



Principles of Internal Governance and Asset Stewardship

(FSC Standard No.23)

Specialised Private Capital Ltd (Centric Capital)

As at 30 September 2023

1. Organisational and investment approach

About Centric Capital

Specialised Private Capital Limited trading as Centric Capital is the Responsible Entity (RE) and Manager of a range of registered and unregistered investment schemes.

Centric Capital manages assets of over \$1.9 billion across a number of registered and unregistered managed investment schemes.

Centric Capital is part of Findex Group Limited. Findex employs about 2,500 people in 110 offices across Australia and New Zealand. Founded over 30 years ago, Findex Group has grown both organically and through acquisition and now operates the 5th largest accounting offering in Australia. Findex has at present \$17 billion in funds under advice (FUA), including \$7+ billion under Managed Discretionary Accounts (MDA). As one of the largest non-bank financial advisory firms in Australia and along with their reasonably significant in-house investment expertise, Findex is one of the largest providers of holistic wealth investment advice in Australia. More broadly, our group of companies have demonstrated expertise in the business advisory, wealth management, audit, performance consulting, accounting and tax space. Today we serve 250,000+ clients across sectors such as agribusiness, Not-For-Profit, Education, Government, Small and Medium-sized Enterprises (SMEs) and individuals.

Investment Approach

At its core, our investment philosophy is underpinned by the following principles:

- **Rigorous due diligence.** We believe in identifying superior active managers that can outperform their benchmarks over the long-term and seek experienced fund managers with a demonstrated track record. To create solutions, we draw upon the team's long-standing expertise in multi-asset investing (MDA operator for more than 10 years) including asset allocation, manager selection and portfolio construction.
- **Portfolio construction is key.** Carefully selected investment managers with the necessary attributes will help ensure the Funds achieve their return objectives. We seek fund managers with expertise in asset allocation, stock selection and diversification whilst minimising costs.
- **Manage the risks.** We believe that a disciplined risk management process through ongoing risk management and downside protection is an important part of what we do, and we seek fund managers that have a strong risk management culture.
- **Diversification is key.** Our funds will generally take into consideration their benchmark composition and active risks taken such as underlying stock weights, sector and industry exposures, factors / styles and market capitalization categories (large, mid, small and micro components). In the multi-manager portfolios that we advise on, we look for complementary strategies with minimum overlap and seek to size each underlying strategy accordingly to its role in the portfolio.
- **Ongoing monitoring** and portfolio management is performed to ensure the thesis is intact. We analyse the markets and key factors affecting our clients' objectives and needs to ensure the funds operate within clients' expectations. Oversight and governance are provided by the experienced Investment Committee and further supported by the Centric Capital Board.

Centric Capital's funds span across multiple asset classes and are predominantly used by leading financial planning groups such as Findex and others in their model portfolios.

The funds are monitored and advised by the Investment Team with oversight from the Centric Investment Committee (IC). The Investment team is dedicated to multi-manager investing and supporting Centric Capital's funds through their longstanding and structured investment process. The investment team works collaboratively, covering Equities, Fixed Income, Alternatives and Multi-Asset. They report to the Head of Research who reports to the Chief Investment Officer (CIO).

Centric Capital does not directly manage an investment scheme's assets. An investment scheme's assets are managed directly by one or more selected external investment managers, or indirectly through pooled funds managed by the selected managers. Centric Capital selects and blends investment managers with the potential to consistently deliver outperformance across the business cycle within actively managed risk tolerance levels. We are able to pass on benefits of scale to our clients including but not limited to low minimum application/redemption thresholds and customized mandate (IMA) ensuring adequate risk management, liquidity and attractive fees. Additionally, the suite of Centric Capital funds generally provide access to underlying managers otherwise not available to retail investors in the Australian market.

Centric Capital's purpose is to help facilitate clients' goals and improve clients' outcomes and financial security through efficient portfolio management.

2. Internal Governance

Code of Business Conduct and Ethics

Ethical Conduct and Professional Practice – Code of conduct

Findex groupwide Code of Conduct policy sets out basic principles designed to guide employees in the course of their business activities and practices. These are the following ethical behaviours and standards described:

- Openness, honesty and integrity.
- Mutual Respect.
- Fairness.
- Best interests.
- Ethical conduct.

Personal Trading

A Staff Trading policy has been adopted by Centric Capital that applies to all staff trading activity on existing financial products and future holding of financial products. The policy outlines the arrangements that are in place to manage potential conflicts associated with staff trading and ensure that employees do not misuse information or their position for personal interest of gain.

Conflict of Interest

Centric Capital employees assume a responsibility to act in the interests of our clients, customers, shareholders and counterparties. All employees are required to report to the Risk and Compliance department any actual, potential, or apparent conflicts of interest that arise to ensure that client and company interests are protected. This includes directorships of public or private corporations or other interests which may cause potential conflicts with our obligations to clients.

The Conflicts of Interest Policy provides an overview of our framework for managing all forms of conflicts of interest which are by either:

- Disclosing the conflict – use this approach wherever possible;
- Allocating a different employee to deal with the other party or provide the service, i.e. creating a “Chinese wall” – use this approach to manage confidentiality conflicts;
- Avoiding the conflict – if it would lead us to prefer our interests over the client’s interests;
- Prioritising the interests of our clients ahead of our own interests – this ensures that the proposed actions remain suitable.
- Declining to provide some or all of our services

The Risk and Compliance department manages a conflicts register and conducts mandatory annual compliance training, which includes a discussion of the Conflicts of Interest Policy.

Gifts and Entertainment

As a regulated entity, Centric Capital and its employees are subject to strict laws and regulations governing the offering and accepting of gifts and entertainment. The Soft Dollar Policy establishes rules for offering and accepting gifts and entertainment for all Centric Capital employees. Employees are required to report gifts and entertainment offered or accepted through a register. Risk and Compliance reviews these reports and escalates exceptions as necessary.

Risk Management and Compliance

Under the Risk Management Framework, Centric Capital is responsible for identifying and managing its risks and meeting legislative requirements, industry codes, organisation, corporate governance, ethical standards and community expectations.

The Head of Risk & Compliance is responsible for establishing risk management procedures assuring the Board that major business risks are managed appropriately. Individual accountability is reinforced by regular training, and ensuring roles, responsibilities and delegations of authorities are clearly stated. Centric Capital requires all employees to bear the responsibility for risk management and compliance through their adherence to policies, guidelines, procedures and internal controls in their management of business risks. These responsibilities form a continuing part of their ongoing accountability.

Unit Pricing Errors

In determining the appropriate treatment of errors Centric Capital will adhere to the FSC Guide Note 51 (formally Standard No.17) when determining the appropriate treatment of unit pricing errors that may occur from time to time. In the event Centric Capital detects a pricing error, there are clear procedures in place to rectify the error and determine its impact on investors within each of the funds. All unit pricing errors will be reported to the Compliance Committee and monitored to ensure that they are not systemic.

Brokerage and Commissions

As outlined in the Investment Approach section, Centric Capital does not directly manage an investment scheme's assets. The underlying investment managers are external to Centric Capital and have full discretion in relation to trading. When it is required Centric Capital selects brokers that can help it achieve 'best execution' and obtain the best outcome for the investors in the fund.

Equitable Asset Valuation and Pricing

Centric Capital's Unit Pricing Policy provide guidance on the practices that relate to the different components in unit pricing. The Policy is designed to comply with Industry guidelines such as the Australian Securities & Investments Commission (ASIC) and Australian Prudential Regulation Authority (APRA) Unit Pricing Guide to Good Practice and the relevant Financial Services Council (FSC) standards.

Assets and liabilities valuation and pricing methodology focus on fair market prices of listed securities. When the market price is unavailable, the valuation methods used by Centric Capital will be independently verifiable.

Security prices are obtained, where possible, from widely used price feeds from independent security pricing services and are based on market price where the security is traded on a regulated market.

Investments in unlisted managed funds are periodically revalued by determining their fair value. Fair value is determined by reference to the latest financial information for the relevant fund provided by the relevant fund manager. Where Centric Capital reasonably believes that the latest financial information does not accurately reflect the fair value, investments will be valued according to Australian Accounting Standards.

Best Execution and Trade Allocation

Centric Capital aims to achieve best execution for all clients. As outlined in the Investment Approach section, Centric Capital does not directly manage an investment scheme's assets. The underlying investment managers are external to Centric Capital and have full discretion in relation to trading. As part of the due diligence process Centric Capital requests underlying investment managers to provide their best execution policy or similar. As per the IMA agreement with each underlying investment managers

- Centric Capital as the Fund RE expects them to act in the best interest of Fund members; and

- Centric Capital as the Fund RE require that each investment manager act in good faith in determining any allocation of a Block-Booked Transaction to the Portfolio before, during and after the transaction has been entered into by the Manager.

Additionally, the investment team monitors and reports the performance of the underlying mandates to the Investment Committee and Board. We aim to ensure minimal and undue tracking to corresponding investment manager flagship funds. Certain mandates, given the nature and extent of customisation, are expected to trade within reasonable ranges from the flagship funds.

Remuneration policy

Centric Capital strives to maintain fair and competitive remuneration packages which are consistent with the financial position of the business and commensurate with the external environment. The external environment includes the financial services industry and other industries which compete for people with similar skills, qualifications and experience that are required by the business. The Remuneration policy outlines the remuneration philosophy in which it is merit based and has been developed to achieve the following:

- provide the opportunity for people to increase their earnings through demonstrated performance achievement
- provide financial incentives and rewards for people who achieve outstanding performance
- maintain internal equity and external competitiveness
- to provide guidelines for Managers within which they can utilise their judgment and authority to achieve the most effective result for both their people and the business

Whistle-blower Protection Policy

Centric Capital is committed to the highest standards of ethical and fair business conduct. The Whistle blower policy promotes a culture of compliance, honesty, and ethical behaviour. Employees are encouraged to report known, suspected or potential improper behaviour via the appropriate channels (immediate manager or with the Whistle-blower Protection Officer), in good faith and in an environment free from victimisation, so that the board and Senior Management can deal with risk and cultural issues within the organisation.

Training and Development

Centric Capital ensures that all staff must attain and maintain the competency required to perform effectively in their roles. All staff also takes responsibility for their own personal development. To support this, Centric Capital provides a number of mandatory training courses that must be completed on joining the company and then periodically in line with the requirements of the role. Centric Capital also provides opportunities for training that is relevant to specific roles.

Centric Capital continues to provide mandatory compliance training for all its staff through an external learning service.

Complaints and Dispute Resolution

Resolving client's complaints is a priority for Centric Capital. The Complaints Management Policy in place meets the appropriate regulatory standards and provides a Complaint Resolution process on the website.

Centric Capital considers a complaint as any an expression of dissatisfaction made to or about an organisation, related to its products, services, staff or the handling of a complaint, where a response or resolution is explicitly or implicitly expected or legally required. Complaints received are recorded in an internal Complaints register and are reviewed quarterly by our Compliance Committee.

Governance Structure

The governance structure can be described by the Board of Directors, Compliance Committee and the Investment Committee.

Board of Directors

The Board of Directors of the Responsible Entity (Centric Capital) consists of 3 experienced directors with an average of 29 years of industry experience.

Compliance Committee

The Responsible Entity's Compliance Committee is composed of 3 Committee Members, 2 of whom are independent. The Chair is independent. We view independence in an RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance. Compliance Committee members have an average of 32 years of industry experience.

Centric Investment Committee

The IC provides oversight to the investment process. The IC will consider and endorse investment-related issues such as asset allocation, manager selection, portfolio construction and performance monitoring. The investment committee members includes industry professionals, including 3 external members with over 25 years' of experience. Other members of the committee include senior financial planners, CIO, Head of Research, Risk and Compliance representative and others.

3. Asset Stewardship

Approach to Asset Stewardship

Centric Capital ensures policy advocacy and consideration of stewardship capabilities are incorporated in the selection, appointment, and monitoring of external investment managers.

As mentioned above in the Investment Approach section, Centric Capital does not directly manage an investment scheme's assets. As most of the underlying investment managers offer their strategies via pooled trusts, the responsibility remains with the fund managers for the voting rights and engagement. As such, Centric Capital delegate its voting and engagement to the appointed external investment managers. This is in line with the Australian Asset Owner Stewardship Code (ACSI).

Monitoring of Company Performance

Centric Capital monitors the holdings of external investment managers to ensure the standards of stewardship are of quality and in line with agreed upon mandates or investment strategies. In carrying out monitoring, Centric Capital considers both financial and non-financial matters. Centric Capital leverages external risk and portfolio systems such as Morningstar, Bloomberg and S&P Capital IQ to better understand such issues relating to company performance.

Centric Capital monitors its external asset managers' stewardship activities through a variety of ways such as:

- Investment Manager stewardship capability review including policies, procedures and staff experience are incorporated into our manager selection, appointment, and annual review process.
- Review of reports on company engagement and proxy voting.
- Monitor assets to ensure their management is based on agreed upon mandates which may include ESG considerations.

Environmental, Social and Governance Factors

In selecting, retaining or realising an investment in any of our Funds, Centric Capital will generally not take into account labour standards and environmental, social or ethical considerations. We do not have a predetermined view as to what constitutes labour standards, environmental, social and ethical standards and do not apply a predetermined method for determining the extent to which they are taken into account.

We seek, where possible, to invest the assets of the Fund with investment managers that are signatories to prominent environmental, social and governance ("ESG") initiatives that promote sustainable investing. We acknowledge that an underlying investment manager or strategy may have its own approach to integrating ESG into their investment processes and, whilst it is expected that the underlying investment manager will engage on these issues as appropriate for the investment strategy of the Fund, it is ultimately not a matter considered by Centric Capital.

Client Engagement, Education and Communication

We seek external fund managers that are open and dedicated to upholding high-quality standards of stewardship. As the RE and Manager of several funds we will aim to promote sound corporate governance and business practices.

Centric Capital, along with its content partners, aims to educate and communicate to clients on matters relating to stewardship through various forums including

- Client meetings and webinars
- Financial planner briefings and webinars
- Publication newsletters and articles from underlying investment managers
- Facilitating and hosting of events focused on sustainability issues and the needs and interests of clients (Client Advisory focus groups)

Disclosure

Specialised Private Capital Ltd (ABN 87 095 773 390, AFS Licence No. 246744) trading as Centric Capital (Centric Capital) is part of Findex Group Limited (ABN 40 128 588 714).

The information contained herein is not personal advice and is of a general nature only. It does not take into account the investment objectives, financial situation or needs of any person. Investors should consider the Product Disclosure Statement and Target Market Determination relating to the product before making a decision. Offer documents are available at www.specialisedprivatecapital.com.au or by contacting Centric Capital on 02 9250 6500. We also recommend you speak with your financial and/or taxation adviser before making any investment decisions.

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