
Investment objective	<p>The objective of the Ralton Smaller Companies Portfolio is to provide investors with long-term capital growth and some tax effective income from a concentrated portfolio of smaller capitalisation Australian shares. The Non-Unitised Portfolio aims to deliver a return superior to that of the market over periods of five years or longer while at the same time seeking to minimise the risk of investment capital loss.</p>
Investment strategy	<p>To invest in quality smaller capitalisation companies that are assessed as likely to provide investors with attractive long term returns, and at the time of purchase are listed, or about to be listed, on the ASX and not included in the S&P/ASX 50 Index.</p>
Investment universe	<p>ASX listed companies that are not included in the S&P/ASX 50 Index. The Non-Unitised Portfolio does not invest in derivatives.</p>
Typical number of stocks	Stock Count: typically 25 to 40 stocks
Investment management fee	0.85% p.a. including GST
Performance fee	N/A

Ralton Asset Management

Ralton Asset Management (Ralton) is part of the Armytage group, a successful boutique investment specialist majority owned by members of its investment team and senior executives. Founded in 1997, Armytage is a pioneer in Australia's investment industry, offering a suite of actively managed SMAs, IMAs and managed funds. The group currently manages portfolios on behalf of a wide range of Investors, including charitable trusts, corporations, superannuation funds, family trusts and individuals.

Ralton specialises in the active management of Australian share portfolios and its disciplined, value-oriented investment approach has delivered strong and tax-efficient returns since inception. From the very beginning, their objective has been to design and build high quality, value-adding Investment Portfolios. They have achieved this by packaging the investment services in a managed account structure offering investors professional portfolio management with all the benefits of direct share ownership.

The Ralton investment team is well resourced and consists of experienced professionals with diverse backgrounds, all sharing a talent and passion for investing. This unique blend of experience and ability promotes insightful analysis and debate and brings a high degree of rigour to Ralton's fundamental research-driven investment process.

Investment philosophy

Ralton's proven investment approach has been designed to identify quality businesses that are trading at a considerable discount to valuation, and is guided by the following fundamental beliefs:

- Markets are not perfectly efficient and the true value of a business is not always reflected in its share price;
- Undervalued companies can be identified through detailed and intensive research; and
- Capital preservation is critical to wealth creation.

The companies that Ralton typically invests in are those with strong and reliable management, good profit and dividend growth expectations, reasonably predictable future profits and cash flows, and a very clear business model. In contrast, Ralton tends to avoid investing in businesses that lack pricing power in

their relevant market, or are higher risk, early-stage research and development or exploration based companies.

A Three Stage Investment Process

Intensive bottom-up research is the cornerstone of the entire process supplemented by top-down economic and thematic views. The process is disciplined and consistently applied using a number of proprietary qualitative and quantitative techniques to ensure that targeted companies have been thoroughly scrutinised.

Stage 1: Defining the Investment Universe

The first stage of the process is to narrow the number of stocks in the investment universe by applying a number of screens. This approach systematically eliminates companies that do not meet certain minimum standards, allowing the investment team to focus more intensely on companies of potential interest.

Stage 2: Bottom-up Fundamental Company Research

Ralton's research programme is focused on understanding the key drivers of business performance and returns, namely people, operations, products and services and market dynamics. For companies remaining in the investment universe, Ralton undertakes a detailed assessment of executive management, interviews competitors and suppliers, reviews financials and forms a clear view on the outlook for the company's industry.

Stage 3: Portfolio Construction

Risk management and capital preservation are key themes underlying the portfolio construction framework. With a focus on actively managing downside portfolio risk for Investors Ralton constructs an efficiently diversified portfolio of high quality, undervalued companies, and invests for the long term (typically at least 3 to 5 years) in an effort to maximise after-tax returns.

Risks

This summary is a guide only and is not an exhaustive list of all the risks.

Diversification risk

Lack of diversification across asset classes (for example shares, property, cash, fixed interest) over your entire portfolio of investments may result in more volatility of your portfolio return.

Market risk

Movements in a market sector, due (for example) to interest rate movements, or economic factors may have a negative impact on your investment and/or on the returns generated by your investment. Market values may be volatile and loss of capital may occur.

Global risk

International factors such as exchange rate fluctuations and movements in international stock markets may affect the value of your investment if they are priced in foreign currency. Additionally, these investments may not be hedged effectively or hedged at all from exchange rate fluctuations.

Sector risk

Risk associated with a particular industry's specific products or services due (for example) to changes in consumer demand or commodity prices.

Liquidity risk

We may be unable to sell underlying investments in a timely manner, for example illiquid Securities that are rarely traded on the ASX or are restricted or suspended from trading may not be able to be sold, or property trusts where the underlying property asset requires a considerable amount of time to sell.

Specific asset risk

Risks associated with specific assets, for example certain investments may use leverage, undertake short selling or invest in sophisticated financial products (i.e. derivatives, futures, foreign exchange contracts and options), and such use may potentially cause losses that are large in proportion to the money invested in them. Before selecting any investment as part of your Investment Strategy, you must read the

relevant product disclosure document which will provide more details.

Inflation risk

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

How Ralton Asset Management manages risk

Ralton is unable to eliminate all investment risk, but does analyse, manage and aim to reduce the impact of stock specific risk by actively monitoring the companies within its portfolios, and through the use of carefully considered investment guidelines.

Important information

This document is intended only for purposes of providing an overview of the key features of the Non-Unitised 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 Non-Unitised Portfolio is appropriate for you and should not be relied upon in making a decision to invest in the Service.

Financial commentary contained within this document is provided by Ralton Asset Management Limited (AFS Licence No.298210), who is the Portfolio Manager of this Portfolio. Ralton Asset Management does not guarantee the performance of the Portfolio, the repayment of capital or any particular rate of return.

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, the Service. You must speak to your Adviser and obtain your own independent financial, legal or tax advice before considering whether an investment in this Non-Unitised Portfolio and the Service is suitable for you.

Refer to the IDPS Guide for a general overview of the general risks associated with investing in this Non-Unitised Portfolio via this Service.

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and the Manager may or may not be successful in identifying investment opportunities.

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