

Financial Services Guide



Australian Financial Services Licence No. 237 435

Effective as at 29/01/2007

This document forms part of a Financial Services Guide

WHY YOU SHOULD READ THIS GUIDE

This guide is designed to assist prospective clients decide whether to use any of the services offered in this guide. It contains information about the following:

- The types of services offered by Capricorn Investment Partners;
- How Capricorn Investment Partners Limited and its related parties are remunerated;
- How complaints against Capricorn Investment Partners are dealt with;
- Our privacy statement.

The Financial Services Guide (FSG) comprises the following:

- This general document;
- A Supplementary FSG outlining what to expect from Capricorn Investment Partners Limited;
- A Supplementary FSG outlining fees and the remuneration schedule;
- A Supplementary FSG containing an advisor profile;
- A separate privacy statement.

If you decide to have us do work for you (unless it is simple execution only trading, which see below), you will also receive a Statement of Advice (formally, Financial Plan), background research and relevant product disclosure statements. This is further explained in "What to Expect from Capricorn Investment Partners" below.

ABOUT CAPRICORN INVESTMENT PARTNERS LIMITED

Capricorn Investment Partners Limited is an unlisted public company offering fee for service finance advice for clients throughout Central Queensland and beyond.

Capricorn Investment Partners Limited holds an Australian Financial Services Licence Number 237 435, issued by the Australian Securities and Investments Commission. The company is a non-broker participant of the Australian Stock Exchange.

Capricorn Investment Partners Limited is not contractually or implicitly obliged to sell products of any other firm. We will only recommend financial products and services that we believe are suitable for meeting client needs. We act for you when providing financial advice or recommending financial products and services.

Capricorn Investment partners Limited places a high value on its reputation and prides itself on the quality of advice provided by its professional staff. A key objective of the firm is to add significant value to the financial affairs of its clients.

Who will be responsible for the advice given to me?

Your advisor will be acting on behalf of Capricorn Investment Partners Limited. If advisory services are provided by a related party, an accountant for instance, they will be operating in the capacity of Authorised Representative. In either case Capricorn Investment Partners is liable for any advice your advisor provides.

What advisory services are available to me?

Capricorn Investment Partners Limited is licenced to advise on the following financial products and services:

(a) *provide financial product advice for the following classes of financial products:*

(i) deposit and payment products limited to:

- (A) basic deposit products;
- (B) deposit products other than basic deposit products;

(ii) debentures, stocks or bonds issued or proposed to be issued by a government;

(iii) interests in managed investment schemes including investor directed portfolio services;

(iv) retirement savings accounts ("RSA") products (within the meaning of the Retirement Savings Account Act 1997);

(v) securities; and

(vi) superannuation.

(b) *deal in a financial product by:*

(i) issuing, applying for, acquiring, varying or disposing of a financial product in respect of the following classes of financial products:

(A) deposit and payment products limited to basic deposit products and deposit products other than basic deposit products;

(B) debentures, stocks or bonds issued or proposed to be issued by a government;

(C) interests in managed investment schemes excluding investor directed portfolio services;

(D) retirement savings accounts ("RSA") products (within the meaning of the Retirement Savings Account Act 1997);

(E) securities; and

(F) superannuation;

(ii) applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of the following classes of products:

(A) deposit and payment products limited to basic deposit products and deposit products other than basic deposit products;

This document forms part of a Financial Services Guide

- (B) debentures, stocks or bonds issued or proposed to be issued by a government;
- (C) interests in managed investment schemes including investor directed portfolio services;
- (D) retirement savings accounts ("RSA") products (within the meaning of the Retirement Savings Account Act 1997);
- (E) securities; and
- (F) superannuation; and

(iii) underwriting:

- (A) interests in managed investment schemes; and;
- (B) an issue of securities;

(c) *provide the following custodial or depository services:*

- (i) operate custodial or depository services other than investor directed portfolio services; to retail and wholesale clients.

Our process involves:

- Assessment of financial planning needs
- Development of detailed financial plans
- Portfolio management and administration
- Ongoing financial monitoring and review services.

We also undertake ad-hoc projects on request.

WHEN YOU RECEIVE OUR ADVICE

Do I receive information about brokerage and other benefits my advisor receives from making the recommendations?

Yes. You have the right to know about details of brokerage and other benefits your advisor receives for recommending investments. At any time you may request from your advisor the basis of their remuneration. Explicit information about the overall cost of our service is always included in the Statement of Advice that we prepare for you.

Will you give me advice that is suitable to my investment needs and financial circumstances?

Yes. But to do so we need to understand your individual investment objectives and financial situation before we recommend any investment to you.

You do not have to divulge this information to us. However, we are required to warn you about the possible consequences of us not having your full personal information and request that you read and listen to such warnings carefully.

What risks are associated with the investments or investment strategies you recommend to me?

Equity securities, fixed interest securities and property investments can all decline in value as well as appreciate. The measure of this change in value is often referred to as volatility, i.e. the more the value varies over time, the more volatile the asset is and therefore the more risk involved in investing in it. On the other hand, in general, the less volatile an asset is, the less likelihood there is for any significant capital gain or loss from investing in that asset.

Equity securities are generally more volatile than other asset classes, however, the markets for other asset classes may not be as efficient or transparent as the stock market in terms of the information available to investors and the process for continuously determining and making public the real market value of the particular asset. For this reason the real volatility of those assets is often not fully appreciated.

In general, the risks of investing in equities can be categorised as follows. Please note that the lists below are shown by way of example and do not cover every possible risk.

- **MARKET RISK**

This is the risk of loss by reason of movements in the share market generally. These can be caused by any number of factors including political, economic, taxation or legislative factors. Specific examples are changes in interest rates, political changes, changes in taxation or superannuation laws, international crises or natural disasters.

- **GLOBAL RISK**

This is the vulnerability of the company to international events or market factors. These would include movements in exchange rates, changes in trade or tariff policies and changes in other stock or bond markets.

- **SECTOR SPECIFIC RISK**

This includes demand for the product the company produces, commodity prices, the economic cycle of industry, changes in consumer demands, lifestyle changes and changes in technology.

- **SPECULATIVE RISK**

If your investment advisor describes a security as speculative, you should be fully aware that this means that the value of the security could rise and fall significantly. Many oil, mining and technology stocks are by their very nature speculative. You should not invest in a speculative security unless you understand the risks involved and are prepared to accept any resulting loss.

This document forms part of a Financial Services Guide

• SPECIFIC ASSET RISK

This includes the company's directors, the strength of the company's management and the significance of any key personnel, the company's profit history, the company's tangible asset base, debt level and fixed cost structure, litigation, profits or losses on particular contracts, drill results, competition from within the sector, and whether the company already has a profitable business or whether it is exploring for recoverable resources or is developing a new product.

• LIMITATIONS OF RESEARCH

The research undertaken by investment advisory firms is basically the opinion of specialist analysts. It can never be guaranteed, is only valid for a limited time and is often subject to market movements. For example, for short term investors a buy recommendation could turn into a sell recommendation where the market price of a stock appreciated by a small amount. For a prospective longer term investor this market movement may not be significant, although a larger movement might be. The mere fact that a stock is recommended by an analyst as a "Buy" does not necessarily mean that the stock is a suitable investment for you and you should consult with your advisor before acting on any research report.

What information do you maintain in my file & can I examine my file?

We maintain a detailed record of your transaction history and also your financial situation and needs as provided to us.

We also maintain records of any recommendations made to you.

You are able to view the contents of your file on request.

Can I determine how I wish to instruct you to buy or sell my investment?

Yes. You may specify how you would like to communicate instructions to us. For example, by telephone, facsimile, email or other agreed means.

Financial planning clients can expect to receive written advice on all matters directly related to their plan. Where in the first instance time considerations prevent providing written advice, we will follow up our verbal advice with written confirmation.

Clients who simply place orders to buy or sell securities through Capricorn Investment Partners Limited may receive "execution-related telephone advice". Such clients are entitled to request a record of any advice provided over the telephone. The request must be made in writing, and received by The

Manager, Internal Audit within 90 days of the verbal advice being received. Contact details appear below.

IF YOU HAVE A COMPLAINT

Who do I contact should I have a complaint?

Capricorn Investment Partners Limited values your business and should any complaint or dispute arise, you should take the following steps:

1. Contact your advisor and inform him/her of your complaint.
2. If your complaint is not satisfactorily resolved within 3 working days, please write to:

Mr Ted Scott,
Human Factor Australia
PO Box 1410
Rockhampton Qld 4700.

Human Factor Australia is contracted by Capricorn Investment Partners Limited to provide our clients with a quick and convenient avenue for dispute resolution for our clients.

3. If you still do not obtain a satisfactory outcome, you have the right to complain to the Financial Industry Complaints Service Limited (of which we are a member) on 1300 780 808 or in writing to:

PO Box 579
Collins Street West
Melbourne Vic 8007

The Australian Securities and Investments Commission can also be contacted on 1300 300 630 if you have a complaint or wish to obtain information about your rights.

This document forms part of a Financial Services Guide

WHAT TO EXPECT FROM CAPRICORN INVESTMENT PARTNERS

The following paragraphs describe what to expect when you have Capricorn Investment Partners Limited do work for you.

- **FIRST MEETING**

The first meeting is an opportunity for us to get to know you and for you to decide whether you want us to do work for you. We will broadly discuss issues relating to your needs and will be interested in finding out about you as a person. We will tell you about our services and fees. During the first meeting some people decide they want us to do work for them; if so we may start collecting data or we may arrange another meeting. Other people go away and think about what we have talked about and call us if they want to continue. It's up to you.

- **DATA COLLECTION**

The next step is to collect all the data that will help us to develop a Financial Plan, formally known as a Statement of Advice. This involves answering questions relating to your current financial situation, your objectives and the risks you are prepared to take. Special effort is required regarding current expenses and answering questions relating to your risk profile. It is useful to bring tax returns, superannuation statements and investment details with you. If your data is in a mess, just give us the pile and we will sort it out. Once you have signed the form for us to go ahead you are obliged to pay us the plan fee (described below).

- **WRITING THE STATEMENT OF ADVICE**

A Statement of Advice (Financial Plan) can take anywhere between one and six weeks to complete, depending on workload at the time and the complexity of the work. We will often call you to collect further information, and we may contact your accountant or your solicitor. Often we will contact the Australian Taxation Office or Centrelink, and getting the right information can take time.

- **PRESENTING THE STATEMENT OF ADVICE**

Once the plan is complete we will present it to you as a draft. This is your opportunity to comment on the contents and have it changed. It is also an opportunity for us to test what we have written against what you require. We will make as many changes as necessary so that you are completely happy with what we are doing. Most people take the plan away and read it.

In addition to the Statement of Advice you will receive research and Product Disclosure Statements (PDS) relating to any investments or financial products we

recommend. These documents contain information on which we have based our recommendations and in the case of a PDS, more detailed information about product costs. This information is summarised in the Statement of Advice.

- **IMPLEMENTING THE PLAN**

When you are happy with the plan, then you will be asked to sign an Authority to Proceed. This authorises us to take the steps necessary to implement the plan, including purchase of any investments or investment structures. Once you sign the Authority to Proceed you are obliged to pay the implementation fee (described below).

Implementing the plan can take some time – often several months. The roll-over of superannuation assets into a self-managed super fund will take at least 9 weeks for example. We will not invest your money without careful thought. That means waiting for market lows, and not purchasing investments that appear too expensive. We may contact you if large alterations to the plan are necessary. While this can cause delays, our experience is that careful purchasing is well rewarded.

Once the plan is fully implemented you will receive a letter confirming that it is all set up.

- **ONGOING CARE**

The ongoing management service is designed to relieve you of the chores of looking after an investment portfolio, while retaining maximum flexibility. Formally you can have two meetings with us per year, but in practice many clients drop in whenever they have a question. We will contact you if there is anything new to tell you about, particularly if we have a concern about the portfolio, or if there is a new investment we think you should know about. Under the ongoing care service we undertake to work with your accountant and deal with tax and social security matters.

Our goal is to have you as a long-term client. Many of our clients have developed into “business friends”.

Certain elements of the ongoing care service fall under ASIC's definition of Managed Discretionary Accounts. (MDA) Specifically, you authorize us to manage your investment as per the Statement of Advice (SOA) that we have prepared for you. This includes substituting recommended investments for investments with similar characteristics, if the price or other circumstance suggests that making the original investment is not in your interest. Although we extensively research any investment opportunity, there is a risk that we may misjudge the characteristics of a similar investment. ON the other hand, the substitute could perform better than the original recommendation. Substitution is only

This document forms part of a Financial Services Guide

undertaken within the parameters of the SOA, and in particular, your risk profile.

If you elect to have your investments managed under our ongoing care service, then you must sign an MDA/Custodian Contract. This must be signed before we can provide the service to you. The terms under which we will manage your investments are set out in the MDA/Custodian contract.

The Statement of Advice provides the guidelines under which your portfolio will be managed. It complies with Division 3, of Part 7.7 of the Corporations Law and contains the following:

- Statements about the nature and scope of the discretions we will be authorised to and required to exercise under the MDA contract, and any investment strategy that is to be applied in exercising those discretions;
- Information about any significant risks associated with the MDA contract;
- The basis on which we believe that a MDA is suitable for you;
- Warnings to the effect that inaccurate information provided by you, or changes in personal circumstances may render the contract unsuitable.

Your financial advisor will be responsible for reviewing the investment program we have recommended to you. This is further explained in the Statement of Advice that we will prepare for you.

It should be noted that an independent auditors report is issued to ASIC on an annual basis. This expresses an opinion on the adherence of the MDA to internal controls and whether the aggregate of assets, liabilities, revenue and expenses for the year under review, has been properly reconciled to the corresponding amounts shown in the reports prepared by the MDA.

The information contained in this section complies with the requirements of ASIC Class Order 04/194.

UNDERSTANDING OUR FEES

Fees and charges are negotiated between you and your advisor. The first consultation and any associated documentation is free. If you ask us to continue to work for you charges apply as follows:

- A minimum fee of \$1,050 relating to the development of the Statement of Advice. This fee is due when you agree to have us write the Statement of Advice and is payable after the Statement of Advice is presented to you;
- A set-up fee of 1.4 per cent of invested assets covers set-up costs including brokerage payable to third parties. Invested assets exclude those that you already own or assets held in cash. This fee is due when you agree to have the plan implemented

and is payable as part of the implementation process. We may deduct payment in installments (half now, half later for example) if implementation is expected to be a lengthy process;

- A portfolio administration fee is paid when the client elects to have Capricorn Investment Partners Limited administer the investment portfolio. The fee is based on a sliding scale and is paid in monthly installments. A client with \$200,000 under advice will pay a maximum fee of say 1.5 per cent, while a portfolio of \$1 million will attract a maximum fee of 0.98 per cent. The fee is paid monthly with money deducted from your Cash Management Account.

All fees quoted include GST. We normally rebate all commissions relating to managed funds, but in certain circumstances may receive ongoing commissions from various providers of investment products, including managed funds and margin lending services. These are typically in the range of 0 to 0.5 per cent of the value of the investment. These commissions are paid directly from the service provider and do not represent an additional cost to you.

Costs additional to those described above will be incurred where specialist advice such as accounting, complex superannuation or legal advice is needed. They also arise if you set up an entity such as a company or a trust. These charges will be billed at cost. The exact fees applicable to your particular situation, and a close estimate of total ongoing costs are detailed in your Statement of Advice.

The advantage of our fee structure

Many investment professionals charge you fees and accept up-front commissions from the fund manager. These commissions are usually in the range of 3 to 4 per cent of the funds invested. They are taken off the value of your investment when your application is lodged with the investment manager. Further many advisors will charge you brokerage for setting up a portfolio in addition to the planning fee. Our charges include all brokerage and set-up costs.

Except as indicated above Capricorn Investment Partners Limited will bear all costs associated with establishing and managing your investment. Clients who are managed under our ongoing review service also receive a number of significant ongoing cost benefits including:

- Discounted share brokerage;
- Additional analysis when required;
- Preferential access to floats and other sharemarket opportunities.

What do advisers receive?

This document forms part of a Financial Services Guide

Employees of Capricorn Investment Partners Limited are not remunerated with respect to client revenues.

If you have been referred to us by a third party or if you are using an Authorised Representative (someone operating under our licence, but who runs their own business – an accountant for instance), we may pay that person a fee for providing the service to you or for referring you to Capricorn Investment Partners Limited. The amount that we pay depends on how much work that person does.

A person providing a mere referral will be entitled to receive:

- \$180 for data collection;
- 15 per cent of set-up fees after brokerage and other costs;
- 15 per cent of ongoing fees where the client elects to have their funds administered by Capricorn Investment Partners Limited.

An authorised representative that takes on the responsibility for looking after your affairs will be entitled to receive:

- \$410 for plan development
- 50 per cent of set-up fees after brokerage and other costs
- 50 per cent of ongoing fees where the client elects to have their funds administered by Capricorn Investment Partners Limited.

PRIVACY STATEMENT

The purpose of this Privacy Policy Statement is to provide you with the assurance that information collected by Capricorn Investment Partners Limited (ABN 16 067 765 717), is collected, distributed and used in accordance with the privacy laws effective 21 December 2001.

Described below is an outline of how Capricorn Investment Partners Limited:

- collects information
- discloses information
- ensures the security of your information stored on our computer systems
- will assist you in exercising your rights regarding personal information provided to us

Personal information collected

The following personal information is collected and maintained by Capricorn Investment Partners Limited:

- name
- address

- age
- account numbers
- contact details
- employment details
- financial assets and income details
- insurance cover
- tax file number

We may also forward marketing material to you, however, should you wish to discontinue receiving any further marketing material, you can request in writing for Capricorn Investment Partners Limited not to send you any marketing information.

We do not collect information about anyone's political or religious beliefs, ethnic background or sexual preferences, unless it is specifically related to the work we are doing for you.

Disclosure of personal information

To ensure that you receive effective, efficient and personalised service, we may have to share your personal information with other subsidiaries of Capricorn Investment Partners Limited. However, we will not share your personal information with other subsidiaries if you instruct us in writing to retain your information.

Capricorn Investment Partners Limited undertakes not to sell, rent or trade your personal information.

We will not disclose information about you unless the disclosure is:

- required by law;
- authorised by law; or
- you have consented to our disclosing the information about you.
- we need to protect our interest (e.g. in legal proceedings to which we are a party).
- the disclosure is required in the public interest.

Disclosure of personal information to Third Party agents

Capricorn Investment Partners Limited uses the services of third party agents to perform certain primary functions. Third party agents that we use are:

- Stockbrokers
- Asset Managers
- Administrators of WRAP accounts
- Insurance Underwriters

These agents act on behalf of Capricorn Investment Partners Limited and do not disclose the information provided to them to fourth parties, unless required by law or after having received direct consent from you.

This document forms part of a Financial Services Guide

Maintenance of Personal information

It is the objective of Capricorn Investment Partners Limited to ensure that your personal information is accurate, complete and up-to-date. However, should your personal information details change or be incomplete or inaccurate, we would appreciate it if you could assist us by informing us of such changes. We will take all reasonable steps to update your personal information.

Security of personal information

Under no circumstances is client information accessible in public areas. Our staff are trained to ensure that confidential information is only disclosed to the client or other parties authorised by the client to receive such information.

All staff sign a confidentiality declaration confirming that under no circumstances will they disclose client information to outside parties unless authorised to do so.

Capricorn Investment Partners Limited's computer systems are appropriately secured by a combination of physical and logical access controls so as to prevent outside access to client information.

Access and openness to personal information

You can ask us to provide you with access to your personal information. Lodging a request or requests for information, or information that is not currently in use, will not attract a fee, however collecting and providing you with large amounts of information may attract a fee. In certain instances, we are entitled under the National Privacy Principles to refuse to give you access to your personal information. This includes circumstances where giving you access would prejudice negotiations we are having with you, prejudice investigations of unlawful activity or prejudice activities carried out by or for a law

enforcement agency. If we deny your request for access, we will inform you of the reason.

Conditions

The nature of the financial planning process means that we will be collecting personal information about you for the purposes of either / and / or:

- Assessing your risk profile and needs to provide you with the appropriate insurance cover or quote
- Assessing your investor profile and needs to provide you with the appropriate advice, plan or product
- Complying with legislative and regulatory requirements
- Administrative and operational procedures
- For new product development
- Benchmarking
- Security and access control
- Direct marketing, i.e. to inform you of any new products and developments which may be of benefit to you`
- To deliver superior service
- As indicated in this policy

Without the provision of your personal information Capricorn Investment Partners Limited may be unable to provide you with accurate information regarding insurance cover or financial planning advice.

By signing the acknowledgement contained in the Data Collection and Needs Analysis, you agree and consent to Capricorn Investment Partners Limited using or disclosing the personal information it collects from and about you for the purposes set out herein.

Changes to this statement

Capricorn Investment Partners Limited may make changes to this Privacy Statement from time to time for any reason. This Privacy Statement was last amended on 16 May 2006.



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