

Frequently Asked Questions for clients

An IMA is an Individually Managed Account.

In contrast to a traditional managed fund, an IMA offers you a degree of control over the content of your portfolio and visibility of the underlying investments. It also offers you personal choice in constructing your portfolio, as well as tax benefits.

How much control do I have?

Because you directly own the investments, you have total control to vary your investment strategies in consultation with your adviser.

Can I access my money when I need it?

Yes. Listed investments can be sold quickly, providing easy access to your capital.

What about entry and exit costs?

We do not charge any entry or exit costs for using this service.

How does Dalton Nicol Reid choose the portfolio stocks?

Just as in managed funds, the investment process undertaken by **Dalton Nicol Reid** is thorough and precise. Research data from a wide range of sources is considered. We select a portfolio of 15 to 30 shares, according to your personal model. Your portfolio may also include existing shares held in your name, or other asset classes such as property trusts, fixed-interest securities, or international investments.

What are the tax implications of the product?

Tax implications will vary, depending on your individual circumstances. There is no doubt that an IMA gives you more flexibility in tax planning than other managed funds because of the direct ownership of the investment portfolio. Capital gains tax is not inherited in an IMA, and portfolio returns can be enhanced by including franking credits.

How safe is my investment?

Dalton Nicol Reid has over \$600M FUM (funds under management). ANZ nominees holds the underlying assets beneficially on your behalf. Integrity of process is ensured by an external audit. Our cash account allows solely for purchasing and selling of securities on behalf of clients. Transactions are visible via the client log-in on the **Dalton Nicol Reid** website. Quarterly reports to clients include details of all transactions within the portfolio for that period.

You should always consider that market investments are typically volatile. Individual circumstances and suitability for this investment strategy should be discussed with your adviser.

What are the safeguards?

Dalton Nicol Reid has several safeguards in place to ensure the security of your investment. Firstly, the ANZ custodian holds shares and cash on your behalf. You retain beneficial ownership of the shares, and no shares are held in the name of **Dalton Nicol Reid**, which reconciles on a daily basis with ANZ. This ensures accurate, daily, web-based access to your portfolio position. Secondly, independent external auditors review all procedures and holdings, and ensure correct and true client reporting. The auditor's report is issued annually, in September, along with the transaction statement for the preceding year.

What fees are charged?

Please consult the separate information sheet regarding fee structure.

Where does Dalton Nicol Reid get their research data?

An in-house research process uses sophisticated modelling to assess the earning capabilities of each company chosen for investment. Investment committee members visit companies directly to check on the veracity of company claims. In addition, we use research from a large number of other sources, including major broking houses. All our investment decisions are independent.

Our investment process includes a quantitative assessment of the value of each stock, and its ultimate earning potential. Once identified by this screening as being attractive, each stock is analysed from a qualitative perspective. We carefully scrutinise the ability of a company to meet the expectations of the market. This analysis involves looking at all aspects of the stock, including: the economics of the underlying business ('top down'); its competitive dynamics; and company issues such as internal management and gearing. We also use other investment tools (SWOT, Porter analyses).

Further investigation may involve looking at free cash estimates or discounted cash flow valuation models, or sensitivity testing. We often contact senior management of a company directly, or participate in company analyst briefings after major events.

The particular stock will only then be considered for inclusion in the portfolio as a whole, with further consideration of individual profiles and exposure taken into account before recommendation to a single client.

What is the back-up for Dalton Nicol Reid's portfolio managers?

Our experienced team of investment committee members is protected by 'key-man' insurance, which would provide for additional expertise in the event of illness or injury within the team.