



A PLATFORM SOLUTION FOR TODAY'S INVESTOR

FOR FINANCIAL ADVISERS USE ONLY



A CASE FOR CHANGE

The age of the customer

Investors are in the midst of a shift. Market uncertainty, technology leaps and greater access to information has led to greater involvement with their investment choices and a desire to be better informed about their options. As investors look for greater control, transparency and value for money, there has never been a greater need for the role of the financial adviser to provide guidance and trusted advice to navigate the choices available.

Focus on value of advice

Advisers are increasingly looking to demonstrate the value of their advice model in the face of growing legislative and compliance demands. The need for a flexible and contemporary platform solution that positions you to respond to your clients' current and future goals has never been so important. Advisers are demanding more from platforms in terms of investment choice and flexibility, cost effectiveness and efficiency of investment execution and reporting to align to their value proposition and deliver better client outcomes.



Business values under pressure


The dynamics driving valuations of advice businesses have changed, with many firms now sold on Earnings Before Interest and Tax (EBIT) multiples. This is causing advice practices and licensees to review and evaluate their business models to drive sustainable growth and profitability while dealing with new regulations and compliance requirements. Selecting a platform that can deliver a better outcome to clients, drive improved adviser revenue, and leverage further business efficiencies to reduce the cost of providing advice is fundamental to your future success.

Changing investment models

Alongside leading managed funds, direct equities and other traditional assets, advisers are turning to separately managed accounts (SMAs) or model portfolios to provide their clients with the peace of mind of professional investment management and the transparency, control and tax effectiveness they associate with direct investing. Historically only available through specialist niche services, advancements in platform technology now offer integrated SMAs within full service wrap capabilities. Advisers who have traditionally managed client portfolios through platforms can utilise the SMA structure to reduce compliance requirements and meet the evolving needs of clients and planning practices.

The compliance challenge

Platforms play an important role in helping you manage the increasing complexity in your business, reducing the cost of compliance through efficient and robust transaction execution and reporting services. The availability of SMAs within platforms can provide further compliance efficiency by streamlining the management of client portfolios and removing the need to produce records of advice with changes to the underlying investments.



The application of sophisticated technologies provides your clients with quality service and your business with improved efficiency, giving you more time to spend on higher value activity.

Federation is a contemporary and competitively priced investment and superannuation administration platform that seeks to deliver powerful investor outcomes.

- A unique equity-sharing opportunity for investors in the platform to participate financially in Federation Alliance, the platform's promoter and distributor, and its future strategy.
- A platform solution that supports and enhances your value proposition in response to the changing regulatory environment and evolving client needs.
- Greater flexibility in portfolio construction by accessing a broader choice of investments, which may include managed funds, ASX listed securities, international listed securities, model portfolios (separately managed accounts), exchange traded funds, term deposits, fixed interest and cash.
- Drives increased productivity and efficiency in your business, giving you more time to focus on higher value activity.
- Reduces the compliance burden by delivering innovative advice, administration and execution solutions.
- Comprehensive real time online tax and valuation reporting that also reduces annual accounting costs.
- An experienced transition team offers hands-on assistance and staff training.

Key benefits

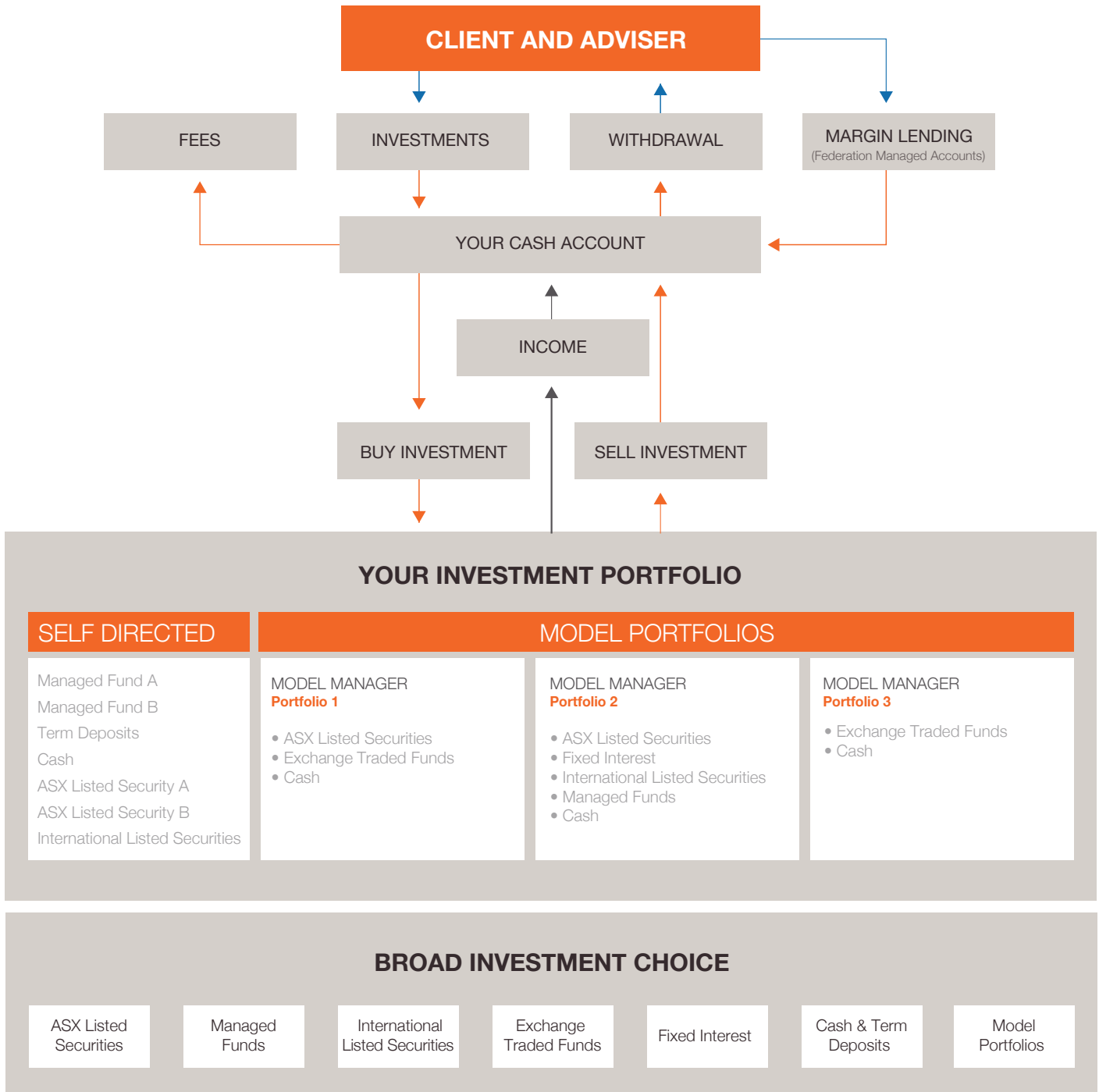
Online solution	<p>The Federation Portal is available to you (and your clients) 24 hours a day, seven days a week.</p>
Competitive pricing	<ul style="list-style-type: none"> • Tiered administration fees • Transparent transaction fees with reduced brokerage where trades can be 'netted off' • Flexible adviser and licensee service fee structure • Clients can further reduce their administration costs by participating in the future dividends of Federation Alliance
Investor ownership	<p>Investors in the platform can choose to participate financially in Federation Alliance, the platform's promoter and distributor, and its future strategy by becoming a shareholder in the company. Investors who decide to take up the offer may participate in any future growth and dividends Federation Alliance aims to create from its activities.</p> <p><i>(For further information please see the Federation Alliance Limited Prospectus available at fedalliance.com.au).</i></p>
Platform functionality	<ul style="list-style-type: none"> • Online application and transacting • Full transparency of all securities held directly or within an SMA • Comprehensive client and adviser reporting • Corporate actions notification • Tax management (Federation Managed Accounts) • Easily respond to changing client circumstances • Accommodate the requirements of a diverse client base
Broad investment menu	<ul style="list-style-type: none"> • ASX listed securities • International listed securities • Managed funds • Exchange traded funds • Model portfolios (or Separately Managed Accounts) • Fixed interest • Cash and term deposits
Separately Managed Accounts (SMAs)	<ul style="list-style-type: none"> • Professional management • Beneficial ownership of the underlying investments • Transparency of all assets, transactions and fees within the SMA • Tax efficiencies • Ability to tailor a client's portfolio by excluding specific stocks or locking the portfolio • Avoid embedded capital gains tax (CGT) and decisions of others
Online consolidated reporting	<ul style="list-style-type: none"> • Account details and portfolio valuations • Performance reporting at an account, investment and security level • Contributions and withdrawals made • Cash transactions, purchases and sales made on the investor's behalf • Details of income paid to the investor's account • Details of fees, taxes, costs and other charges deducted from the investor's account • Superannuation and pension details
Individual tax management (Federation Managed Accounts)	<ul style="list-style-type: none"> • Beneficial ownership of the assets in the client's account • Individual tax reporting and ability to choose a 'Tax Parcel Method' for capital gains tax management: <ul style="list-style-type: none"> • First in First Out (FIFO) • Maximum gain/minimum loss • Maximum loss/minimum gain





The Federation Investment Menu

Federation provides advisers greater flexibility in portfolio construction by accessing a broader choice of investments, which may include managed funds, ASX listed securities, international listed securities, model portfolios (separately managed accounts), exchange traded funds, term deposits, fixed interest and cash.



Separately Managed Accounts

Federation provides you and your clients with access to a range of separately managed accounts (SMAs) or model portfolios as part of a diverse investment menu which may include managed funds, ASX listed securities, international listed securities, exchange traded funds, term deposits, fixed interest and cash.

SMAs are professionally managed portfolios of directly held investments such as listed companies, exchange traded funds or managed funds. Unlike a managed fund, where an investor holds units, in an SMA the investor (or the trustee on the investor's behalf) holds a beneficial interest in the underlying investments. Investors gain a greater sense of transparency and ownership as they are able to view the individual stocks in their portfolio, and the benefit of a professional Investment Manager making portfolio decisions on their behalf.

The Federation Portal provides detailed portfolio reporting so you and your clients can see the value of the investments held in a model portfolio as well as how they contribute to overall performance.

Federation, and its ability to facilitate an automated portfolio of a wide range of assets, can be a complementary investment structure for advisers, accountants and clients (particularly those who have or are considering an SMSF) who appreciate the transparency and ownership of direct equities, but are less interested in the day to day management of the portfolio.

Benefits for clients		Benefits for the adviser	
	Beneficial ownership of underlying investments		Less time spent on paperwork
	Access to professional investment management		Transparency of all assets within the SMA
	Tax efficiency		Tailor client portfolios to exclude, hold or include specific securities
	Avoid inherited CGT of pooled investments		Access professional investment management or extend your value proposition to manage portfolio models
	Cost efficiencies through netting of trades		Removes the requirement to provide a record of advice for changes in underlying investments



Investor ownership of Federation Alliance

In a competitive market, advisers are looking for more value from the platforms they choose to partner with and recommend to their clients. Federation was purpose-built to offer this increased value with a differentiated benefit not typically found on other platforms.

Federation provides benefits to investors through shared ownership of the platform's promoter and distributor, Federation Alliance, providing an attractive option for you and your clients.

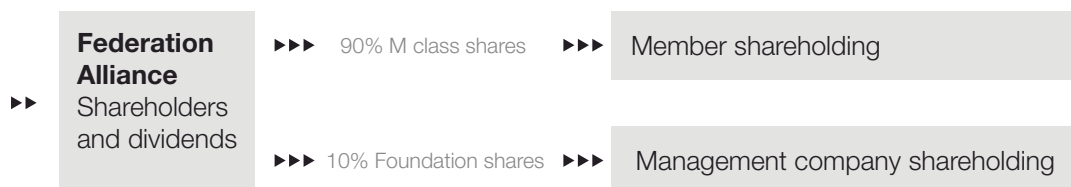
As technology delivers further efficiencies and cost savings in this competitive part of the market, Federation Alliance's equity participation option provides an effective way to pass future benefits to investors and meet your client obligations under the 'best interest' regulations.

The opportunity

- An opportunity for platform investors to become shareholders in Federation Alliance, the platform's promoter and distributor, and to participate financially in its future strategies.
- Shares representing a 90 percent interest (generally non-voting) in Federation Alliance are offered to platform investors (as M Class Shares).
- As shareholders, investors are entitled to dividends distributed by Federation Alliance, subject to a dividend pool being available and the financial position of the company at the time.
- Defined Conversion Event when investors' shares convert to Ordinary Shares.


The structure

Federation Alliance is a mutual-style business model, with shares representing a 90 percent interest in Federation Alliance offered to investors in the platform and the remaining 10 percent held by the management company.



For further information please see the Federation Alliance Limited Prospectus available at fedalliance.com.au

The combination of dividends received over time and the capital value of the shares realised at a future date may indirectly reduce the administration fees of the platform.



A unique equity-sharing opportunity
for investors to participate financially
in Federation Alliance and
its future strategy.

About Federation Alliance

Federation Alliance Limited ABN 99 155 709 809, AFSL 437400, a mutual-style organisation and an unlisted public company, was established to promote and distribute the Federation platform. It is structured to enable platform investors to participate financially by owning shares in Federation Alliance and sharing in its future financial strategy. This ownership in Federation Alliance aligns the interests of all stakeholders.

Federation Alliance brings together the long-standing experience of the Federation Alliance key principals and Australian Unity, a mutual organisation with a history spanning more than 170 years. The key principals have many years of experience working in senior capacities in the financial services sector.

Australian Unity is a national healthcare, financial services and retirement living organisation providing services to around 850,000 Australians, including more than 300,000 members nationwide. Over its history, Australian Unity has grown organically—by continually evolving and providing the services and products needed by the communities it serves—as well as through successful strategic mergers and diversification into new business activities.





IMPORTANT INFORMATION:

The offer of shares as part of the equity participation feature is made by Federation Alliance Limited (Federation Alliance) ABN 99 155 709 809, AFSL 437400 only. Federation Managed Accounts ARSN 163 784 432 is issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFSL 234454. The Federation Alliance Superannuation Fund (Federation Super™) ABN 20 543 903 424 is issued by Diversa Trustees Limited ABN 49 006 421 638, RSE Licence Number L0000635, AFSL 235153. Federation Super™ is a trade mark of the Federation Alliance Superannuation Fund. 'Federation' is the collective name for Federation Managed Accounts and Federation Super™.

This information is general advice only that has been prepared without taking into account the objectives, financial situation or needs of any particular investor. Investors should consider their circumstances and the relevant disclosure documents before making any investment decision. The disclosure documents are available at fedalliance.com.au. The information prepared in this document is current as at the time of publication.

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