

# SCM

Strategic Capital Management Ltd

## Optimal Choice

A Suite of Sector Specific Funds  
Product Disclosure Statement



“Our background is asset consultancy to large organisations, which demand nothing less than an individual approach to investment. We are now making the same sort of expertise available to investors like you.”

ABN 31 092 936 902  
Australian Financial Services Licence No: 245580  
Level 23, 1 Market Street, Sydney NSW 2000  
[www.scm.net.au](http://www.scm.net.au)

## How to use this Product Disclosure Statement (PDS)

This Product Disclosure Statement provides information on the five Optimal Choice Sector Funds.

**Part 1** – The benefits of investing in the Optimal Choice Sector Funds are explained as well as the features of the Optimal Choice Sector Funds, the basic risks of investing and how SCM invests your money.

**Part 2** – Specific details on each of the Funds begin on page 13. An in-depth view of each Fund is provided.

**Part 3** – Describes how to invest in the funds, the fees we charge and your rights as an investor. We also provide an outline of tax and social security considerations. Step-by-step instructions are provided on page 33 to assist you to make an investment.

You will also find a glossary of financial terms we use in this Product Disclosure Statement on page 39.

## Important Notices

- Throughout this Product Disclosure Statement (PDS) references to “SCML”, “SCM”, “Responsible Entity”, “we”, “us” or “our” are references to Strategic Capital Management Ltd, Australian Financial Services Licence No: 245580 and references to “you” or “your” are references to unitholders (and, where the context requires, prospective unitholders) in the Optimal Choice Sector Funds (“the Funds”). The Funds comprise:
  - the Optimal Choice Cash Fund (ARSN 095 882 974);
  - the Optimal Choice Coupon Securities Fund (ARSN 095 881 173);
  - the Optimal Choice Property Fund (ARSN 095 882 474);
  - the Optimal Choice Australian Equities Fund (ARSN 095 882 385); and
  - the Optimal Choice International Equities Fund (ARSN 095 883 186).
- All monetary amounts referred to in this PDS are, unless specifically expressed to the contrary, references to Australian dollars.
- This PDS has been issued by Strategic Capital Management Ltd and has been prepared on 10 May 2004.
- Neither SCM nor any company associated with SCM guarantee the performance of the Funds, the payment of income or the repayment of money invested in the Funds. Investments in the Funds are not deposits or other liabilities of SCM nor of any other member of the SCM group. You should be aware that an investment in the Funds is subject to investment risk which may result in loss of income and capital invested.
- Past performance should not be taken as an indicator of future performance.
- The information contained in this PDS is general information and does not take into account your individual objectives, financial situation or needs. You should assess whether the information is suitable for you and consider talking to a professional financial adviser before deciding to invest in the Funds.
- The offer constituted by this PDS in electronic form will only be available to persons receiving the PDS in electronic form within Australia. SCM will send you a paper copy of the PDS free of charge if you request it.
- This PDS is up-to-date as at the date of this PDS. The information in this PDS is subject to change. If the change is not materially adverse, we may publish the updated information on our website, and you can ask us for a free copy of the updates.

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# Welcome to Optimal Choice

## Overview

The Optimal Choice Sector Funds are a range of five sector specific managed investment funds (the “Funds”) designed to offer clients access to professionally managed investments. The Funds are an ideal platform to implement your investment plan in collaboration with your Financial Adviser.

Sector specific funds provide you and your financial adviser with the flexibility to develop your own blend of asset sectors within your own tailored portfolio to achieve your desired objectives. The Optimal Choice Sector Funds are managed using our “best of breed philosophy”. Based on extensive research, we believe that no single investment manager can be the best performer in all asset classes. Our investment approach seeks appropriate investment management companies based on our comprehensive research process developed by our investment team. Where appropriate, SCM will utilise a number of investment managers to manage a single fund, thereby decreasing investment risk. We regularly monitor the performance of investment managers, including in comparison to benchmark indices and the performance of a wide range of other managers. If we conclude that changing the mix of investment managers will provide a more appropriate outcome in terms of diversification and performance, we will do so.

## What are the benefits of a managed investment fund?

A managed investment fund pools the money of many individual unitholders providing the unitholders with additional buying power. The money is then professionally managed in line with a fund objective and strategy.

When you invest in a managed investment fund you are allocated units based on the entry price applicable at the time you invest. This represents the value of your investment. Over time, the unit price will rise and fall based on the performance of the underlying assets of the fund.

Returns from a managed investment fund can come from two sources:

- income, which is paid via regular distributions; and
- capital growth, represented by increases in a unit price.

Your attitude towards risk, investment objectives and timeframe should determine which Fund or blend of Funds suits your needs.

There is always a level of risk associated with investing. Managed investment funds can provide you with diversification across

companies, industries and countries with the aim of avoiding over exposure to a particular type of investment while managing risk.

As with any investment, it is important to consider investing for an appropriate period to manage the impact of short-term volatility.

## What is a sector specific fund?

There are two types of managed investments:

- a single sector fund which invests in one asset class only, such as Australian shares; and
- a multi-sector or diversified fund which invests in a number of asset classes (the amount invested in each sector depends on the fund’s objective).

The main advantage of a sector fund is that the asset allocation allows for greater diversification within specific benchmark risk parameters. With the Funds, the adoption of a single sector approach allows SCM to exploit a potentially wider range of opportunities through SCM’s investment program.

The Optimal Choice Sector Funds each separately invest in five major asset classes:

- Australian Equities;
- International Equities;
- Property;
- Coupon Securities; and
- Cash.

## Diversification across asset classes

Rather than provide you with a one size fits all balanced fund, you and your professional financial adviser may develop your own customised portfolio based on your own risk profile.

You have the option of diversifying across five sector funds that are diversified on many levels.

Our background is in asset consultancy to large organisations, who demand nothing less than an individual approach to investment. Through our Funds and your professional financial adviser, we’re now making the same sort of expertise available to investors like you.

# The benefits of the Optimal Choice Sector Funds

## The Funds can be used in conjunction with a financial advisory service

SCM has developed the Optimal Choice Sector Funds as an integral part of a dynamic financial advice, funds management and risk management service. It is an investment platform designed to provide you with an investment program to structure your investment and financial plan.

## Changing needs - flexible investments

The Funds will allow you and your financial adviser to structure your own financial plan by allocating or diversifying investments across five sector specific funds according to your own objectives and risk profile. The ability to allocate investments across the Optimal Choice Sector Funds is aimed at providing you with your own tailored portfolio addressing your core investment objectives of return, diversification and flexibility. The allocation to each Optimal Choice Sector Fund should reflect the level of risk you are comfortable to accept.

For example, the amount of funds you are willing to invest in Australian shares should reflect your investment timeframe and the amount of volatility you are willing to accept.

As your objectives change over time, the weightings you and your financial adviser give to the Optimal Choice Sector Funds are flexible and can be varied to match your changing investment objectives.

## Specialist investment managers and ongoing monitoring

We use specialist investment managers to manage our funds. As market and economic conditions change we have the flexibility to change investment managers who may specialise in managing particular types of assets. The selection of investment managers is based on our extensive research.

SCM will monitor the performance of each investment manager and the proportion of funds allocated to them with the aim of maintaining a well-balanced and efficiently managed portfolio.

## Diversification within asset classes

The SCM Optimal Choice Sector Funds spread underlying investments within a wide range of assets within a particular asset class. Our strategic approach to investing provides the flexibility to expose your investments to listed and unlisted investments\*, currencies\*\*, industries and stocks.\*\*\*

## Diversification across investment management styles

Different investment management methodologies may be more effective than others during various stages of the economic cycle. The SCM investment process carefully blends a range of

investment methodologies with the aim of managing risk and increasing returns. The use of multiple investment managers may avoid a bias to a particular investment management style and increase diversification of the underlying investments.

## Additional benefits

Additional benefits of the Optimal Choice Sector Funds include:

- **Accessibility:** a minimum of \$10,000 is all that is required to begin an investment. Additional investments of \$1,000 or more can be made at anytime;
- **Regular Savings Plans:** you may start with a \$2,000 minimum and you can contribute to your investment on a monthly basis with a minimum of \$300;
- **Regular Withdrawal Plans:** you can have funds deposited to your nominated account on a monthly or quarterly basis;
- **Diversification:** you may choose to spread your investments in the five Funds each of which focuses on different asset classes and invests in a wide range of assets;
- **Consolidated Reporting:** you will receive a single detailed report on your investment;
- **Communication:** you will benefit from regular communications designed to keep you informed on investment performance; and
- **Distribution Reinvestment:** you can re-invest your distributions and benefit from compounding your investment returns.

\* Diversification across listed and unlisted assets historically has only applied to the Optimal Choice Property Fund.

\*\* Diversification across currency only applies to the Optimal Choice International Equities Fund and Optimal Choice Coupon Securities Fund.

\*\*\* Diversification across industries and stocks only applies to the Optimal Choice Australian Equities Fund and the Optimal Choice International Equities Fund.

# The Funds at a glance

<b>CHOICE OF FUNDS</b>	Refer to pages 13 to 17	
Sector Funds	Optimal Choice Cash Fund	Optimal Coupon Securities Fund
	Optimal Choice Property Fund	Optimal Choice Australian Equities Fund
	Optimal Choice International Equities Fund	
<b>FEATURES</b>	Refer to pages 18 to 22	
	Minimum	Payment Method
Initial Investment	\$10,000 across any number of Funds or \$2,000 if establishing Savings Plan	
Additional Investments	\$500 per Fund	Cheque, Electronic Transfer
Regular Savings Plan	\$300 per month	Direct Debit
Switching	\$500 per Fund	n/a
Minimum Balance	\$10,000 across any number of Funds	n/a
Redemptions	\$1,000	Paid to a nominated account Paid by a cheque
Periodic Redemptions	\$1,000 across any number of Funds (Monthly or Quarterly)	
<b>FEES</b>	Refer to pages 23 to 27	
Contribution Fees	0% to 5% (depending on the Fund and on negotiation with your financial adviser)	
Ongoing Management Fees	0.84% - 2.61% (depending on the Fund)	
Adviser Services Fee	0% to 2% (depending on the Fund and on negotiation with your financial adviser)	
Switch Fees	Nil, if less than 4 switches in the past 12 months. Contribution fees may apply. See page 19.	
Buy/Sell Spreads	0.00% to 0.60% (depending on the Fund)	
Withdrawal Fees	Nil, unless you are a regular Savings Plan participant and your total balance has not reached \$10,000 across all Funds.	
<b>DISTRIBUTION OPTIONS</b>	Refer to pages 20 to 21	
Payment Options	To a nominated account	
	Paid to the Optimal Choice Cash Fund	
	Reinvested back into the Fund	
Frequency	Quarterly, half yearly or annually (depending on the Fund)	
<b>REPORTING</b>	Refer to page 21	
Transaction Confirmation	For investments, switches, transfers and withdrawals	
Regular Reporting	Quarterly statements and reports	
Annual Reporting	Tax, capital gains tax and annual report	
<b>CONTACT DETAILS</b>		
By Mail	SCM Client Services, GPO Box 2834 Sydney NSW 2001	
By Telephone	1 800 032 204	
By Fax	02 9264 9889	
By Email	scm@scm.net.au	

Note: SCM reserves the right to change or waive these amounts subject to the Funds' constitution and the Corporations Act.

# The risks of investing in The Optimal Choice Sector Funds

## Overview - all investments involve a level of investment risk

Risk can be defined as the chance or probability of an investment having a negative return over a given period of time, as well as the chance of the investment not meeting your investment objectives. It is important to remember that:

- as with most investments it is not guaranteed that you will make a positive return by investing in the Optimal Choice Sector Funds;
- the value of your investment is dependent upon the performance of the Optimal Choice Sector Funds and can rise and fall significantly; and
- investment risk may result in the loss of income and capital invested, as well as possible delays in withdrawing from the Funds.

The stated returns achieved for each Fund that are contained in this PDS, reflect historical performance only. You should be aware that past performance is not a reliable guide to future returns.

## Understanding investment risk

Investment risk may be seen as having 2 components, namely:

- volatility; and
- the possibility of not achieving your investment goals.

Neither SCM nor any company associated with SCM guarantee the performance of the Funds, the payment of income or the repayment of money invested in the Funds. Investments in the Funds are not deposits or other liabilities of SCM nor of any other member of the SCM group. You should be aware that an investment in the Funds is subject to investment risk which may result in loss of income and capital invested.

### Volatility

Volatility is the extent to which the value of investments fluctuate over time. Volatility is a part of every investment. Generally, investments which have the potential of providing higher returns have more variable returns in the short term. These investments are regarded as being more risky as there is a higher chance of capital loss, but they may provide you with a better opportunity to meet your long term investment goals. Less volatile investments are considered less risky but may not provide sufficient long term returns for you to achieve your investment goals.

The level of volatility in the Optimal Choice Sector Funds depends upon the types of assets into which the individual Funds invest. Your financial adviser should assist you in allocating investments across the Funds that reflect your tolerance to volatility. The Funds are sector specific and therefore

each Fund only invests in one asset class. Each Fund's unit price reflects the value of the Fund's underlying assets and will rise or fall in line with the market value of those assets. The major asset classes for each Fund and the factors affecting their volatility are explained on pages 6 – 7 under the heading "Asset Risk".

Volatility in the value of the investments of the Optimal Choice Sector Funds may result in the Funds achieving different returns from year to year. Please refer to pages 13 – 17 for details of the historical returns of each of the Funds since their commencement. As noted above, past performance is not a reliable guide to future returns.

### Your investment goals

Selecting investments which match your goals and investment timeframe is an effective way to manage investment risk. Your financial adviser can assist you in setting a strategy that reflects your investment goals. If your aim is to protect capital in the short term then an investment that is predominately exposed to cash or fixed interest assets with a lesser weighting to growth assets such as shares and property may best suit your investment goals. However, if you are more interested in the value of your investments increasing in the long term, then a higher weighting to growth assets such as shares and property may better suit your investment goals.

### Managing risk

There are some things you can do to manage investment risk. Firstly, we urge you to seek professional investment advice from a professional financial adviser who takes into account your investment objectives, financial situation and particular needs. Nothing in this prospectus can be taken as a substitute for professional advice.

Secondly, in order to manage investment risk, you can diversify your investment across asset classes. This will mean that if a particular asset class is performing poorly, an investment in another asset class may be experiencing better returns to off-set the poorly performing asset class. The Optimal Choice Sector Funds are designed to allow you and your financial adviser to identify a spread of investments so as to diversify across all or some of the major asset classes according to your own risk profile.

SCM has also diversified its investment management. Rather than manage all asset classes in-house, SCM selects a number of investment managers with complementary investment management styles to manage funds within each asset class as part of its investment program. By using a number of investment managers SCM aims to smooth returns whilst attempting to outperform the relevant benchmark.

Finally, subject to the opinion of your financial adviser, we suggest that you invest in the Funds for the minimum suggested investment timeframe for each Fund as set out on pages 13 to 17. Generally, the longer you hold an investment, the greater the probability of a positive return.

## Significant risks of an investment in the Optimal Choice Sector Funds

There are a number of risks that have the potential to adversely affect the value of your investment and the distributions that you may be paid by the Funds.

The significant risks of a general nature for the Funds include the following:

Asset Risk; and  
Market Risk

### Asset risk

Asset risk is the risk that assets of the Funds may fall in value, reducing the value of your investment in the Funds. Whichever Fund you select, your funds will be invested in one or more of the assets listed below. The composition of each asset class and the risk and return you can expect from each asset class is set out below.

#### Cash

This asset class includes term deposits, floating rate notes, bank bills, commercial bills, promissory notes, negotiable certificates of deposit and money market securities that generally have short interest rate risk of up to 180 days. Returns will be affected by changes in domestic and international interest rates that in turn are influenced by a number of factors including government policy, inflation and the value of international currencies against the Australian dollar. Investments in the cash sector generally produce the most stable returns of all investment asset classes. However, the potential for high returns over the long term is relatively low compared to other asset classes.

#### Coupon securities

An investment in this asset class is similar to providing a loan. The lender pays a set amount for the coupon security and receives a regular interest payment from the borrower. At the end of the term, the security "matures" and the borrower repays the loan amount (principal) to the lender. An investment of this nature generally provides a return of income in the form of interest payments but the investment can provide capital growth or loss if it is sold before it matures. Also, in the case of corporate securities, credit risk can impact returns. A corporate may default and interest and/or principal not be repaid.

Returns on coupon securities are, to an extent, driven by movements in domestic and international interest rates. For example, a rise in interest rates may result in a fall in the capital value of a fixed interest investment. Coupon securities will also be affected by the values of international currencies against the Australian currency and by the ability of the borrower (or guarantor) to meet its obligations to pay interest and principal when they fall due. The Optimal Choice Coupon Securities Fund will carry minimal currency exposure. Generally, we will hedge against the risk of the value of international coupon securities fluctuating because of the Australian currency. However, SCM has the discretion to change the hedging policy.

Coupon securities include assets such as:

- Government Bonds;
- Semi Government Bonds;
- Investment Grade Corporate Bonds;
- High Yield Corporate Bonds;
- Floating Securities;
- Mortgage Backed Securities;
- Convertible Preference Shares;
- Income Securities; and
- Hybrid Securities.

Such investments provide relatively consistent rates of return over the short term with a lower potential for capital growth. There is however, an element of equity related risk with convertible preference shares and income securities.

#### Equities

An investment in this asset class will effectively provide you with an economic interest equivalent to part ownership in a company. Returns from equities may include capital growth or loss and depending on the equity, income through dividends. Over the long term, equities have historically outperformed other asset classes, however returns can be volatile. Please note, past performance is not indicative of future performance. The performance of investments in equities will generally be based on, amongst other things, for a given company the underlying strength of the cash flows, balance sheets and management of the company. Other, more general factors which may influence an investment in equities include the stage of the economic cycle and the levels of interest rates. Whether companies are located overseas, compete domestically with international companies or otherwise conduct business internationally (and this covers many companies), the relevant equity investments may be exposed to specific risks such as:

## Sector Returns for 5 Years to February 2004



Source: Strategic Capital Management Ltd, Datastream

The above graph demonstrates the highest return and lowest one year returns across the sector Fund benchmark from 29 February 1999 to 29 February 2004. As illustrated, International Shares over the 5 years period had the highest return but also carried the most risk as it had the highest negative return. Past performance is not an indication of future performance.

- technological change;
- movements in domestic and international labour costs, commodity prices and manufacturing capacity utilisation rates;
- movements in domestic and international interest rates which particularly apply to cash and fixed interest investments or loans. Those with longer term loans to maturity are affected more by interest rate changes;
- risks associated with a company being listed on a stock exchange including but not limited to trading at a discount to true value or illiquidity which arises due to a lack of investor demand when trading;
- if a company is expected to list on the stock exchange but fails to do so, the investment may become illiquid and could decline in value;
- changes in the relative value of the \$A to the currencies in which the underlying investments are denominated (the Optimal Choice International Equities Fund has an unhedged benchmark, but SCM can hedge the currency exposure at its discretion);
- the imposition or tightening of exchange controls or other limitations on repatriation of foreign capital; and
- for investments in emerging markets: political risk; quality/extent of infrastructure; quality of the legal system including the protection of intellectual property rights; the health of the banking system; the supply of a skilled workforce; and size and tradeability of securities markets.

### Property

This asset class includes commercial, residential, retail and industrial property. It is possible to invest in property through a property trust that owns a number of real property investments. Such trusts may be listed vehicles on the Australian or International stock exchanges. Alternatively, property trusts may not be listed and such investments may not be as liquid as those property trusts listed on a stock exchange.

Returns from a property trust may include capital growth or loss, depending on the type of property owned by the trust and income from rentals. Over the long term, investments in listed property trusts have outperformed cash and fixed interest investments, however, returns can be volatile and will depend on many factors. Factors include the supply and demand for property, the level of income that properties are able to produce, and the levels of interest rates.

### Absolute return strategies

In seeking to pursue their investment strategies the Optimal Choice International and Australian Equities Fund may invest in absolute return strategies. These strategies focus on aiming to consistently deliver positive returns irrespective of the direction of traditional share markets. Such strategies may utilise a combination of traditional equity investments and short positions to make profits from over valued and under valued assets, without the same degree of focus on reducing general market risk exposure adopted by investment managers using traditional strategies.

### Market risk

Market risk is the risk of negative movements that generally affect the price of assets within a particular market. These negative movements can be caused by factors such as financial market volatility, economic cycles and climate, interest rates, foreign exchange rates, technological changes, taxation legislation, political or legal conditions, social and environmental offences and market sentiment.

We aim to use research and analysis to form a view on these matters and then re-balance the investments within a Fund and/or investment managers, with the aim of reducing the impact of such volatility.

### Company or securities risk

This is the risk that performance factors relating to a particular company or security could deteriorate. These performance factors include quality of management, corporate strategy, profit announcements and competition.

We aim to reduce these risks with careful analysis of research from many sources and are responsible for changes which impact on investments of the Funds.

### Derivatives risk

This is the risk that the use of derivatives could result in losses.

Derivatives, such as exchange traded options and futures, may be used for a Fund as a risk management tool to protect against changes in the market value of existing investments in a managed fund. Derivatives may also be used to achieve a desired investment option without buying or selling the underlying physical asset. Although derivatives may reduce potential losses associated with an investment, they may also reduce potential profits. Derivatives are not used to gear any Fund's investments.

### Fund specific risks

These are risks particular to the Funds and include the risk that: a Fund could terminate; SCM is replaced as Responsible Entity of the Funds; or our investment managers change. There is also a risk that investing in a particular Fund may give different results compared to investing individually because of income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other unitholders.

We aim to manage Fund specific risks by monitoring the Funds, their investments and performance.

# Choosing the appropriate funds

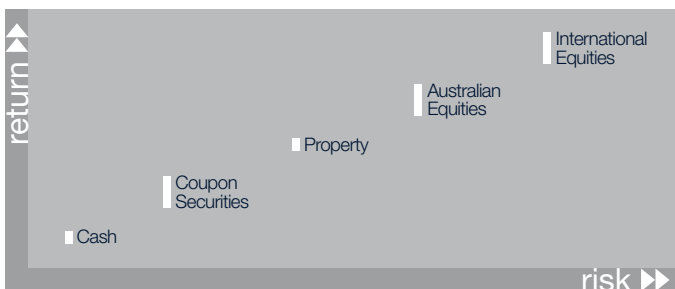
A basic principle in understanding risk is that generally the higher the possible returns from an investment, the greater the exposure to loss of capital or a negative return.

An appropriately weighted portfolio of Optimal Choice Sector Funds is designed to meet the needs, goals and objectives of an individual unitholder. It is however important that you, the unitholder, are comfortable with the risks (including volatility, uncertainty and potential for capital loss) that are part and parcel of investing, particularly in equity assets. Against such risks you need to balance your needs as a unitholder including the potential for capital growth and flexibility. You should seek the advice of your financial adviser before making any investment decisions.

A number of factors will determine your attitude towards risk including:

- Your investment timeframe;
- Your expected returns;
- Your investment objectives; and
- Your attitude towards volatility.

The diagram below shows the general different risk and return characteristics for each of the asset classes. This can be used as a guide in understanding the potential risk and return characteristics of the Optimal Choice Sector Funds. Please note, returns from investment markets may not always be positive and can be negative at any given point in time. The object of this graph is to illustrate historical long term trends. Past performance is no guarantee of future performance.



The asset classes appearing in the higher risk component of the diagram (such as international equities) have historically performed more positively than the other asset classes. However, such investments have been more volatile in the short term. A basic principle in understanding risk is that generally the higher the possible returns from an investment, the greater the exposure to loss of capital or a negative return. The Funds appearing in the lower component of the diagram (such as Cash) have historically provided less volatility in returns although have not provided as high returns over the long term as investments with a higher level of risk. Where investments are expected to deliver lower returns there is a lower exposure to loss of capital or a negative return.

An important factor in determining risk is the period of time that you are investing for and the expected return for the investments that are made.

# The Responsible Entity

## About SCM:

As the Responsible Entity for the Funds, SCM is responsible for the management and administration of the Funds and of their investments.

Executives and directors of SCM have considerable experience in financial markets, including:

- research of companies, industry sectors, securities and economies;
- management of funds;
- provision of financial advisory services to clients; and
- generating the delivery of desired risk/return outcomes.

The Optimal Choice Sector Funds is a platform designed for you to invest on advice from your financial adviser. It allows your actual needs and appropriate risk/return trade offs to increasingly drive the management of your investments in the Funds.

# The SCM investment process

The SCM investment philosophy is driven by the belief that fundamentals and appropriate diversification are the key to medium to long-term investment performance.

SCM's investment philosophy is based on the following fundamental principles that aim to meet client needs through investment in the Funds:

- Each Fund has a benchmark performance objective. Each Fund has one or more specialist investment managers for each asset class selected by SCM using the investment process of SCM described below;
- By using a number of specialist investment managers we aim to provide you with greater diversification and flexibility to use the most appropriate manager(s) in the given market and economic conditions;
- SCM aims to achieve superior returns for a given level of risk by constructing well-diversified portfolios that challenge the interpretation of risk.

SCM reserves the right to change the investment objective, investment strategy, the investment manager(s) and asset mix of any Optimal Choice Sector Fund without prior notice. SCM will advise unitholders of any significant changes in these factors of the Funds.

## Investment process

The investment process of SCM has been designed with the aim of allowing each client to design a diversified portfolio that meets their individual requirements. SCM employs a three-stage investment process:

- Investment Strategy;
- Investment Manager Selection; and
- Portfolio Management.

These are discussed below.

### 1. Investment strategy

Investment markets are influenced by many different factors, the intensity of which can vary greatly depending on the circumstances. Consequently, an understanding of the main factors likely to influence investment markets over a period of time is critical in the selection of investment managers and in the construction of diversified portfolios for each Fund.

In addition, an understanding of these factors assists in the interpretation of an investment manager's investment process. Factors such as inflation, economic and cyclical trends play a significant role in the assessment of investment opportunities. Analysis of the medium-term environment allows SCM to focus

on specific investment opportunities with the aim of providing a return above the standard asset classes within a definable risk level. These opportunities can be integrated through the Optimal Choice Sector Funds.

### 2. Investment manager selection

The investment manager selection process is structured and disciplined so that SCM focuses on investment managers that may benefit the Optimal Choice Sector Funds.

SCM has a six-step process in selecting appropriate investment managers for the Funds:

- Initial broad based performance review;
- Performance and risk analysis;
- Questionnaire – qualitative information gathering;
- Structured interview;
- Recommendation; and
- Monitoring.

The selection process for investment managers is one of elimination based on the application of quantitative and qualitative factors. Quantitative analysis is used in the first stage of the process to eliminate inconsistent performing investment managers. It is also used in the third stage to help SCM analyse the risk characteristics of the investment manager's performance, that is to understand the risk reward balance. This is to ensure that although an investment manager may have outperformed the benchmark the investment manager was not exposed to excessive risk.

The questionnaire and structured interview are the areas of qualitative research which include a review of the viability of the investment manager. SCM, through its qualitative research, attempts to identify the key aspects of the investment process that have contributed to the performance and risk management of each investment manager.

A recommendation is then presented to the Investment Committee. This committee is chaired by a Director of SCM and has the Managing Director as a member. If approved by the Investment Committee, the recommendation is implemented at the portfolio management stage of the investment process (see "portfolio management" below).

The strict monitoring of investment managers through interviews and reports is an important part of the investment process and continuing review of performance.

SCM does not always appoint an investment manager for a Fund. Rather, SCM may also make direct investments from time to time in appropriate asset classes or through other investment

funds that are also managed by SCM. This would occur in the instance that an appropriate investment manager may not be located from a risk/return basis.

### 3. Portfolio management

Whilst selecting good investment managers is important, it is only one part of the portfolio management process. There are four inter-related parts of portfolio management, namely:

- Establishing the portfolio objective (performance targets, and risk constraints);
- Designing and structuring the portfolio (core and active mix of investment managers, allocations and risk constraints);
- Implementing the portfolio structure; and
- Monitoring the portfolio and investment manager (including reviewing effectiveness and relative performance).

SCM structures a Fund in light of the Fund's objectives, the Fund's size, the available markets and securities and the medium-term market outlook. Although the portfolio structure of any given Fund may change in the process of finalising a design, the overriding policy decisions on risk drive the final design. We monitor these factors and their impact on each Fund's structure. A disciplined ongoing analysis of these factors may yield decisive and sometimes substantial changes to a portfolio structure, although these are not necessarily frequent.

## SCM's selection criteria for the investment managers of the Optimal Choice Sector Funds

Our objective is to add value through the understanding of investment market dynamics with the aim of selecting investment managers that may perform well above their peers in that environment. Investment fundamentals change and active management is the key to capturing shifts in market fundamentals and sentiment. To achieve this, we have an in-house team of research professionals advising us on the allocation of assets within each fund, as well as the selection, removal and combination of investment managers in each fund.

Some of the key elements in assessing the suitability of an investment manager are:

#### Investment Process

A specialist investment manager's investment philosophy represents the company's core set of investment beliefs. We believe it needs to be clearly articulated and defensible by the investment manager.

#### Investment Team

The stability and resources of the investment team is assessed. Careful consideration is given to any keyman risk and the depth of talent of the team.

#### Business Structure

We consider each specialist investment manager's stability of ownership and equity participation.

#### Funds Under Management

SCM considers the amount of money that each investment manager already manages and their ability to add value if they were to manage additional money.

## The Investment Managers

SCM has, through the investment process, described selected a number of investment managers with whom assets of the Optimal Choice Sector Funds are invested.

The table below lists the investment managers that have been selected by SCM.

Note that these investment manager selections were current as at the date of this Product Disclosure Statement and may be changed at any time.

The weighting to each investment manager (being the funds allocated to the investment manager) within each Fund is at the discretion of SCM.

## A note about socially responsible investing

Neither SCM, nor any of the investment managers, take into account any labour standards or environmental, social or ethical considerations in the selection, relation or realisation of investments, unless they consider that those factors will affect financial performance.

## Selected Investment Managers\*

Optimal Choice Funds	Fund	Manager
Optimal Choice Sector Funds	Optimal Choice Cash	Alliance Capital Management Australia Limited Citigroup Asset Management Australia Limited
	Optimal Choice Coupon Securities	Barclays Global Investors Australia Limited Merrill Lynch Investment Managers Limited
	Optimal Choice Property	Barclays Global Investors Australia Limited Colonial First State Property Limited UBS Global Asset Management (Australia) Ltd
	Optimal Choice Australian Equities	Alpha Investment Management Pty Ltd Herschel Asset Management Limited Barclays Global Investors Australia Limited
	Optimal Choice International Equities	Barclays Global Investors Australia Limited Marvin & Palmer Associates, Inc. Wellington Management Company, LLP Macquarie Investment Management Ltd

\* These are the current underlying portfolio managers as at the date of this PDS.

# Optimal Choice Cash Fund

(ARSN 095 882 974)

Investment horizon: 0 – 1 year.

Risk: Low

Fees: Please refer to the section titled “The Cost of Investing in Optimal Choice Sector Funds” on page 23.

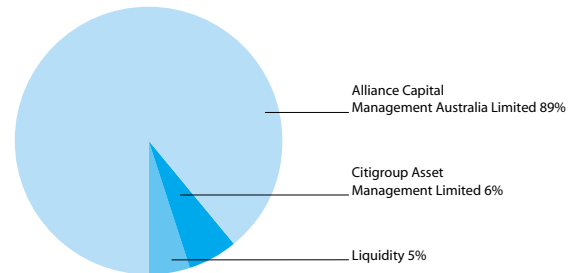
## Investment objective

The investment objective of the Optimal Choice Cash Fund is to provide a stable regular income on a monthly basis together with capital stability to its unitholders. The Fund aims to outperform the UBS Bank Bill Index (gross of ongoing management fees).

## Investment strategy

The investment strategy of the Optimal Choice Cash Fund is to invest in a wide range of short term securities by using a combination of investment managers with complementary investment styles. SCM may also manage funds directly, depending on its market outlook and availability of investment managers.

## Manager allocation<sup>1</sup>



SCM may replace or add investment manager(s) at its discretion.

## What the Optimal Choice Cash Fund invests in

The Optimal Choice Cash Fund will invest in commercial and government bills, bonds, debentures, and mortgage backed securities (with a maturity of no greater than 180 days). This Fund may also invest in short term interest rate securities or bank bills of major banks for liquidity purposes.

The asset mix of the Optimal Choice Cash Fund is reviewed quarterly by the Investment Committee to take into account changing market conditions and will be adjusted within the Fund's investment ranges<sup>2</sup>.

The current investment ranges and current asset allocation for the Fund are set out below<sup>3</sup>:

Asset Class	Minimum %	Maximum %	Current Asset Allocation %
Cash Securities (with a maturity of up to 180 days) – within the UBS Warburg Bank Bill Index	80	100	95
Liquid Assets (eg 11 am cash or bank bills)	0	20	5
<b>Total</b>			<b>100</b>

## Total Performance

Annual investment returns<sup>4</sup>

The following table represents the before tax annualised return (capital and income) before and after ongoing management fees and expenses of the Fund since the date the Fund first received subscriptions<sup>5</sup> for investments to 31 March 2004. Past performance is not an indication of future performance. The performance does not take into consideration any contribution or withdrawal fees.

	1 Year %	2 Years %	Since Inception pa %
Total before fees	5.46	5.20	4.90
Total after fees	4.60	4.35	4.03
UBS Warburg Bank Bill Index (Benchmark)	5.11	5.01	4.80
Out performance before fees (Gross of fees)	0.34	0.19	0.11
Out performance after fees (Net of fees)	-0.51	-0.66	-0.76

**Fund start date** The Optimal Choice Cash Fund commenced on 28 July 2001.

**Fund size** The size of the Optimal Choice Cash Fund as at 31 March 2004 was \$14.95 million.

1. SCM is the portfolio manager of the Fund. SCM uses the services of an external investment manager(s) for the underlying investment management of the Fund. The underlying investment manager(s) has given its consent to be named in the material that relates to its company for this PDS, but (except for this material) takes no responsibility for the content of this PDS. The arrangement between SCM and the underlying investment manager(s) may be terminated by either party by giving written notice to the other party as specified in the agreement. The allocation is current as at the date of this PDS.

2. The investment ranges and asset allocation are subject to periodic review. We reserve the right to amend the investment spread and asset allocation without further notice.

3. As at 31 March 2004.

4. Performance is based on the change in net asset value (net of ongoing management fees) for the period and assumes all distribution are reinvested, in accordance with the Total Return calculation as set in IFSA statement No.6. Past Performance is not a guarantee of future performance.

5. Subscriptions for the Optimal Choice Cash Fund were first received on 23 July 2001.

# Optimal Choice Coupon Securities Fund

(ARSN 095 881 173)

Investment horizon: 2 – 4 years.

Risk: Low – medium

Fees: Please refer to the section titled “The Cost of Investing in Optimal Choice Sector Funds” on page 23.

## Investment objective

The investment objective of the Optimal Choice Coupon Securities Fund is to provide a steady quarterly income stream with security from a diversified portfolio of Australian and International coupon securities to its unitholders. The Fund aims to outperform the UBS Composite Bond Index (net of ongoing management fees).

## Investment strategy

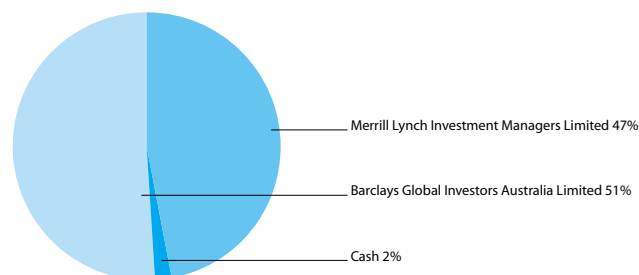
The investment strategy of the Optimal Choice Coupon Securities Fund is to invest in a wide range of coupon and fixed interest securities by using a combination of investment managers with complementary investment styles. (SCM may also manage funds directly, depending on its market outlook and availability of manager(s)).

In pursuing the Fund’s Investment Strategy, the manager(s) may invest in global emerging bonds, inflation linked securities, hybrids and high yielding securities.

The currency exposure of the Fund is normally hedged back into Australian dollars. The Fund will at times carry minimal currency exposure however this exposure is expected to remain in the range of 0-10% (ie. Australia dollar exposure will be between 90-100%).

This range is required to counter daily fluctuations in currency markets.

## Manager allocation<sup>1</sup>



SCM may replace or add investment manager(s) at its discretion.

## What the Optimal Choice Coupon Securities Fund invests in

The Optimal Choice Coupon Securities Fund mainly invests in domestic and international coupon securities. The Fund may also keep cash in on-call or short term deposits for liquidity purposes.

The asset mix is reviewed quarterly by the Investment Committee to take into account changing market conditions and adjusted within the Fund’s investment ranges<sup>2</sup>. The current investment ranges and current asset allocation for the Fund are set out below<sup>3</sup>:

Asset Class	Minimum %	Maximum %	Current Asset Allocation %
Australian Coupon Securities – within the UBSW Composite Bond (All Maturities Index)	30	100	98
International Coupon Securities – in the Lehman Brothers Aggregate Index.	0	50	0
Hybrid Securities	0	50	0
High Yielding Securities	0	10	0
Global Emerging Market Bonds	0	10	0
Inflation Linked Bonds	0	10	0
Cash	0	10	2
<b>Total</b>			<b>100</b>

## Total Performance

Annual investment Returns<sup>4</sup>

The following table represents the before tax annualised return (capital and income) before and after ongoing management fees and expenses of the Fund since the date the Fund first received subscriptions<sup>5</sup> for investments to 31 March 2004. Past performance is not an indication of future performance.

The performance does not take into consideration any contribution or withdrawal fees.

	1 Year %	2 Years %	Since Inception pa %
Total before fees	4.22	6.85	5.69
Total after fees	2.62	5.19	4.03
USB Composite Bond Index-All Maturities (Benchmark)	5.11	7.09	5.89
Out performance before fees (Gross of fees)	0.05	-0.24	-0.19
Out performance after fees (Net of fees)	-1.55	-1.89	-1.86

**Fund start date** The Optimal Choice Coupon Securities Fund commenced on 28 February 2001.

**Fund size** The size of the Optimal Choice Coupon Securities Fund as at 31 March 2004 was \$5.65 million.

1. SCM is the portfolio manager of the Fund. SCM uses the services of an external investment manager(s) for the underlying investment management of the Fund. The underlying investment manager(s) has given its consent to be named in the material that relates to its company for this PDS, but (except for this material) takes no responsibility for the content of this PDS. The arrangement between SCM and the underlying investment manager(s) may be terminated by either party by giving written notice to the other party as specified in the agreement between us. The allocation is current as at the date of this PDS.

2. The investment ranges and asset allocation are subject to periodic review. We reserve the right to amend the investment spread and asset allocation without further notice.

3. As at 31 March 2004.

4. Performance is based on the change in net asset value (net of ongoing management fees) for the period and assumes all distribution are reinvested, in accordance with the Total Return calculation as set in IFSA statement No.6. Past Performance is not a guarantee of future performance.

5. Subscriptions for the Optimal Choice Coupon Securities Fund were first received on 2 August 2001.

# Optimal Choice Property Fund

(ARSN 095 882 474)

Investment horizon: 5 – 7 years

Risk: Medium – high

Fees: Please refer to the section titled “The Cost of Investing in Optimal Choice Sector Funds” on page 23.

## Investment objective

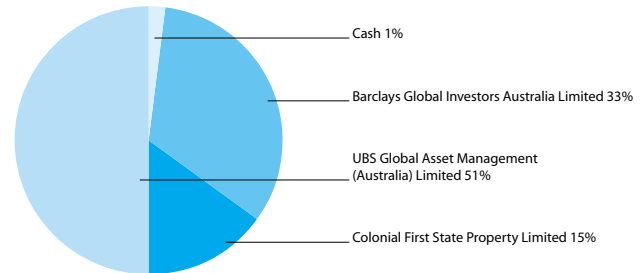
The investment objective of the Optimal Choice Property Fund is to provide long term capital growth and tax advantaged income to unitholders on a quarterly basis from a diversified portfolio of listed property securities and unlisted property trusts. The Fund aims to outperform the S&P/ASX 300 Property Accumulation Index. (net of ongoing management fees).

## Investment strategy

The investment strategy of the Optimal Choice Property Fund is to invest in a wide range of property related investments by using a combination of investment managers with complementary investment styles.

The allocation to unlisted property trusts is proposed to be kept to a level that will not result in the Fund becoming illiquid for the purposes of the Corporations Act.

## Manager allocation<sup>1</sup>



SCM may replace or add investment manager(s) at its discretion.

## What the Optimal Choice Property Fund invests in

The Optimal Choice Property Fund mainly invests in listed property securities and unlisted property trusts but also may invest in cash for liquidity purposes.

The asset mix is reviewed quarterly by the Investment Committee to take into account changing market conditions and adjusted within the Fund's investment ranges<sup>2</sup>. The current investment ranges and current asset allocation for the Fund are set out below<sup>3</sup>:

Asset Class	Minimum %	Maximum %	Current Asset Allocation %
Australian Listed Property Securities – within the S&P/ASX 300 Listed Property Accumulation Index	50	100	84
Unlisted property trusts	0	50	15
Cash	0	10	1
<b>Total</b>			<b>100%</b>

## Total Performance

Annual investment Returns<sup>4</sup>

The following table represents the before tax annualised return (capital and income) before and after ongoing management fees and expenses of the Fund since the date the Fund first received subscriptions<sup>5</sup> for investments to 31 March 2004. Past performance is not an indication of future performance. The performance does not take into consideration any contribution or withdrawal fees.

	1 Year %	2 Years %	Since Inception pa %
Total before fees	14.28	13.15	15.45
Total after fees	12.36	11.05	13.22
S&P/ASX 300 Property Accumulation Index (Benchmark)	13.94	13.83	13.76
Out performance before fees (Gross of fees)	0.33	-0.68	1.69
Out performance after fees (Net of fees)	-1.58	-2.78	-0.54

**Fund start date** The Optimal Choice Property Fund commenced on 28 February 2001.

**Fund size** The size of the Optimal Choice Property Fund as at 31 March 2004 was \$5.27 million.

1. SCM is the portfolio manager of the Fund. SCM uses the services of an external investment manager(s) for the underlying investment management of the Fund. The underlying investment manager(s) has given its consent to be named in the material that relates to its company for this PDS, but (except for this material) takes no responsibility for the content of this PDS. The arrangement between SCM and the underlying investment manager(s) may be terminated by either party by giving written notice to the other party as specified in the agreement between us. The allocation is current as at the date of this PDS.

2. The investment ranges and asset allocation are subject to periodic review. We reserve the right to amend the investment spread and asset allocation without further notice.

3. As at 31 March 2004.

4. Performance is based on the change in net asset value (net of ongoing management fees) for the period and assumes all distribution are reinvested, in accordance with the Total Return calculation as set in IFSA statement No.6. Past Performance is not a guarantee of future performance.

5. Subscriptions for the Optimal Choice Property Fund were first received on 2 August 2001.

# Optimal Choice Australian Equities Fund

(ARSN 095 882 385)

Investment horizon: 5 – 7 years.

Risk: Medium – high

Fees: Please refer to the section titled “The Cost of Investing in Optimal Choice Sector Funds” on page 23.

## Investment objective

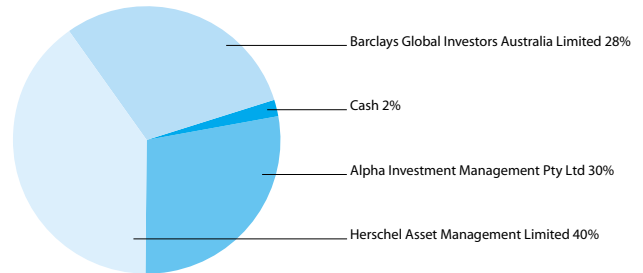
The investment objective of the Optimal Choice Australian Equities Fund is to provide long term capital growth and income to its unitholders on a half-yearly basis from a diversified portfolio of shares and securities. The Fund aims to outperform the S&P/ASX 300 Accumulation Index (net of ongoing management fees).

## Investment strategy

The investment strategy of the Optimal Choice Australian Equities Fund is to invest in a wide range of shares and other securities by using a combination of investment managers with complementary investment styles.

In pursuing the Fund’s investment strategy the Fund may invest in alternative investments such as Absolute Return Strategies and companies of smaller capitalisation.

## Manager allocation<sup>1</sup>



SCM may replace or add investment manager(s) at its discretion.

## What the Optimal Choice Australian Equities Fund invests in

The Optimal Choice Australian Equities Fund mainly invests in shares listed or expected to be listed on the Australian Stock Exchange but also may invest in cash primarily for liquidity purposes.

The asset mix is reviewed quarterly by the Investment Committee to take into account changing market conditions and is adjusted within the Fund’s investment ranges<sup>2</sup>. The current investment ranges and current asset allocation for the Fund are set out below<sup>3</sup>:

Asset Class	Minimum %	Maximum %	Current Asset Allocation %
Australian Equities – within the S&P/ASX 300 Accumulation Index	80	100	95
Absolute Return Strategies	0	20	3
Australian Equities (Smaller Companies) within the – S&P/ASX Small Ordinaries Accumulation Index	0	10	0
Cash	0	10	2
<b>Total</b>			<b>100</b>

## Total Performance

Annual investment Returns<sup>4</sup>

The following table represents the before tax annualised return (capital and income) before and after ongoing management fees and expenses of the Fund since the date the Fund first received subscriptions<sup>5</sup> for investments to 31 March 2004. Past performance is not an indication of future performance. The performance does not take into consideration any contribution or withdrawal fees.

	1 Year %	2 Years %	Since Inception pa %
Total before fees	22.74	4.76	5.47
Total after fees	19.97	2.37	3.03
S&P/ASX 300 Accumulation Index (Benchmark)	23.83	4.43	4.44
Out performance before fees (Gross of fees)	-1.09	0.33	1.03
Out performance after fees (Net of fees)	-3.86	-2.06	-1.41

**Fund start date** The Optimal Choice Australian Equities Fund commenced on 28 February 2001

**Fund size** The size of the Optimal Choice Australian Equities Fund as at 31 March 2004 was \$19.27 million

1. SCM is the portfolio manager of the Fund. SCM uses the services of an external investment manager(s) for the underlying investment management of the Fund. The underlying investment manager(s) has given its consent to be named in the material that relates to its company for this PDS, but (except for this material) takes no responsibility for the content of this PDS. The arrangement between SCM and the underlying investment manager(s) may be terminated by either party by giving written notice to the other party as specified in the agreement between us. The allocation is current as at the date of this PDS. Please note, since 31 March 2004 Herschel Asset Management Limited has been added to the Fund.

2. The investment ranges and asset allocation are subject to periodic review. We reserve the right to amend the investment spread and asset allocation without further notice.

3. As at 31 March 2004.

4. Performance is based on the change in net asset value (net of ongoing management fees) for the period and assumes all distribution are reinvested, in accordance with the Total Return calculation as set in IFSA statement No.6. Past Performance is not a guarantee of future performance.

5. Subscriptions for the Optimal Choice Australian Equities Fund were first received on 13 July 2001.

# Optimal Choice International Equities Fund

(ARSN 095 883 186)

Investment horizon: 5 – 7 years.

Risk: High

Fees: Please refer to the section titled “The Cost of Investing in Optimal Choice Sector Funds” on page 23.

## Investment objective

The investment objective of the Optimal Choice International Equities Fund is to provide long term capital growth and some income on a half-yearly basis from a diversified portfolio of shares and securities invested in international markets. The Fund aims to outperform the MSCI (ex – Aust) World (net of ongoing management fees). The Fund's overseas currency exposure may be managed or hedged.

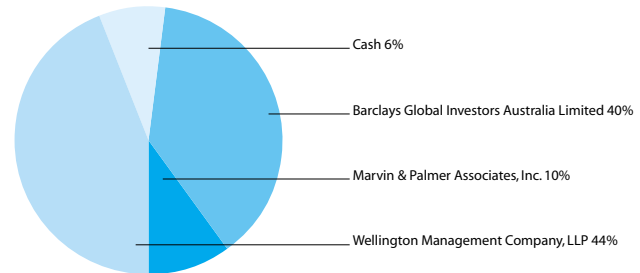
## Investment strategy

The investment strategy of the Optimal Choice International Equities Fund is to invest in a wide range of shares and other securities by using a combination of investment managers with complementary investment styles.

In pursuing the Fund's investment strategy the Fund may invest in alternative investments such as Absolute Return Strategies and companies of smaller capitalisation.

The International Equity Fund will be exposed to non-Australian dollar currencies that will vary between 0-100%. SCM has the ability to change the level of hedging into Australia dollar between the range of 0-100%. This decision will be taken after consideration of the expected relative movement of the Australia dollar against the underlying currencies in the Fund over the medium-term.

## Manager allocation<sup>1</sup>



SCM may replace or add investment manager(s) at its discretion.

## What the Optimal Choice International Equities Fund invests in

The Optimal Choice International Equities Fund mainly invests in securities that are listed or that are expected to be listed on various world stock exchanges but also may invest in cash, primarily for liquidity purposes.

The asset mix of the Fund is reviewed quarterly by the Investment Committee to take into account changing market conditions and is adjusted within the Fund's investment ranges<sup>2</sup>. The current investment ranges and current asset allocation for the Fund are set out below<sup>3</sup>:

Asset Class	Minimum %	Maximum %	Current Asset Allocation %
International Equities – within the MSCI (ex Aust) World	80	100	94
International Equities – Absolute Return Strategies	0	20	0
International Equities (Smaller Companies) within the – MSCI World Small Caps in \$A	0	10	0
Cash	0	10	6
<b>Total</b>			<b>100</b>
Currency Management - Australian Dollar Exposure	0	100	99

## Total Performance

Annual investment Returns<sup>4</sup>

The following table represents the before tax annualised return (capital and income) before and after ongoing management fees and expenses of the Fund since the date the Fund first received subscriptions<sup>5</sup> for investments to 31 March 2004. Past performance is not an indication of future performance. The performance does not take into consideration any contribution or withdrawal fees.

	1 Year %	2 Years %	Since Inception pa %
Total before fees	29.01	-4.78	-6.18
Total after fees	26.37	-6.74	-8.21
MSCI (ex-Aust) World Index in AUD (Benchmark)	13.74	-12.95	-13.08
Out performance before fees (Gross of fees)	15.27	8.18	6.90
Out performance after fees (Net of fees)	12.63	6.22	4.87

**Fund start date** The Optimal Choice International Equities Fund commenced on 28 February 2001

**Fund size** The size of the Optimal Choice International Equities Fund as at 31 March 2004 was \$11.95 million

1. SCM is the portfolio manager of the Fund. SCM uses the services of an external investment manager(s) for the underlying investment management of the Fund. The underlying investment manager(s) has given its consent to be named in the material that relates to its company for this PDS, but (except for this material) takes no responsibility for the content of this PDS. The arrangement between SCM and the underlying investment manager(s) may be terminated by either party by giving written notice to the other party as specified in the agreement. The allocation is current as at the date of this PDS.

2. The investment ranges and asset allocation are subject to periodic review. We reserve the right to amend the investment spread and asset allocation without further notice.

3. As at 31 March 2004.

4. Performance is based on the change in net asset value (net of ongoing management fees) for the period and assumes all distribution are reinvested, in accordance with the Total Return calculation as set in IFSA statement No.6. Past Performance is not a guarantee of future performance.

5. Subscriptions for the Optimal Choice International Equities Fund were first received on 2 August 2001.

# Investing in The Optimal Choice Sector Funds

## How to Invest

### Initial investment

#### (a) Complete the application form

To make an initial Investment in the Optimal Choice Sector Funds, simply complete the application form attached to this PDS ("Application Form") and return it together with your payment to the address shown on page 33.

The Application Form must be signed by the applicant(s). If the applicant is a company the Application Form must be signed in accordance with the company's constitution or the Corporations Act 2001. Application Forms completed on behalf of persons under the age of 18 years must be made in the name of a parent/guardian and signed by the named parent/guardian.

#### (b) Payment options

To make an initial investment in the Funds, you must send the completed Application Form together with:

- (i) a cheque made payable to SCM ATF Optimal Choice Sector Funds and crossed "Not Negotiable" in the amount you wish to invest in the Funds;
- (ii) a completed 'direct debit request form' attached to this PDS (if you wish to make payment by way of direct debit). Subject to approval of the completed Application Form by SCM, the full amount of your investment will be deducted upon receipt of the completed Application Form; or
- (iii) written notice of the deposit details (if you wish to make payment by way of direct transfer into the Fund's application account). If you wish to transfer funds directly into the Fund's application account, please contact us and we will provide the account details to you.

Payment must either:

- (i) accompany the Application Form;
- (ii) be deposited into the Fund's account no later than 5 working business days of receipt of the Application Form. Please note that the unit price applicable on receipt of the funds in the Fund's account will be applied and that funds deposited into the Fund's account prior to receipt and acceptance of the Application Form will not be invested; or
- (iii) comprise a reinvestment of distribution in accordance with the relevant Fund's constitution.

Units issued in a Fund against monies paid, other than in cleared funds, are void if the funds are not subsequently cleared within 1 month of receipt of the Application Form by SCM.

#### (c) Allocation of units in a Fund

Applications received by SCM before 3.00 pm Australian Eastern Standard Time on a business day will be allocated units in the nominated Fund(s) at the next entry price calculated following receipt of the latter of the completed Application Form and Application monies. Applications received after this time will receive the following day's unit price. The 3.00pm cut-off time may be changed by SCM at its discretion and without notice.

SCM may accept or reject applications at its discretion.

### Additional investments

To make an additional investment in a Fund in which you are a unitholder, you must send a completed Application Form attached to this PDS to SCM at the address stated on page 33 Section 7, with either:

- (a) a cheque made payable to SCM ATF Optimal Choice Sector Funds and crossed "Not Negotiable" in the amount you wish to invest in the Funds; or
- (b) in relation to electronic transfers and direct debits, the details required under the heading "Payment options" in order that SCM can process the electronic transfer of funds or direct debit from the account nominated by you.

When making an additional investment, you must also provide details of the investor's account name, business telephone number and Investor Code Number which is issued in your confirmation of investment which you will receive within fourteen working days of your initial investment.

Please refer to Section 6(a) of the Application Form titled "Investment Details and Income Distributions" to indicate how you would like to make additional investments.

The Application Form must be signed by the relevant authorised signatories for the investing person or entity. For example, companies must sign in accordance with their constitution or the Corporations Act 2001 and Application Forms completed on behalf of persons under the age of 18 years must be made in the name of a parent/guardian and signed by the named parent/guardian.

We will send you a copy of the PDS as it is reissued from time to time. You will need to refer to the revised PDS when you make additional investments.

SCM may accept or reject applications for additional investments at its discretion.

## Regular Savings Plan

You can increase your investment by making regular contributions through SCM's Regular Savings Plan.

If you participate in the Regular Savings Plan, you will be required to:

- invest a minimum of \$2,000 in the Fund or Funds nominated by you; and
- invest a minimum of \$300 per month in the relevant Fund or Funds.

To participate in the Regular Savings Plan, you must tick the "Regular Savings Plan" box on the Application Form (Section 6(a)) and complete the Direct Debit form request attached to this PDS. You should keep a copy of the current PDS and any information updating it for future reference. A copy of the current PDS is available from SCM free of charge.

When this current PDS expires, SCM will send you a new PDS to assist you in deciding whether to continue your Regular Savings Plan.

If 12 months have elapsed since an investor last made a contribution to the Regular Savings Plan, an Application Form must be completed by that investor and received by SCM before any further deposits will be accepted.

Withdrawal fees may apply if you are participating in a regular Savings Plan and your balance fails to reach \$10,000 across all Funds. (See page 24 for more details).

## Withdrawal Plan

SCM's Withdrawal Plan allows you to withdraw a regular fixed amount from your investment in the Funds on a monthly or quarterly basis (the Withdrawal Plan).

Under the Withdrawal Plan, you can arrange to have a minimum amount of \$1,000 withdrawn from a specific Fund in which you are a unitholder on a monthly or quarterly basis.

To participate in the Withdrawal Plan please complete the periodic redemption column in Section 6(a) of the Application Form. This redemption request will be deemed to be received by SCM on the fifteenth day of each month or quarter (as applicable) and the unit price calculated accordingly.

Note: If the balance of your funds falls below \$10,000 we may ask you to either increase your balance or redeem your total balance.

## Switching

Investors are able to "switch" units between the Funds offered under this PDS. The minimum amount for a switch in each Fund to take place is \$2,000.

In general, no fees apply to switching unless you:

- switch from a Fund with a lower contribution fee to a Fund with a higher contribution fee, in which case you will need to pay the difference between the two contribution fees; or
- make more than four switches in a 12 month period, in which case SCM may charge a fee of \$50 for each additional switch in that 12 month period.

To request a switch, simply forward a completed redemption request form which may be obtained by contacting Client Services on 1 800 032 204 or a letter for the Fund from which you are switching, together with a completed Application Form from a current PDS for the Fund into which you wish to switch. If you request to switch between Funds by sending us a letter:

- SCM will not process your request unless SCM believes on reasonable grounds that at the time you made the request you were in possession of the current PDS for the Funds;
- You should keep a copy of the current PDS and any information updating it for future reference. A copy of the current PDS is available from SCM free of charge; and
- You will be entitled to receive a confirmation of your switch from one Fund to another Fund. SMC will aim to ensure you are sent the confirmation within fourteen working days of the switch.

A switch is processed as a withdrawal from one Optimal Choice Sector Fund and an investment into another Optimal Choice Sector Fund and unit prices are calculated accordingly.

As switching your investment from one Fund and investing some or all of it in another Fund is considered a withdrawal and subsequent reinvestment, you should consult your professional financial adviser before switching between Funds.

A PDS may be updated or replaced from time to time. We will provide you with the most recent PDS for the Fund into which you wish to switch, upon request and free of charge.

SCM may accept or reject applications for switches at its discretion.

## How to redeem

An investor may request in writing, that SCM redeem some or all of the units they hold in a particular Fund.

The following details must be provided, in writing, to SCM in order for SCM to process the request for a redemption:

- the units or amount to be redeemed;
- the investor Code Number; and
- the name of the registered holder.

Redemption requests must be signed by all registered unitholders of units in the Fund subject to the request (or in the case of a corporation, by authorised signatories in accordance with the constitution of the corporation). You may direct us to redeem a specified value of units each month or quarter by completing the “periodic withdrawal” column in Section 6(a) of the Application Form. The unit price of the units to be redeemed will be calculated in accordance with the relevant Fund’s constitution using the values next determined after receipt of the redemption request.

The minimum amount for a redemption to take place is \$1,000 across the Funds (the total redemption across all five Funds or a specific Fund) unless the redemption request relates to the balance of the unitholder’s investment in any Fund. SCM may require redemption of an investor’s total unitholding if compliance with a redemption request would result in the unitholder holding units with an aggregate redemption value of less than \$10,000 across the Funds.

SCM will aim to pay redemption proceeds within 7 working days of receiving a valid redemption request, while the Fund is liquid. SCM may deduct from the proceeds of a redemption (or from money paid pursuant to a withdrawal offer) any money due to it by the unitholder that is requesting the redemption (or withdrawing funds pursuant to a withdrawal offer).

In accordance with the constitution of the Funds, SCM has up to 30 days after the redemption request is received by SCM to pay the redemption proceeds to the unitholder making the redemption request. However, where SCM has taken all reasonable steps to realise sufficient underlying assets of the relevant Fund to satisfy the redemption request and is unable to do so due to one or more circumstances outside SCM’s control, the period allowed for satisfaction of the redemption request may be extended by the number of days during which the circumstances apply. For example, if trading in an underlying asset of a Fund is restricted or suspended for 3 days, payment of the redemption request must be made within 33 days after

the date on which SCM receive the request. During the first week following a distribution of income, a minor delay in the processing of redemption requests may be experienced until distributions are calculated for the relevant Fund.

If at least 80% of the value of the assets of a Fund do not consist of cash and certain other easily realisable assets (e.g. shares and units), the Fund will be classified under the Corporations Act 2001 as “not liquid”. If this happens we may, but are not obliged to, offer all investors an opportunity to withdraw wholly or partly from that Fund. Although we intend to operate the Funds so that they remain “liquid” at all times, if a Fund is not liquid, an investor will not have the right to redeem units from that Fund. Redemption requests will generally be met from cash resources or by the disposal of investments in the Funds. SCM may, at its discretion, satisfy redemption requests by transferring listed securities from the relevant Fund to the unitholder.

## Distributions of income

Income distributions derive from each Fund’s investment income being interest, dividends, distributions and net realised capital gains, less allowable management expenses (refer to page 26 regarding “Management Expense Ratio”). The type of income distribution you receive will depend on the Fund you have invested in and the nature of that Fund’s underlying assets. Under the constitution of each Fund, the distributable income for the Fund for a financial year (as defined in the Fund’s constitution) (“Financial Year”) will be the amount SCM determines to be the distributable income being:

- the amount, which if distributed in cash to unitholders in the Fund for the period, would prevent SCM being liable to tax on the income of the trust for the relevant Fund under section 99 or section 99A of the Tax Act for the Financial Year; and
- any additional amount whether income or capital which SCM considers appropriate for distribution for the period.

Unitholders entitled to a distribution of income under the relevant Fund’s constitution will receive payment of the distribution within 3 months of the last day of each Financial Year and such other days as designated by SCM. Currently, it is SCM’s intention to distribute the income of each Fund within 15 business days.

In considering your rate of return (capital growth), as distinct from your income return, you should include unrealised capital gains because their value is included in the price of units in the Funds.

# Reporting

Investors may choose to have their income from a Fund:

- paid directly to a bank, building society or credit union account in Australia;
- paid by cheque to the address nominated on the Application Form or as subsequently amended in writing;
- re-invested in additional units where SCM is deemed to have received and accepted the application to re-invest on the first day after the end of the distribution period to which the distribution period relates; or
- re-invested in the Optimal Choice Cash Fund if the minimum balance held in the fund is at least \$10,000.

If you do not nominate any of the above choices, you will be deemed to have chosen to re-invest your income in additional units in the Fund from which the income is being distributed.

The income distribution per unit is calculated by dividing a Fund's distributable income by the number of units on issue for that particular Fund. An investor's allotment of distributable income is determined by the number of units held by that investor on the last day of the distribution period.

Investors will receive the following reports throughout the life of the investments in the Fund(s):

- a transaction statement for their initial investment, any additional investments and redemptions from the Fund(s);
- a quarterly statement that sets out details of investments in the Fund(s), the value of the investment in the Fund(s); the number of units held in the Fund(s); and any transactions that have occurred within the quarter;
- where a distribution is paid, a distribution statement as at the distribution date (which occur quarterly);
- quarterly reports that set out statistics and market commentary;
- an annual tax statement that provides the necessary details required to complete Australian taxation returns. (Investors who redeemed any of their investments in any given year and who received an income distribution during that period will also receive an income tax statement); and
- annual audited financial statements.

You may obtain copies of audited financial statements and/or details of the underlying investments for a particular Fund, upon request, from SCM by contacting Client Services on 1 800 032 204.

## How to access your account information

- Call the SCM Client Services Team on 1800 032 204 between 8.00 am and 5.00 pm on any business day Sydney Time.
- We will send you the SCM Quarterly Report
- Your Financial Adviser will also receive your quarterly report.

## The SCM Quarterly Report

1. Investment balances by investment Fund	See your current value in each Fund
2. Recent Transactions	See transactions that have occurred in the past quarter.
3. Performance Summary	See the performance of your total portfolio relative to your personal benchmark. Your personal benchmark is based on your risk profile that may be developed in collaboration with your financial adviser.
4. Asset Allocation	Shows how your portfolio is positioned relative to your Risk Profile/ Strategic Asset Allocation.
5. Who manages your money	See the diversification of your portfolio across specialist investment managers and by asset class with a detailed commentary on the performance of each manager.

## Unit pricing

### Calculation of daily unit prices

On a daily basis (this refers to business days only), SCM determines the price of units in each Fund by calculating the net asset value of each Fund's investments, and dividing the result by the total number of units in that Fund on issue. Unit prices will change in accordance with the value of the underlying assets of the particular Fund and the number of units on issue in that Fund. The prices are rounded to the nearest four decimal places.

### When investing

The number of units in a particular Fund that will be allocated to an investor, are calculated by dividing the amount to be invested by that investor in the Fund by the entry price of a unit in that Fund. The entry price of a Fund is calculated as at the next valuation period after the investor's Application Form and application monies are received (whichever represents the latter) (which will usually mean using the values calculated at the end of the day on which the Application Form and monies are received). The unit price value is adjusted by adding the "buy spread" (refer to the heading "Buy/Sell Spreads" on page 26).

### When withdrawing

The amount an investor receives on a withdrawal from a liquid Fund is calculated by multiplying the number of units withdrawn by the withdrawal unit price next calculated after the investor's redemption request is received. This usually means using the values calculated at the end of the day on which the redemption request is received, if it was received before 12pm on that date. Otherwise, the withdrawal unit price will be calculated using the following day's valuation. The unit price will be adjusted by deducting the "sell spread" (refer to the heading "Buy/Sell Spreads").

### Suspension of unit pricing

In a number of circumstances, pricing of units may be suspended, including where:

- (a) there is a closure or suspension of trading on any market on which a substantial part of the Fund's investments are normally traded or a breakdown in any of the means normally employed in establishing the prices of investments of the Fund; or
- (b) for any reason the values of the Fund's investments or the amount of any significant liability cannot be established or ascertained.

# The cost of investing in The Optimal Choice Sector Funds

## Significant fees

This table shows significant fees that you may be charged by investing in the Optimal Choice Sector Funds. These fees may be deducted from your account balance or from the returns on your investment or from the Fund as a whole. Taxation is set out in another section of this PDS. Fees for particular investment options appear separately in the "Important additional disclosure section".

You should read all of the information about fees and charges, as it is important to understand their impact on your investment in a Fund.

Significant Fees	Amount	How & When Paid												
Establishment Fee: This is the fee for the initial and every subsequent investment you make in the Optimal Choice Sector Funds.	None	n/a												
Contribution Fee**: This is the fee for the initial and every subsequent investment you make to a Fund. (Your financial adviser may also receive other amounts as commission: (See "Adviser remuneration" on page 25))	<table border="0"> <tr> <td>Optimal Choice Cash Fund</td> <td>1%</td> </tr> <tr> <td>Optimal Choice Coupon Securities Fund</td> <td>3%</td> </tr> <tr> <td>Optimal Choice Property Fund</td> <td>3%</td> </tr> <tr> <td>Optimal Choice Australian Equities Fund</td> <td>5%</td> </tr> <tr> <td>Optimal Choice International Equities Fund</td> <td>5%</td> </tr> </table> <p>Percentages are of the application monies.</p>	Optimal Choice Cash Fund	1%	Optimal Choice Coupon Securities Fund	3%	Optimal Choice Property Fund	3%	Optimal Choice Australian Equities Fund	5%	Optimal Choice International Equities Fund	5%	Deducted from the application monies on acceptance of an application. These are maximum fees and may be negotiated with your financial adviser and are not charged when switching to a Fund with a lower contribution fee.		
Optimal Choice Cash Fund	1%													
Optimal Choice Coupon Securities Fund	3%													
Optimal Choice Property Fund	3%													
Optimal Choice Australian Equities Fund	5%													
Optimal Choice International Equities Fund	5%													
Withdrawal Fee: This is the fee charged for each withdrawal you make from a Fund (including any installment payments and your final payment).**	nil (Except for regular Savings Plan participants whose total balance does not reach \$10,000 across all Funds, who pay 5% of the withdrawal proceeds).	n/a (Deducted from the withdrawal proceeds).												
Termination Fee: This is the fee when you close your account with a Fund.	nil	n/a												
Ongoing Fees: This is the total of all ongoing administration, investment management, expense recovery and other fees charged by the Fund. A breakdown of these fees is shown in the "breakdown of ongoing fees" Table 2.	<table border="0"> <tr> <td>Optimal Choice Cash Fund</td> <td>0.84% p.a.</td> </tr> <tr> <td>Optimal Choice Coupon Securities Fund</td> <td>1.58% p.a.</td> </tr> <tr> <td>Optimal Choice Property Fund</td> <td>2.05% p.a.</td> </tr> <tr> <td>Optimal Choice Australian Equities Fund</td> <td>2.33% p.a.</td> </tr> <tr> <td>Optimal Choice International Equities Fund</td> <td>2.61% p.a.</td> </tr> </table> <p>Percentages are of the gross asset value of the Funds.</p>	Optimal Choice Cash Fund	0.84% p.a.	Optimal Choice Coupon Securities Fund	1.58% p.a.	Optimal Choice Property Fund	2.05% p.a.	Optimal Choice Australian Equities Fund	2.33% p.a.	Optimal Choice International Equities Fund	2.61% p.a.	See details in "Breakdown of ongoing fees" Table 2. This may include a commission payable to your adviser.		
Optimal Choice Cash Fund	0.84% p.a.													
Optimal Choice Coupon Securities Fund	1.58% p.a.													
Optimal Choice Property Fund	2.05% p.a.													
Optimal Choice Australian Equities Fund	2.33% p.a.													
Optimal Choice International Equities Fund	2.61% p.a.													
Switching Fee: This is the fee charged when you switch between investment options offered by the Fund.	nil, if less than 4 switches in the last 12 months, otherwise \$50 per switch. (See page 19 for details). (A contribution fee may also apply if switching from the Optimal Choice Cash Fund to another fund. A contribution fee may also apply if switching from the Optimal Choice Coupon Securities Fund to another fund (except the Optimal Choice Cash Fund)).	Deducted from withdrawal proceeds.												
Adviser Services Fee: This is the fee charged by your financial adviser for services they provide to you. (Your financial adviser may also receive other amounts as commission: (See "Adviser remuneration" on page 25)).	<table border="0"> <tr> <td colspan="2">The maximum amounts you may nominate in this facility are listed below:</td> </tr> <tr> <td>Optimal Choice Cash Fund</td> <td>1% p.a.</td> </tr> <tr> <td>Optimal Choice Coupon Securities Fund</td> <td>2% p.a.</td> </tr> <tr> <td>Optimal Choice Property Fund</td> <td>2% p.a.</td> </tr> <tr> <td>Optimal Choice Australian Equities Fund</td> <td>2% p.a.</td> </tr> <tr> <td>Optimal Choice International Equities Fund</td> <td>2% p.a.</td> </tr> </table> <p>Percentages are of the value of the total balance across <b>all</b> Funds</p>	The maximum amounts you may nominate in this facility are listed below:		Optimal Choice Cash Fund	1% p.a.	Optimal Choice Coupon Securities Fund	2% p.a.	Optimal Choice Property Fund	2% p.a.	Optimal Choice Australian Equities Fund	2% p.a.	Optimal Choice International Equities Fund	2% p.a.	This is paid monthly from your account balance. You and your financial adviser may select the Fund from which your adviser is to be paid the Adviser Services Fee.
The maximum amounts you may nominate in this facility are listed below:														
Optimal Choice Cash Fund	1% p.a.													
Optimal Choice Coupon Securities Fund	2% p.a.													
Optimal Choice Property Fund	2% p.a.													
Optimal Choice Australian Equities Fund	2% p.a.													
Optimal Choice International Equities Fund	2% p.a.													

\* For commission arrangements with your Financial Adviser please refer to the section titled "Adviser remuneration".

\*\* Buy Sell Spread may also apply. (See page 26)

## Breakdown of ongoing fees

Table 2 contains a breakdown of the ongoing fees shown in Table 1. All percentages are the gross asset value of the Funds

Table 2 Breakdown of ongoing fees		Amount p.a.	How and When Paid
Administration and Custodian Fee: This is the fee to cover the general administration and the custodian requirements of the Fund.		0.28%	nil (per Fund)
Investments Management Fee: This is the fee paid to fund managers to manage the portfolios.	Optimal Choice Cash Fund	0.09%	Calculated, accrued and paid monthly.
	Optimal Choice Coupon Securities Fund	0.18%	
	Optimal Choice Property Fund	0.37%	
	Optimal Choice Australian Equity Fund	0.47%	
	Optimal Choice International Equity Fund	0.65%	
Issuer Fee: This is the fee for the product issuer's services in overseeing the Fund's operations investment and/or for providing access to the Fund's investment options.	Optimal Choice Cash Fund	0.47%	Calculated, accrued and paid monthly.
	Optimal Choice Coupon Securities Fund	1.12%	
	Optimal Choice Property Fund	1.40%	
	Optimal Choice Australian Equities Fund	1.58%	
	Optimal Choice International Equities Fund	1.68%	
Expense Recoveries: This is an estimate of the out-of-pocket expenses the Responsible Entity is entitled to recover from the Fund.		nil until further notice	
Member Fee: This is a member account keeping fee charged by the Fund.		none	

## Important additional disclosure items

### Increases and alterations in fees and charges

All fees and charges shown in the 'Significant fees' and 'Breakdown of ongoing fees' tables on pages 23 and 24 may change within limits set out in each Fund's constitution. Where applicable we have disclosed the maximum fees payable for each fee item. Fees may increase or decrease for many reasons including changes in the competitive, industry and regulatory environment or simply from changes in costs. We will not increase fees without providing at least 30 days written notice to you except in respect of government fees and charges. Notice will not be provided for increases in transaction costs as these are incurred in the day to day operations in the Funds.

### Expense recovery

The constitution also permits SCM to recover expenses incurred in operating the funds, such as auditors' fees, accounting costs, postage, investment management fees and other costs, charges, expenses and outlays. These may be recovered in addition to the issuer fee. However, unless SCM gives

unitholders 30 days written notice to the contrary, SCM will not deduct more than the Ongoing Fees shown in Table 1.

SCM reserves the right to recover abnormal expenses (such as the cost of holding unitholder's meetings) in addition to the issuer fee, investment management fees and transaction costs.

### Withdrawal fees

Under the constitution of the Funds, SCM is entitled to charge a withdrawal fee of up to 5% of the redemption proceeds in relation to a redemption request ("the Withdrawal Fee"). SCM does not currently charge the Withdrawal Fee unless an investor participates in the Regular Savings Plan and fails to reach a total balance of \$10,000 across the Fund(s). In these cases, the maximum withdrawal fee of 5% will be charged.

## Adviser remuneration

Details of all remuneration and benefits paid or given to your financial adviser will be in the Financial Services Guide and Statement of Advice that your financial adviser provides to you.

### Commission – contribution fee

SCM may pay your financial adviser a commission equal to the contribution fee including GST. The actual contribution fee payable is determined between you and your financial adviser. The maximum contribution fees payable are in Table 1.

You may be able to negotiate a lower contribution fee with your financial adviser (i.e. between 0% and the maximum for the relevant Fund). If so, your financial adviser will nominate the adjusted amount on the Application Form. If no rate is nominated, the maximum fee will be applied. If you enter into the product directly through SCM (i.e. without a financial adviser) you will pay the full fee, unless we otherwise agree.

### Ongoing Commission

An ongoing commission may be paid to your financial adviser by SCM for providing ongoing services and advice to you in relation to the Funds. Any ongoing commission is paid to your financial adviser out of our issuer fee and is at no additional cost to you.

### Adviser Services Fee

In addition to the remuneration paid to your financial adviser from the contribution fee and the ongoing commission SCM pays your financial adviser, you may agree with your financial adviser to pay an additional Adviser Services Fee from your investment in the Funds, as outlined in Table 1. The Adviser Services Fee is subject to negotiation between you and your financial adviser and is a fee that should be disclosed to you in writing by your financial adviser, for the provision of ongoing advice.

The Adviser Services Fee, expressed as a percentage of your total investment across all Funds, will be deducted as an additional fee from your investment in the Funds on a monthly basis and will appear on your quarterly transaction statement. It is calculated on the basis of the value of each Fund at the end of the month.

You and your financial adviser may select the Fund from which you wish your financial adviser to be paid the Adviser Services Fee, in Section 6(b) of the Application Form attached to this PDS. The maximum Adviser Services Fee for each Fund appears in Table 1.

If there are insufficient funds in the Fund from which you wish to pay the Adviser Services Fee, you will be invoiced the amount and charged an administration fee of \$50.

### Indirect remuneration

Your financial adviser may also receive remuneration in a variety of ways for the provision of services (for example by receiving marketing support payments and or office space). If these amounts are paid, they are paid by us and are not an extra amount paid from the Funds nor are they amounts you pay.

Table 3

## Current Issuer Fee, Past Three Year MER's, Investment Manager Fee & Expenses

	Prior Years' MER as at 30 June 2001	Prior Years' MER as at 30 June 2002	Prior Years' MER as at 30 June 2003
Optimal Choice Cash Fund	0.84%	0.84%	0.84%
Optimal Choice Coupon Securities Fund	1.58%	1.58%	1.58%
Optimal Choice Property Fund	2.05%	2.05%	2.05%
Optimal Choice Australian Equities Fund	2.33%	2.33%	2.33%
Optimal Choice International Equities Fund	2.61%	2.61%	2.61%

Please note: The Issuer fee is calculated daily paid monthly applied against the gross asset value of each Fund.

## Management Expense Ratio

The Management Expense Ratios (MERs) for each Fund for the last three years (year ending 30 June) are outlined in Table 3 (See page 25). The MER is a measure of the total annual cost of investing in a managed Fund and is a useful guide when comparing the annual costs of managed Funds. The “MER” includes the issuer fee (Responsible Entity’s fee), investment manager fee, and other expenses reasonably incurred by SCM in the management, administration and operation of the Funds. MER does not include any contribution fees, withdrawal fees or Adviser Services Fees.

The MER’ s quoted in this PDS have been calculated in accordance with the Investment and Financial Services Association (IFSA) standards. They are calculated by dividing the total ongoing management fee (excluding transaction costs) and Goods and Services Tax less recovered expenses by the average net asset value of each Fund over the period.

Costs such as brokerage on buying or selling assets or bank charges are recovered directly from the Funds. They are not currently paid by us and are not reflected in the MER.

The MER is not an additional fee.

## Other Fees

### Buy/Sell Spreads

The payment of transaction charges on application and redemption of units creates a Buy/Sell Spread. The purpose of adjusting for transaction charges is to prevent existing unitholders being disadvantaged by the costs of purchasing or selling securities (such as brokerage, government taxes/duties/levies, bank charges and account transaction charges) as a result of applications to, or redemptions from, the Funds. As this cost is built into the unit price it will impact the return on your investment. The cost is in addition to the contribution fee. Re – invested distributions do not incur transaction costs through the buy/sell spread. As this cost is built into the unit price it will not show as a transaction on

your quarterly or annual statements. The current buy/sell spreads for the Funds appear in Table 4.

### Direct debit failure fee

The direct debit failure fee is charged when you have insufficient funds in your bank, building society or credit union account when using the Regular Savings Plan. Your financial institution charges you the fee. The fee will differ according to which financial institution you use. Please speak to your financial institution for further details.

### Cheque dishonour fee

If you make an investment by cheque and the cheque dishonours, your financial institution charges SCM the fee and in turn SCM charges you the fee. This fee does not impact the returns on your investment and will vary according to which financial institution you use. Please speak to your financial institution for further details.

### Wholesale clients

If you are classed as a wholesale client (such as a sophisticated or professional investor) under the Corporations Act, in accordance with Australian Securities and Investments Commission (ASIC) policy on differential fee arrangements, the issuer fees under this PDS may be individually negotiated.

Table 4

### Optimal Choice Buy/Sell Spread\* (%)

Optimal Choice Cash Fund	NIL
Optimal Choice Coupon Securities Fund	NIL
Optimal Choice Property Fund	0.6
Optimal Choice Australian Equities Fund	0.6
Optimal Choice International Equities Fund	0.6

## Dollar Fee example

The annual cost of an investment in the funds will vary depending on (amongst other things) how much you invest and the number and type of transactions you make. To help you put the fees and charges associated with the Funds in context, the following examples show the dollar effect of a range of fees on hypothetical investors.

### Example – Calculation of Fees

Sophie has \$40,000 to invest and decides to invest the entire amount into the Optimal Choice Australian Equities Fund. Sophie does not have a financial adviser and has negotiated with SCM for the contribution fee and the Adviser Services Fee to be waived. The ongoing fee for investing in the Optimal Choice Australian Equities Fund will be \$932 per annum (2.33% of \$40,000).

Matthew wishes to invest \$200,000 in the Optimal Choice International Equities Fund and the Optimal Choice Property Fund in equal proportions. He negotiates a Contribution Fee of 1.1% and an Adviser Service Fee of 1.1% p.a. with his financial adviser, both inclusive of GST. The actual fees charged in year one and in year two onwards are as follows:

#### Matthew

	Contribution Fee	Adviser Services Fee p.a.	Ongoing Fees p.a.
Property Fund	1.1% of \$100,000 (\$1,100)	1.1% of \$100,000 (\$1,100)	2.05% of \$100,000 (\$2,050)
International Equities Fund	1.1% of \$100,000 (\$1,100)	1.1% of \$100,000 (\$1,100)	2.61% of \$100,000 (\$2,610)
Total Year 1: \$9,060	Year 2 onwards: \$6,860		

Mark also wishes to invest the same amount in the identical funds however, he negotiates with his financial adviser to pay only a contribution fee of .55%. The actual fees charged in year one and in year two onwards are as follows:

#### Mark

	Contribution Fee	Adviser Services Fee p.a.	Ongoing Fees p.a.
Property Fund	.55% of \$100,000 (\$550)	nil	2.05% of \$100,000 (\$2,050)
International Equities Fund	.55% of \$100,000 (\$550)	nil	2.61% of \$100,000 (\$2,610)
Total Year 1: \$5,760	Year 2 onwards: \$4,660		

Matthew may have agreed to a higher Contribution Fee and Adviser Services Fee because his personal circumstances were more complicated to advise on than Mark's. Matthew has also agreed with his financial adviser to additional services that Mark has not agreed to.

Please note the Contribution Fee is a one off fee incurred in year one. The Adviser Services Fee and ongoing fees are annual charges. The calculations above do not include Buy/Sell spreads and do not take account of any changes in the gross or net asset value of the Funds.

# Taxation and Social Security

The following information is provided only as a basic guide to some of the taxation issues that you need to consider when making your investment in the Funds. This is based on information as at the date of this PDS. Due to the complexity of the Australian taxation system and the varying circumstances of investors, it is important that you receive professional taxation advice specific to your situation.

The information provided below is intended as a brief guide only for Australian resident unit holders. The information may not apply to unitholders who are carrying on a business that includes deriving gains from the disposal of units in the Funds.

## Taxation of Australian resident investors

### Distributions

Under existing taxation legislation, SCM as responsible entity of the Funds, will not be liable for Australian Income Tax, so long as unitholders are entitled to at least the taxable income of each Fund in each year of income. The constitution of the Funds provide that the unitholders will be so entitled. Legislation exists which restricts the circumstances in which each Fund may claim an allowable deduction for prior and current year revenue losses. Each Fund would need to satisfy the tests for deductibility of the losses (including broadly, 50% continuity of beneficial ownership and the "income injection test") before any revenue losses incurred can be utilised.

Under normal circumstances, the Funds themselves do not pay income tax because we fully distribute the net income to investors. The taxable components of distributions form a part of your assessable income for the relevant year, even if they are invested in additional units.

### Taxable components of distributions

SCM will issue you with an annual tax statement, normally by 30 September each year, which provides details of the taxable, and tax deferred components of income distributions either paid to you or reinvested by you in additional units in a nominated Fund.

Investors must disclose in their declaration of assessable income the taxable component of their distributions, including any distributions that are reinvested. Investors should note that assessable income relates to the financial year in which distributions were earned, not to the financial year in which they were received.

The annual statement will include details, where applicable, of various components. Depending on the Fund or Funds a unitholder invests in, the annual statement, will include details

of various components such as:

- Interest;
- Dividends (franked or unfranked);
- Realised capital gains (which includes details of whether the gain is a discount capital gain);
- Foreign-sourced income;
- Dividend imputation credits arising from franked dividends paid out of taxed profits by companies in which a Fund held shares. Imputation credits reflect tax already paid by companies and may, depending on the operation of certain holding period rules (including the "45 day rule"), count towards tax payable by you on your assessable income or entitle you to a refund of tax paid;
- The amount of any foreign tax credits received by the Fund, which generally can be utilised by Australian unitholders;
- The amount of any non-assessable components of income;
- The amount of any capital distribution; and
- Tax deferred income.

A unitholder's share of taxable income may include certain amounts which are not represented by a cash distribution, such as franking credits, foreign tax credits and Foreign Investment Fund income. Rebates or credits for such amounts may be available when calculating a unitholder's tax liability, depending on the unitholder's specific circumstances.

A realised capital gain distributed by a Fund should be included with a unitholder's other capital gains and losses. Some unitholders may be entitled to take advantage of the discount capital gains tax rules when a Fund distributes a discount capital gain. Under the rules, the unitholder is required to include only part of the capital gain in their assessable income. Where a unitholder receives a distribution of a non-taxable amount (including an amount which is non-taxable as a result of the discount capital gains tax rules), the cost base of their units in the Funds may be required to be reduced and capital gains may arise.

For more information, please consult your financial adviser.

### Withdrawing or switching

An investor who makes regular withdrawals from a Fund(s) or who disposes of units in a Fund(s) by redeeming or switching, may be liable to tax under the capital gains tax rules. Individuals or trusts who invest in a Fund will only be subject to tax on 50% of a realised gain, provided the units in the relevant Fund were held by the investor for at least 12 months. Superannuation funds will be subject to tax on 66.67% of the realised capital gain if the units are held for at least 12 months. Otherwise, the whole of the gain made on withdrawal or switching will be taxable.

Again investors are encouraged to seek professional advice in relation to the taxation of an investment in the Funds, as the tax laws are complicated and change often, and the position may vary depending on the particular circumstances of a unit holder.

### **Goods & Services Tax**

Neither applications to nor withdrawals from the Optimal Choice Sector Funds give rise to you being liable for GST. SCM will incur expenses (which incorporate amounts on account of GST) in respect of various supplies that it acquires. However a reduced input tax credit is available to SCM for some of those supplies and any GST cost is covered in expense recovery fees.

### **Tax information for non-Australian tax residents**

Tax will be withheld from distributions to non-resident investors where the distributions consist of income and capital gains derived by Funds from sources in Australia. The amounts withheld will be at the rate of tax applicable to non-resident investors. Non-resident investors will not be subject to Australian tax in relation to income derived from sources outside Australia.

Non-resident investors will also be subject to Australian tax on capital gains realised on disposal or switching of their units if the unitholder held 10% or more of the issued units in a Fund at any time during the 5 years prior to the disposal or switch taking place.

Non-resident investors should seek their own advice on the tax implications in Australia and their own jurisdictions of investing in the Funds.

### **Tax file numbers**

You may quote your Tax File Number ("TFN") to SCM. It is not an offence to fail to quote a TFN or to fail to claim an exemption from taxation. However, if you do not quote your TFN, details of any TFN exemption or an Australian Business Number, SCM is required to withhold tax from each distribution of income at the highest rate (currently 48.5% including the Medicare Levy).

### **Social security implications**

You should consult CentreLink or your financial adviser regarding the possible affects investing in the Funds will have on your social security entitlements.

# Other important rights as an investor in The Optimal Choice Sector Funds

## Complaints resolution

Every investor in a Fund is entitled to have his or her complaint dealt with in a timely and fair manner. To this end, SCM has established procedures to deal with any complaints that may arise. Complaints should be advised in writing to SCM at the address below. Under the constitution of each Fund, SCM must:

- acknowledge, in writing, receipt of a written complaint (although not necessarily resolve them) within 14 days from receipt of the complaint; and
- refer the complaint to the compliance committee for consideration; and
- communicate to the complainant in no more than 45 days after receipt of the complaint, the determination of the complaint; the remedies (if any) available to the complainant; and information regarding any further avenue of complaint.

SCM has procedures in place for the prompt dealing with complaints. Unit holders with enquiries should speak to Client Services on 1800 032 204. Notification of any complaint should be made in writing, addressed to:

Complaints Officer  
Strategic Capital Management Ltd  
Level 23, 1 Market Street  
Sydney NSW 2000

SCM is a member of the Financial Industry Complaints Service (FICS), an ASIC approved complaints resolution service. If your complaint is not dealt with to your satisfaction under the SCM internal complaints resolution procedures, you may contact FICS on their free call number 1800 335 405.

## Death of an investor – survivorship

Upon the death of an investor in any of the Optimal Choice Sector Funds, the legal personal representative of the deceased investor will be the only person recognised by SCM as having any title to, or interests in, the relevant Fund. However, where the investments in the particular Fund were made or held by the deceased investor together with another person or persons as joint tenants, the survivor(s) will be the only person(s) recognised as having any title to or interest in the deceased's interests in the relevant Fund.

## Voting rights

When you acquire units in the Optimal Choice Sector Funds you will have the right to vote at unitholders meetings in accordance with the relevant Fund's constitution and the Corporations Act.

## Privacy

SCM collects your personal information to provide you with the financial products you have requested and to inform you of new products and services offered by SCM. We may disclose your personal information to external parties who provide services to us in relation to the Fund(s) in which you invest, such as a mailing house or custodian and investment administrator. We also disclose information about your investments to your financial adviser whose name appears on your Application Form.

By writing to SCM at the address set out in the directory you can request access to your personal information about you that SCM holds. Your request will be accessed in accordance with the National Privacy Principles. If you have any questions about your personal information collected by SCM, you should contact SCM on 1800 032 204.

## Termination of the Funds

Subject to earlier termination, each Fund will terminate on 20 February 2081. SCM may terminate a Fund at any time (by giving notice to investors) or in the circumstances provided in the Corporations Act 2001.

Where a particular Fund is terminated, SCM must sell all of the assets of the relevant Fund and distribute the net proceeds to the unitholders in proportion to the number of units each unitholder held in that Fund.

## Retirement and removal of the Responsible Entity

SCM, as Responsible Entity, may be removed from each Fund in the circumstances set out in the relevant Fund's constitution and the Corporations Act 2001. For example, unitholders may pass an extraordinary resolution to remove the Responsible Entity, in which case the quorum required to pass the resolution is two unitholders and the resolution must be passed by at least 50% of the total votes that may be cast by unitholders entitled to vote on the resolution (including unit holders who are not present in person or by proxy). SCM may also retire voluntarily and unitholders may choose a replacement by extraordinary resolution.

## Constitution

Each Optimal Choice Sector Fund is governed by a legal document called the constitution. The constitution of each Fund provides for such matters as:

- issue and transfer of units in the Fund;
- meetings of members, including the requisitioning of the meeting, attending meeting and voting at meeting;

## Cooling off

If you are a retail client (as defined in the Corporations Act 2001), under certain circumstances the sale of units in the Funds to you is subject to a 14-day “cooling off period” during which time, you have the right to return your investments in the Funds and have the money you paid for your investments repaid to you. The amount that will be repaid to you will be adjusted for market movements in the unit price of the relevant Fund, taxes and other reasonable administrative expenses and transaction costs associated with the acquisition and withdrawal of the units in the Fund. Consequently, you may be repaid an amount that is less than your original investment in the Funds.

To exercise your cooling off rights, you must advise our Client Services Team of your intention to do so in writing or electronically to the address listed under the heading “Complaints Resolution” above, within 14 days from the earlier of:

- the date you received a confirmation of your investment in the Funds or such a confirmation was made available to you; and
  - the end of the fifth day after the day on which the units in the Funds were issued.
- 
- valuations and how unit prices must be calculated;
  - remuneration and liability of the Responsible Entity;
  - reimbursement of expenses;
  - termination of the Fund;
  - the nature of units (identical rights attach to all units in each Fund);
  - the Responsible Entity's powers and how and when these are to be exercised;
  - the Responsible Entity's ability to refuse transfers and applications (we generally don't refuse these);
  - the times when we delay access to your money (such as if the Fund is illiquid and pricing units in the Fund is impractical); and
  - unitholders' right to share any Fund income and how such income is calculated.

Investors or intending investors may inspect the constitution at the offices of SCM during normal business hours, alternatively a copy may be requested free of charge from SCM. The provisions of the Corporations Act 2001 and instruments

issued by ASIC may affect the rights and obligations of SCM and unitholders.

Modifications to the provisions of a Fund's constitution are permitted under Section 601GC of the Corporations Act 2001, by way of supplemental deed. Such modifications require a special resolution of the Fund's unitholders, unless SCM reasonably believes that the modifications will not adversely affect members' rights.

## Disclosure of Interests

Each Fund may invest in listed and unlisted funds managed by SCM or its associates (as defined in the Corporation Act 2001). SCM or its associates may receive fees in relation to these funds.

Directors may receive remuneration as directors of the SCM group and from time to time may hold interest in shares in SCM or units in the Funds.

SCM and its associates may hold units in the trust governed or constituted under any of the Funds' constitutions, in any capacity.

## Borrowings

Currently, while the constitutions for the Funds allow for borrowings, SCM does not intend to borrow money for any of the Funds.

## Custodian and Investment Administrator of the Funds

RBC Global Services Australia Pty Limited (“RBC Global Services”) has been appointed as the custodian and Investment Administrator for the Optimal Choice Sector Funds.

RBC Global Services' role as custodian is limited to holding assets of the Fund. As investment administrator, RBC Global Services is responsible for most of the day to day administration relating to the Funds. RBC Global Services has no supervisory role in relation to the operation of the Funds and has no liability or responsibility to you for any act done or omission made in accordance with the Custody and Investment Administration Agreement.

RBC Global Services was not involved in preparing, nor takes any responsibility for this PDS. RBC Global Services makes no guarantee of the success of the Funds, nor the repayment of capital or any particular rate of capital or income return.

## Consents

The following parties have given (and at the time of this PDS have not withdrawn) their consent to the inclusion of the references to them in the form and context in which they are included in this PDS (Optimal Choice Sector Funds):

- Alliance Capital Management Australia Limited;
- Alpha Investment Management Pty Ltd;
- Barclays Global Investors Australia Limited;
- Citigroup Asset Management Australia Limited;
- Colonial First State Property Limited;
- KPMG;
- Marvin & Palmer Associates, Inc;
- Merrill Lynch Investment Managers Limited;
- Macquarie Investment Management Limited;
- RBC Global Services Australia Pty Limited;
- UBS Global Asset Management (Australia) Ltd;
- Wellington Management Company, LLP; and
- Herschel Asset Management Limited;

## Unitholders' liabilities

Generally the Fund's constitution limit a unitholder's liability to the amount, if any, which remains unpaid in relation to that unitholder's subscription for units in the relevant Fund, other than any tax liability. However, the Australian courts at this stage have not considered the effects of such provisions and as a result SCM is unable at this stage to provide any further information as to a unitholder's liabilities in respect of the Funds.

## SCM's liability

- (a) SCM is not liable in contract, tort or otherwise to unitholders in any of the Funds for any loss suffered in any way relating to the trust of the relevant Fund, except to the extent that the Corporations Act 2001 imposes such liability.
- (b) Subject to the Corporations Act 2001, the liability of SCM to any person other than a unitholder in the Funds in respect of the trust of the relevant Fund (including of any contracts entered into as Responsible Entity of such trust or in relation to any of the underlying assets of a Fund) is limited to SCM's ability to be indemnified from the underlying assets of the Fund.
- (c) SCM is entitled to be indemnified out of the underlying assets of a Fund for any liability incurred by it properly performing or exercising any of its powers or duties in relation to the trust of the relevant Fund.
- (d) To the extent permitted by the Corporations Act 2001, the indemnity referred to in part (c) includes any liability incurred as a result of any act or omission of a delegate or agent appointed by SCM.
- (e) The indemnity referred to in part (c) is in addition to any indemnity allowed by law and continues to apply after SCM retires or is removed as Responsible Entity of the trust of the relevant Fund.
- (f) Subject to the constitution of a Fund, SCM is entitled to be indemnified by a unitholder or former unitholder of the Fund to the extent that SCM incurs any liability for tax or costs incurred in relation to an entitlement to a payment or a payment to or from the trust of the Fund in respect of the unitholder, or in relation to any act or omission requested by a unitholder, that results from the unitholder's action or inaction, or as a result of an act or omission requested by the unitholder or former unitholder.

# How to complete the application form

Please read these notes that correspond to the sections of the Application Form, prior to completing the Form. Please complete the Application Form in black or blue pen.

## Section 1 – Existing Investors

New investors complete Sections 1 to 6 of the Application Form. Existing investor complete Sections 1, 5 to 6 unless your details have changed. In this case please place details that have been changed in the relevant section of the Application Form.

## Section 2 – Investor Information

New investors should complete this section of the Application Form. Section 2 comprises investor name(s) and details.

## Section 3 – Taxation Details

Failure to quote a TFN is not an offence. Collection of TFN information is authorised and its use and disclosure are strictly regulated by tax and privacy laws. However, if a TFN or exemption is not supplied, we may be required to withhold tax from any distribution at the highest marginal tax rate plus Medicare levy (currently 48.5%).

## Section 4 – Financial Institution Details

Complete this section if you choose to have distributions paid by Direct Credit or if you participate in a regular withdrawal plan.

## Section 5 – Application Privacy Act

## Section 6 – Investment Details

Please nominate if your investment will be made by direct debit, cheque or deposit. If you are making the initial deposit by direct debit you will also need to fill in Section 4 and the Direct Debit Request on page 37.

Please ensure you have nominated the amount of money you want to invest beside each relevant Fund.

If you are participating in the Regular Savings Plan please indicate the amount you will be contributing.

If you are participating in the Withdrawal Plan please indicate the amount you will withdraw and the frequency of such withdrawals.

## Section 7 – Declaration & Signatures

Please read the statements outlined in this section.

An application for investment in the Funds cannot be accepted unless it has the signature of all applicants.

The completed Application Form should be signed and forwarded to:

Strategic Capital Management Ltd  
GPO Box 2834, Sydney NSW 2001

or

Level 23, 1 Market Street, Sydney NSW 2000

If there are additional signatory requirements, please specify in the space provided in Section 7(b).

All cheques should be made payable to

**SCML atf Optimal Choice Sector Funds -  
and crossed 'Not Negotiable'.**

**Minimum Initial Investment \$10,000.**

**Minimum Initial Investment \$2,000 (Regular Savings Plan).**

**Minimum Additional Investment \$1,000.**

SCM has the discretion to waive and change these minimums amounts.

## Examples Of Correct Names And Account Designations To Use On Your Forms

Type of Investor	Correct Name	Incorrect Name	Signature(s)	
Individual/Joint Holdings	Use full name of each applicant, not initials	Paul Ross Dale Susan Sara Dale	Paul R Dale Sue Dale	Signature of each applicant
	Company	Use full company title	XYZ Pty Ltd XYZ Inc, XYZ Co, XYZ P/L	1. by two directors; 2. by a director and a secretary; 3. if there is a only a single director, by that director; or 4. by a duly authorised officer or attorney
Trusts/Minors	Use trustee(s)/ Individual(s) name(s)	Name: Mark Joe King A/C designation: <King Family Trust>	Name: Mark King Family Trust	Signature of each trustee If trustee is a company, see above
	Use trust/minor name as designation	<Mark King Jr>		
Superannuation Funds	Use trustee(s) personal name(s)	Name: Mary Jane Bell A/C designation:	Name: M J Bell Super Fund	Signature of each trustee If trustee is a company, see above.
	Use Fund name as designation	<Mary Bell Super Fund>		

# Application Form

This application form accompanies the Optimal Choice Sector Funds PDS dated 10 May 2004. Strategic Capital Management Limited ABN 31 092 936 902, AFSL 245580 ("SCML") is the Responsible Entity of the Funds.

The PDS contains important information relating to investing in the Funds. Prior to applying for units in the Funds, it is advisable that you read the entire PDS. If you request, SCM will, whilst the PDS is current, send you a paper copy of the PDS, any supplementary PDS and the application form without charge. If you would like a copy of any such documents, please contact SCM Client Services on 1800 032 204.

A person who gives another person access to this application form must at the same time and by the same means give the person the PDS.

## Optimal Choice Sector Funds

Please phone SCM on 1800 032 204 with any enquiries.

Please use BLOCK letters and tick appropriate boxes.

(SCM use only)

### Section 1 – Existing Investors

**Is this an application for an additional investment to be added to your existing investment in the Funds?**

• No  (please go to section 2)

• Yes

Investor code

Investor Account name

Telephone (business)

If any of your details have changed indicate below, otherwise go to Section 6.

### Section 2 – Investor Information

#### Type of Investor

Individual  Joint Application  Company  Super Fund  Partnership  Executor  Adult for child under 18

#### Individual, Joint or Partnership Investors

Investor 1

Mr/Ms/Mrs/Miss/Other Surname

Given names

Date of birth

Day Month Year

Street Address (Investor 1)



State

Postcode

Investor 2

Mr/Ms/Mrs/Miss/Other Surname

Given names

Date of birth

Day Month Year

Street Address (Investor 2)



State

Postcode

#### Company/super/partnership fund/trust name (if applicable)

Name

ABN or ARBN

#### Account designation

Contact person (if applicable)

Email

Telephone (business)

Telephone (mobile, home, other)

Facsimile




Postal Address (if different from street address)

State

Postcode

### Section 3 – Tax File Numbers

#### Investor 1 or company TFN

Code

TFN

or Exemption (Please state full name of benefit (see page 29))

#### Investor 2

Code

TFN

or Exemption (Please state full name of benefit (see page 29))

If not an Australian resident, what is the country of residence for tax purposes?



**Section 6 (b) – Adviser Service Fee**

Complete this section if you have agreed with your financial adviser to have an additional service fee deducted. Refer to page 25 for details

Investment fund from which the Fee is to be deducted, indicate one fund only

Adviser service fee (Maximum 2.0% p.a. inclusive GST)\*    .  %

If no Fund or an invalid Fund is nominated we will deduct this fee from the first Fund invested in, in order of the listing shown in section 6 (a).

\* Optimal Choice Cash Fund 1% p.a. inclusive of GST

**Section 7 (a) – Declaration and Signatures**

I/We declare that:

- all details given in this application form are true and correct;
- I/we have received the complete and unaltered PDS to which this Application Form relates;
- I/we have read and understood the entire PDS to which this Application Form applies and agree to be bound by the provisions of the PDS and constitutions (as amended from time to time) governing the Funds;
- I/we have legal power to invest in accordance with this application form;
- I/we received the invitation and made this application in Australia;
- I/we acknowledge that a person who gives another person access to this Application Form must at the same time and by the same means give the person the PDS;
- the details of my/our investments in the Optimal Choice Sector Funds can be provided to the dealer group or adviser shown at the bottom of this Application Form on page 8;
- in the case of joint applications, the joint applicants agree that unless otherwise expressly indicated on this Application Form, the units will be held as joint tenants and either investor is able to operate the account and bind the other investor for future transactions, including additional deposits and withdrawals, including withdrawals by phone or fax;
- if this application form is signed under Power of Attorney, the Attorney declares that he/she has not received notice of revocation of that power. (A certified copy of the Power of Attorney must be submitted with this application unless we have already sighted it);
- sole signatories signing on behalf of a company confirm that they are signing as sole director and sole secretary of the company;
- I/we agree to be bound by the Regular Savings Plan conditions set out in the PDS;
- if this application is made through a financial adviser the adviser is entitled to receive payment by way of contribution fees and/or an ongoing adviser service fee;
- I/we will notify SCM of any changes in the information provided in this Application Form;
- I/we release and indemnify SCM against any liabilities whatsoever arising out of SCM acting on any communications received by phone, fax, or other electronic means including without limitation transactions effected through a financial adviser or the Internet in respect of my/our investments.

I/We acknowledge that:

- investments in the Funds are not investments, deposits or other liabilities of SCM or any other member company of the SCML group of companies;
- Investments in the Funds are subject to investment and other risks, including possible delays in repayment and the loss of income and principal invested; and
- neither SCM nor any other member company of the SCM group of companies guarantees the repayment of capital or the performance of the Funds or any particular rate of return from the Funds.

Signature

Date / /

Capacity

Sole Director  Director  Secretary (Company investments only)

Signature

Date / /

Capacity

Sole Director  Director  Secretary (Company investments only)

Send completed application forms to:  
SCM GPO Box 2834, Sydney NSW 2001

Company seal

**Section 7 (b)**

**Account signing authorities (joint investors only)**

Investors 1 & 2  Either investor 1 or 2  Investor 1 only  Investor 2 only

If no selection is made, either investor 1 or investor 2 will be assumed

**Adviser use only**

Dealer stamp

Adviser identification

Adviser name

Dealer ID

Adviser ID

Contribution fee as agreed with the applicant (Please specify):

Where no fee has been nominated, or a fee has been requested in excess of that allowed for that fund, the maximum will apply as shown in previous column.

Fund	Max. Amount	Initial* Investment	Additional* Investment	Regular* Investment
Cash	1%	<input type="text"/>	<input type="text"/>	<input type="text"/>
Coupon Securities Fund	3%	<input type="text"/>	<input type="text"/>	<input type="text"/>
Property Securities Fund	3%	<input type="text"/>	<input type="text"/>	<input type="text"/>
Australian Equities Fund	5%	<input type="text"/>	<input type="text"/>	<input type="text"/>
International Equities Fund	5%	<input type="text"/>	<input type="text"/>	<input type="text"/>

\*GST included

# Direct Debit Request

ABN 31 092 936 902

**Request and Authority to debit the account named below to pay Strategic Capital Management Ltd**

Request and authority to debit

(If your account is held jointly, please write both names.)

(If you already have an existing investment, please enter your Investor Code in the space provided)

Surname or company name

Given names or ACN/ARBN

request and authorise **SCML ATF Optimal Choice Sector Funds with user ID 222724** to arrange for any amount Strategic Capital Management Ltd may debit or charge you to be debited through the Bulk Electronic Clearing System from an account held at the financial institution identified below subject to the terms and conditions of the Direct Debit Request Service Agreement [and any further instructions provided below].

Investor code

Insert the name and address of financial institution at which account is held

Financial institution name

Address

State

Postcode

Insert details of account to be debited

Name of account

Branch number (BSB)

Account number

Acknowledgment

By signing this Direct Debit Request you acknowledge having read and understood the terms and conditions governing the debit arrangements between you and SCML ATF Optimal Choice Sector Funds as set out in this Request and in your Direct Debit Request Service Agreement.

Payment details

Monthly Contribution of \$

processed on the 15th of each month,

starting on the

or

Initial investment of \$

to be processed on the

Insert your signature and address

Signature

(If signing for a company, sign and print full name and capacity for signing eg. director)

Address

State

Postcode

Date

## Service agreement

- Definitions**
- account** means the account held at your financial institution from which we are authorised to arrange for funds to be debited.
- agreement** means this Direct Debit Request Service Agreement between you and us.
- business day** means a day other than a Saturday or a Sunday or a public holiday listed throughout Australia.
- debit day** means the day that payment by you to us is due.
- debit payment** means a particular transaction where a debit is made.
- direct debit request** means the Direct Debit Request between us and you (and includes any Form PD-C approved for use in the transitional period).
- transitional period** means the period commencing on the industry implementation date for Direct Debit Requests (31 March 2000) and concluding 12 calendar months from that date.
- us or we** means Strategic Capital Management Ltd, the Debit User you have authorised by signing a direct debit request.
- you** means the customer who signed the direct debit request.
- your financial institution** is the financial institution where you hold the account that you have authorised us to arrange to debit.
- 1. Debiting your account**
- 1.1 By signing a direct debit request, you have authorised us to arrange for funds to be debited from your account. You should refer to the direct debit request and this agreement for the terms of the arrangement between us and you.
- 1.2 We will only arrange for funds to be debited from your account as authorised in the direct debit request.
- 1.3 If the debit day falls on a day that is not a business day, we may direct your financial institution to debit your account on the following business day.  
If you are unsure about which day your account has or will be debited you should ask your financial institution.
- 2. Changes by us**
- 2.1 We may vary any details of this agreement or a direct debit request at any time by giving you at least fourteen (14) days' written notice.
- 3. Changes by you**
- 3.1 Subject to 3.2 and 3.3, you may change the arrangements under a direct debit request by contacting Client Services on 02 9264 9989 or scm@scm.net.au.
- 3.2 If you wish to stop or defer a debit payment you must notify us in writing at least five (5) days before the next debit day. This notice should be given to us in the first instance.
- 3.3 You may also cancel your authority for us to debit your account at any time by giving us five (5) days notice in writing before the next debit day. This notice should be given to us in the first instance.
- 4. Your obligations**
- 4.1 It is your responsibility to ensure that there are sufficient cleared funds available in your account to allow a debit payment to be made in accordance with the direct debit request.
- 4.2 If there are insufficient cleared funds in your account to meet a debit payment:  
(a) you may be charged a fee and/or interest by your financial institution;  
(b) you may also incur fees or charges imposed or incurred by us; and  
(c) you must arrange for the debit payment to be made by another method or arrange for sufficient cleared funds to be in your account by an agreed time so that we can process the debit payment.
- 4.3 You should check your account statement to verify that the amounts debited from your account are correct
- 4.4 If Strategic Capital Management Ltd is liable to pay goods and services tax ("GST") on a supply made in connection with this agreement, then you agree to pay Strategic Capital Management Ltd on demand an amount equal to the consideration payable for the supply multiplied by the prevailing GST rate.
- 5. Dispute**
- 5.1 If you believe that there has been an error in debiting your account, you should notify Client Services directly on 02 9264 9989 or scm@scm.net.au and confirm that notice in writing with us as soon as possible so that we can resolve your query more quickly.
- 5.2 If we conclude as a result of our investigations that your account has been incorrectly debited we will respond to your query by arranging for your financial institution to adjust your account (including interest and charges) accordingly. We will also notify you in writing of the amount by which your account has been adjusted.
- 5.3 If we conclude as a result of our investigations that your account has not been incorrectly debited we will respond to your query by providing you with reasons and any evidence for this finding.
- 5.4 Any queries you may have about an error made in debiting your account should be directed to us in the first instance so that we can attempt to resolve the matter between us and you. If we cannot resolve the matter you can still refer it to your financial institution which will obtain details from you of the disputed transaction and may lodge a claim on your behalf.
- 6. Accounts**
- You should check:
- (a) with your financial institution whether direct debiting is available from your account as direct debiting is not available on all accounts offered by financial institutions.
- (b) your account details which you have provided to us are correct by checking them against a recent account statement; and
- (c) with your financial institution before completing the direct debit request if you have any queries about how to complete the direct debit request.
- 7. Confidentiality**
- 7.1 We will keep any information (including your account details) in your direct debit request confidential. We will make reasonable efforts to keep any such information that we have about you secure and to ensure that any of our employees or agents who have access to information about you do not make any unauthorised use, modification, reproduction or disclosure of that information.
- 7.2 We will only disclose information that we have about you:  
(a) to the extent specifically required by law; or  
(b) for the purposes of this agreement (including disclosing information in connection with any query or claim).
- 8. Notice**
- 8.1 If you wish to notify us in writing about anything relating to this agreement, you should write to Accounts Department, GPO Box 2834, Sydney NSW 2000.
- 8.2 We will notify you by sending a notice in the ordinary post to the address you have given us in the direct debit request.
- 8.3 Any notice will be deemed to have been received two business days after it is posted.

# Glossary of terms used in the PDS

**Absolute return funds** – aim to provide positive returns regardless of market movements and conditions. To achieve this objective the funds implement various strategies such as taking short positions, gearing and use of derivatives.

**Asset allocation** – is the mix of assets, such as shares, property securities, bonds and cash, in an investment portfolio.

**Asset class** – is a type of asset that has distinct features, most importantly its expected return and volatility.

**Asset consultancy** – Advice on appropriate investment strategies, asset allocations and selection of specialised investment managers.

**Benchmark** – A measurement reflecting the value of a defined group of assets that a fund aims to outperform. For example, the S&P/ASX 200 Accumulation Index.

**Business day** – in the context of this document, a day other than a Saturday or Sunday or public holiday in New South Wales or such other day as SCM determines from time to time.

**Capital Gains Tax (CGT)** – a tax on the growth in the value of assets or investments acquired for long term capital growth, payable when the gain is realised. If the assets are held more than one year, this will become a discount capital gain, meaning the gain may receive concessional treatment.

**Capital growth** – An increase in the value of the asset.

**Capital loss(es)** – A loss in capital where an asset is sold for less than it was purchased.

**Companies of smaller market capitalisation (Smaller Companies)** – The sum of the total amount of various securities issued by a corporation, multiplied by the current market price of those securities which is below a threshold associated with companies of a larger capitalisation.

**Coupon securities** – a debt security (which is essentially a right to be repaid money loaned to a borrower such as a government or corporate) which pays interest to the holder until the maturity. The rate is expressed as an annual percentage of face value. For example, a coupon security with a 9% coupon will pay \$9 per \$100 of the face amount originally invested.

**Currency management** – is to protect the economic value of an asset from the negative impact of exchange fluctuations, at the lowest possible cost. Because exchange rate volatility also provides opportunity for gains, a secondary goal is to strike a balance between risk and return. There a number of types of hedging that may be used to achieve this.

**Derivative** – a financial contract whose value is based on, or derived from, an asset class (such as shares and bonds), an asset (such as a commodity), or a market index. Common derivatives include options, futures and forward exchange contracts.

**Distribution** – the payment of income earned on investments – normally dividends, interest and realised capital gains to a unitholder in an investment fund. A unitholder may choose to receive distributions in cash or reinvest them in the Fund.

**Diversification** – A deliberate strategy aimed at reducing the impact that volatility in one asset class, sector, manager or market will have on your overall portfolio of assets.

**Dividends** – A distribution of profits made by a company to its shareholders.

**Emerging market bonds** – Fixed Interest instruments issued in countries with developing economies, where industrialisation has begun and the economy has links with the global economy. The financial markets in these countries are immature compared to those of the world's major financial centres, but are becoming increasingly sophisticated and integrated into the international markets. These markets provide potentially high returns but are subject to high risk and volatility.

**Foreign sourced income** – Represents income received from investments held outside Australia

**Foreign tax credits** – A tax credit that represents the tax paid by a foreign company on its profits.

**Franking credit** – An imputation credit attached to a dividend.

**Franked dividend** – A dividend with an imputation credit attached.

**Hedging** – A strategy designed to reduce the risk from part of an investment portfolio, often involving derivatives. Hedging seeks to lock in the returns from particular asset classes and reduce adverse fluctuations in investment returns. For example, a forward currency contract which fixes the value of a currency at a future date may be used to hedge currency risk. While hedging can reduce losses, it also has a cost and therefore can reduce profits.

**High yielding fixed interest securities** – (such as corporate bonds and credit derivatives) generally earn a higher return than traditional fixed interest securities with a commensurate increase in risk.

**Hybrid securities** – A broad classification for a group of securities, used by ASX listed companies to raise money, that combine both debt and equity characteristics that pay a predictable (fixed or floating) rate of return or dividend until a certain date. At that date the holder has a number of options including converting the securities into the underlying share.

**Imputation credit** – A tax credit available to shareholders that represents the tax paid by an Australian company on its profits

**Index** – An index is a numerical measure of price movement in financial markets. Indices are used as a benchmark to compare performance of a Fund against the markets as a whole.

**Inflation-linked bonds** – usually issued by government where the interest is based on the inflation rate.

**Interest-rate securities** – interest rate securities have a lower potential rate of return than growth assets but are generally less volatile and have less potential to lose value, over the long term. These include bonds, fixed interest and liquid assets including cash.

**Investment style** – Fund managers invest according to their underlying philosophy on market behaviour and where value can be added. Fund managers can thus be broadly classified according to their preferred investment approach or style. Some investment styles perform better in certain market conditions than others. Understanding a fund manager's investment style allows an investor to diversify between different types of managers and to create portfolios of managers which can deliver a satisfactory return, no matter what the market conditions.

**Liquidity** – the ease with which an investment can be converted into cash with little or no loss of value. Common asset classes – shares, property securities, bonds and cash – are said to be liquid because they can easily be bought and sold. Private and unlisted investments usually take longer to sell and are said to be more illiquid.

**Short position** – entering into an agreement to sell a specific equity security that the seller does not yet own. The seller will need to buy or borrow an equivalent security in time to deliver the security to the purchaser. Short selling strategies try to take advantage of an expected fall in the price of a security.

**Management Expense Ratio (MER)** – the expenses of a fund (such as investment, management, trusteeship) as a proportion of the fund's net asset value.

**MSCI** – The MSCI Index, an abbreviation for Morgan Stanley Capital International Index, is one of a series of indices of international equity prices. It is used as a standard measure to compare the performance of international share markets. For Australian investors, the MSCI World Ex-Aust Index (in A\$) is most commonly used as the benchmark for international share investing. MSCI also has indices for Europe, Japan, SE Asia and the US, as well as for a number of countries and for various industry groups such as IT, Industries, Financials etc.

**Multi-sector portfolio or diversified fund** – a portfolio which is invested among several different asset classes, such as shares, bonds, property and cash. SCM does not manage such portfolios.

**Outperformance before fees/Outperformance after fees** – These two terms describe the return a fund manager has achieved relative to a benchmark, typically the appropriate (before and after fees) index. A positive value indicates the manager has outperformed and added value relative to the benchmark, while a negative value indicates the manager has underperformed the benchmark.

**Realised capital gain** – A realised capital gain represents the the growth between the cost price and current market value of an investment (after the sale of the investment).

**S&P/ASX 300 Accumulation Index** – Standard & Poor's/Australian Stock Exchange 300 Accumulation Index reflects the total returns achieved by the top 300 Australian listed companies by market capitalisation. It includes growth in company value and assumes all dividends have been reinvested over time. It is a market index widely used as the benchmark to compare the performance of Australian share funds.

**S&P/ASX 300 Property Accumulation Index** – The S&P/ASX 300 Property Accumulation Index comprises all listed property trusts in the S&P/ASX 300 Index stock universe. This market index is widely used as the benchmark to compare the performance of listed property trust investments.

**Specialist investment managers** – Investment managers who manage specific asset categories or and assigns different investment styles in a single portfolio.

**Taxable income** – your assessable income, less deductions, that is subject to tax at marginal rates plus the Medicare Levy.

**Tax deferred income** – A tax deferred portion of a dividend reduces tax payable, meaning investors do not pay tax on this portion of the dividend until they sell the trust and then at a concessional capital gains tax rate.

**Tax deduction** – an amount that is deducted from your assessable income before tax is calculated. You can claim deductions in your annual tax return or, if your total deduction is significant, you can apply to the Tax Office for a variation of PAYG tax.

**UBSWA Bank Bill index** – An abbreviation for Union Bank of Switzerland Warburg Australia Bank Bill Index. The UBSWA Bank Bill Index is a standard index of bank bill prices used to compare the relative performance of cash investments.

**UBSWA Composite Bond index** – An abbreviation for Union Bank of Switzerland Warburg Australia Composite Bond Index, a series of Australian indices for bond prices. The UBSWA Composite Bond Index is a standard index used to compare the relative performance of fixed interest investments.

**Underlying investment manager** – An investment management company appointed to manage the Funds of an Optimal Choice Sector Fund.

# Directory

## RESPONSIBLE ENTITY

Strategic Capital Management Ltd  
Australian Financial Services Licence No 245580  
(ABN 31 092 936 902)

## DIRECTORS OF SCML

Dr John Hewson AM, Chairman  
Mr James Tsiolis, Managing Director  
Mr Michael Beck  
Mr Slavko James Bosnjak OAM  
Mr Nicholas Zissis

## REGISTERED OFFICE OF SCML

Level 23  
1 Market Street  
Sydney NSW 2000  
Telephone 02 9264 9989  
Facsimile 02 9264 9889

## CLIENT SERVICE

GPO Box 2834  
Sydney NSW 2001  
Telephone 1800 032 204  
[www.scm.net.au](http://www.scm.net.au)

## AUDITORS AND TAXATION ADVISERS

KPMG  
45 Clarence Street  
Sydney NSW 2000

SCM

Strategic Capital Management Ltd