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Human Financial Managed Portfolios – Class H Additional Information Brochure

This Additional Information Brochure (**AIB**), together with the Human Financial Managed Portfolios Investment Options Brochure (**IOB**), forms part of the Product Disclosure Statement (**PDS**) for the Human Financial Managed Portfolios dated 1 December 2024 and is Issued by Human Financial Management Limited (**HFML**) ABN 99 067 544 549 AFSL 227677 as the responsible entity for the Human Financial Separately Managed Account ARSN 607 782 187 APIR Code CVW0034AU (**Scheme**).

You should consider the information in these documents before making a decision about investing. You can access the PDS and Investment Options Brochure through your financial adviser, online at humanfinancial.com.au/documents or on the website of your Eligible Platform provider.

Human Financial Managed Portfolios Product Disclosure Statement (PDS)	Human Financial Managed Portfolios Additional Information Brochure (AIB)	Human Financial Managed Portfolios Investment Options Brochure (IOB)
Provides a summary of significant information about the Human Financial Managed Portfolios.	Forms part of the PDS and provides more detailed information on how your account works and general information about the Human Financial Managed Portfolios.	Forms part of the PDS and contains details about the Managed Portfolio options available for investment.

Information in the PDS, this AIB and the Investment Options Brochure is subject to change from time to time. Updated information can be obtained by contacting your financial adviser and online at the website of your Eligible Platform provider or at humanfinancial.com.au/documents. If any change to the information is materially adverse or significant we will notify you (including by electronic means) as required by law.

The information provided in this AIB is general information only and does not take account of your personal objectives, financial situation or needs. You should consider the appropriateness of the information in this AIB having regard to your personal circumstances, and obtain advice from a licensed financial adviser, before making a decision to invest in the Scheme.

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Terms used in this AIB

'Administrator' or **'Custodian'** means the administrator and custodian of the Human Financial Managed Portfolios.

'Business Day' means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney, Australia.

'Eligible Platform' means HUB24 Invest and HUB24 Super, and any other platform HFML nominates.

'HFML', 'we', 'our', or 'us' means Human Financial Management Limited as the responsible entity and portfolio manager of the Scheme.

'Investment Holdings' means the investments held for an investor through the Human Financial Managed Portfolios.

'Managed Portfolio option' means a model investment portfolio constructed by HFML available within the Scheme.

'Portfolio Manager' means HFML in its capacity as investment manager of the Managed Portfolio option.

'Scheme' means the Human Financial Separately Managed Account ARSN 607 782 187 APIR Code CVW0034AU.

1. How the Human Financial Managed Portfolios work

Switching between Managed Portfolio options

You can switch between Managed Portfolio options. This may trigger buying and/or selling of your Investment Holdings to align to the new Managed Portfolio option targets. Any sale of your Investment Holdings may have tax consequences and incur transaction costs.

References to cash in this PDS

References are made to two types of cash investments in the PDS and this AIB: your 'Eligible Platform cash account' and your 'Managed Portfolio option cash allocation'. The Eligible Platform cash account is the cash account that forms part of your account held on the Eligible Platform. It is used to fund purchases and settle redemptions of investments in the Human Financial Managed Portfolios, and to pay certain fees associated with your investment.

The Managed Portfolio option cash allocation is the cash allocation within the Managed Portfolio option you choose.

The minimum cash allocation will generally be at least 0.5% of the total value of all assets held in your Managed Portfolio option. If the proportion of cash held in your option falls below the minimum, this will trigger a sell-down of other Investment Holdings in your Managed Portfolio option to return your cash allocation to the relevant level. Any sale of your Investment Holdings may have tax consequences and incur transaction costs.

Performance

There will be differences between the performance of the Managed Portfolio option and your Investment Holdings because of factors such as:

- differences in the timing of, and prices received for, buy and sell transactions;
- differences in fees charged;
- cashflow movements from investments and withdrawals;
- differences in timing between when the Portfolio Manager makes changes to the Managed Portfolio option and the implementation of those changes in your Investment Holdings;
- differences in the level of the cash allocation which may fluctuate from time to time due to any income received by your Investment Holdings and the timing of any rebalance process; and
- any trading or other restrictions imposed by HFML or your Eligible Platform.

Adding or withdrawing funds

It is not possible to transfer existing investments into your Managed Portfolio option.

You can make one-off and regular additional investments into your chosen Managed Portfolio option. There is no minimum additional investment amount; however a small additional investment is likely to be held in the cash allocation of your Managed Portfolio option until there are sufficient funds to initiate a rebalance.

When adding funds to your Investment Holdings, the funds will initially be transferred to the cash allocation. If this new investment does not cause the cash allocation's tolerance to be exceeded, then this new investment will remain in the cash allocation.

There may be situations where all, or a proportion, of an additional investment is insufficient to purchase Investment Holdings. In this situation, this proportion of the additional investment remains in the cash allocation of your Investment Holdings.

Some investments within your Investment Holdings may need to be sold down to fund a withdrawal where insufficient cash is available within its cash allocation. In this event, a rebalance will be triggered. You should also refer to the Eligible Platform provider's product disclosure documents for further details on adding or withdrawing funds.

Exiting a Managed Portfolio option

You can choose to exit a Managed Portfolio option at any time. A full withdrawal from your Managed Portfolio option will trigger a redemption of your Investment Holdings to cash.

You also have the option to withdraw by having your Investments Holdings transferred out via an in-specie transfer, however in some circumstances this may not be possible, for example some Investment Holdings in the Managed Portfolio option may not be available to retail investors directly via the Eligible Platform.

Any sale of your Investment Holdings may have tax consequences and incur transaction costs. We recommend that you consult your financial adviser to discuss the best options for you.

You should refer to the Eligible Platform's disclosure documents for further details on withdrawing funds.

Distributions

Any income paid from the Investment Holdings within your Managed Portfolio option will be paid out to your Eligible Platform cash account by default. You should refer to the Eligible Platform's disclosure documents for information on your options.

Your distributions may include different tax components such as interest, dividends (franked and unfranked), franking credits, other Australian income, net realised capital gains, foreign income, foreign tax offsets, tax free amounts, tax deferred amounts, and return of capital amounts.

2. Risks of managed investment schemes

In addition to the significant risks described in the PDS, below is a description of risks that may have an impact on your Managed Portfolio Option(s) or managed investment schemes more generally.

Custodian risk

Custodian risk refers to the potential for loss or negative financial impact that arises when a custodian, a financial institution responsible for holding and safeguarding an investor's assets, fails to fulfill its duties.

Diversification and Concentration risk

Diversification risk pertains to the potential for reduced returns or increased volatility in a portfolio due to a lack of variety among investments. By spreading investments across different asset classes, sectors, or geographic regions, investors can mitigate risks; when one investment performs poorly, another may perform well, balancing overall portfolio performance.

Conversely, concentration risk occurs when a portfolio is heavily weighted in a limited number of investments, leading to increased volatility and potential losses. While concentrated portfolios may offer the potential for higher returns, they also carry a higher risk of significant downturns if the selected assets underperform.

Environmental, social and governance (ESG) risk

ESG risk refers to the potential impact of environmental, social, and governance factors on the value of assets within a portfolio. These risks can arise from various sources, such as climate-related events, regulatory changes, or shifts in consumer preferences. For example, extreme weather events like floods or wildfires can disrupt a company's operations, reduce revenue, and negatively affect its market reputation.

Investment risk

Investment risk refers to the possibility of losing some or all of the invested capital or not achieving the expected returns. It encompasses various factors, including market fluctuations, economic changes, and the performance of individual assets. Investors should be aware that higher potential returns often come with increased risk.

Investment manager risk

Investment manager risk refers to the potential for an investment manager to underperform their benchmark or fail to adhere to their established investment mandates. Factors contributing to this risk include the manager's investment style, decision-making processes, and the potential loss of key personnel. Such changes can significantly impact investment returns. Additionally, there is a risk that multiple investment managers may invest in the same assets, which can diminish diversification benefits within a portfolio.

Managed investment scheme risk

Managed investment scheme risks refer to the potential challenges associated with investing in managed schemes. These risks include the possibility of underperformance against stated investment objectives, as well as changes in fees and expenses that can impact net returns. Operational risks may arise from management decisions, including the loss of key personnel or process failures. Regulatory changes can also affect compliance and performance.

Market risk

Market risk refers to the potential for fluctuations in the market price of an asset due to a variety of factors, including changes in economic conditions, government regulations, and market sentiment. Local and international political events can create uncertainty that impacts market stability, while environmental and technological developments can also influence asset values.

Mortgage investment risk

Mortgage investment risk refers to the potential for loss associated with investing in mortgage-backed securities or direct mortgage loans. This risk can arise from several factors, including default risk, where borrowers may fail to meet their mortgage payment obligations, leading to defaults that can impact the value of mortgage-backed securities or direct loans. Interest rate risk is another concern, as changes in interest rates can affect the value of mortgage investments; if rates rise, the market value of existing mortgages may decline, since new loans could offer higher returns.

Operational risk

Operational risk refers to the potential for loss resulting from inadequate or failed processes, controls, people, systems, increased compliance costs, operational disruptions, or restrictions on their activities. Additionally, regulatory risk can influence market conditions and investor sentiment, leading to fluctuations in asset values.

Short-selling risk

Short-selling risk involves potential losses when an investor sells a security they do not own, aiming to buy it back later at a lower price. This strategy carries significant risks, including unlimited losses if the security's price rises instead of falls. Short selling often requires borrowing shares and maintaining a margin account. If the stock's value increases, the broker may issue a margin call, requiring the investor to deposit additional funds or close the position at a loss. Market volatility can exacerbate this risk, as unexpected events may lead to rapid price increases. Additionally, regulatory changes may impact short selling, and the cost of borrowing shares can vary, affecting profitability.

Volatility risk

Volatility risk refers to the potential for significant fluctuations in the price of an asset over a short period. This risk is associated with the uncertainty surrounding the degree of price change, which can lead to unexpected gains or losses for investors. High volatility may result from various factors, including market sentiment, economic data releases, geopolitical events, or changes in interest rates. Investors in volatile markets may experience sharp price movements that can impact their investment strategies and overall portfolio performance.

3. How we invest your money

Selecting a Managed Portfolio option

You should refer to the Investment Options Brochure available at humanfinancial.com.au/documents for the full list of available Managed Portfolio options available within the Human Financial Managed Portfolios.

Portfolio rebalancing

Your Investment Holdings are rebalanced on a regular basis to align to your chosen Managed Portfolio option.

The target asset allocations for each Managed Portfolio option represent the target positions for each portfolio. The actual asset allocation within your Investment Holdings will change over time due to factors such as:

- market movements;
- the timing of additional investments into, and withdrawals out of, your Investment Holdings; and
- the Portfolio Manager making changes to the investments within the Managed Portfolio option.

As your Investment Holdings drift from the target asset allocation of the Managed Portfolio option and exceeds established tolerance levels, your Investment Holdings will be rebalanced to maintain alignment with the target position. These tolerance levels are designed to minimise the frequency of small or low-value transactions during the rebalancing process.

The rebalancing process may result in the buying and selling of assets within your Investment Holdings, which is likely to have tax consequences and incur transaction costs.

You should also refer to the Eligible Platform provider's product disclosure documents for further details on portfolio rebalancing.

Changes to the Managed Portfolio options

We regularly review the Managed Portfolio options. We may make changes to a Managed Portfolio option as a result of this review without prior notice, including removing a Model Portfolio option or changing its asset allocation or the underlying Investment Holdings. Please note that if we change underlying assets for your selected Managed Portfolio option(s), the fees and costs you incur indirectly may change.

Where changes do occur, your financial adviser and the Eligible Platform provider will be notified of the change.

If a Managed Portfolio option that you have selected is discontinued by us, your financial adviser will be contacted and asked for instructions. Your financial adviser will be notified of any new Managed Portfolio options and if an alternative Managed Portfolio option has been nominated for the terminated Managed Portfolio option. If your financial adviser has not responded back with instructions, we will take this as an instruction to switch to that alternative and nominated Managed Portfolio option. If an alternative Managed Portfolio option has not been nominated for the terminated Managed Portfolio option, then we will either:

- sell your Investment Holdings for the discontinued Managed Portfolio option and transfer the net cash proceeds to your Eligible Platform account;
- where applicable, transfer your Investment Holdings to your Eligible Platform account; or
- a combination of the above.

Up-to-date information on the Managed Portfolio options available can be obtained from your financial adviser, online at your Eligible Platform provider website or at humanfinancial.com.au/documents.

Buying or selling investments

Capital gains tax (CGT) liability may arise from the sale of the Investment Holdings within your Model Portfolio option. Sales occur from withdrawal or switch requests, as a result of rebalancing, or when changes to your Model Portfolio option are actioned by the Portfolio Manager.

The Portfolio Manager does not consider the tax position of individual investors when making investment or asset allocation decisions.

4. Tax information

The taxation information in the PDS and this section is general information only for individuals who are residents of Australia for tax purposes. You should seek professional taxation advice in relation to your Investment Holdings in the Scheme. You should also refer to the Eligible Platform's disclosure documents for further information on the tax treatment of your platform account.

Tax outcomes will vary depending on whether your investment in the Fund is held in an Investor Directed Portfolio Service (**IDPS**) or a superannuation fund.

Buying or selling investments

Capital gains tax (**CGT**) liability may arise from the sale of your units in the Investment Holdings.

Goods and services tax (GST)

The Scheme is registered for GST. This means, for both resident and non-residents investors, GST will be payable on most expenses incurred by HFML in respect of the Scheme (such as management fees). The Scheme may be entitled to claim a Reduced Input Tax Credit (RITC) of between 55% and 75% of the GST depending on the types of services the fees are attributable to. All fees and costs disclosed in the PDS and this AIB are inclusive of GST, net of RITC and have been calculated on a reasonable estimate of the RITC that the Scheme is expected to be able to claim.

5. Other information

How we keep you informed

The Funds are disclosing entities and subject to regular reporting and disclosure obligations under the Corporations Act.

Copies of documents we lodge with ASIC to fulfil these obligations may be obtained from, or inspected at, an Australian Securities and Investments Commission (**ASIC**) office.

You also have a right to request a copy of the annual financial report most recently lodged with ASIC from us when they become available (free of charge).

For the most up to date information on the Funds visit humanfinancial.com.au. On our website you will be able to:

- access the latest version of the PDS and this AIB;
- access any non-material updates to the PDS;
- download annual financial reports for the Funds;
- monitor investment performance and changes to the Funds; and
- download the latest monthly Fund profiles.

The HF Fund Constitutions

When discussing the constitution, when we use the term 'investor' we are referring to the Eligible Platform provider through whom you have invested. Indirect investors do not have rights or liabilities under the Fund(s) constitution.

The Funds are each governed by a constitution. Together with the Corporations Act and relevant laws, the constitution sets out the terms and conditions under which the Fund operates and the rights, responsibilities, powers, discretions and duties of the responsible entity and investors.

The constitution for each Fund deals with a number of issues including:

- Investors' rights to absolute entitlement to the assets of the Fund;
- termination of the Fund; and
- our broad powers to invest, borrow, receive fees and other payments and generally manage the Fund.

We may retire or be required to retire as responsible entity in accordance with the Corporations Act. Rights to requisition, attend and vote at meetings are mainly contained in the Corporations Act.

Related party transactions and conflicts of interest

The Funds may, without limit, invest in other funds of which we are trustee, RE or manager (related funds). We may appoint any of our related entities to provide services or perform functions in relation to the HF Funds, including acting as our delegate. We may also enter into financial or other transactions with related entities in relation to the assets of the HF Funds and may sell assets to, or purchase assets from, a related entity. A related entity is entitled to earn fees or other benefits in relation to any such appointment or transaction and to retain them for its own account. Such arrangements will be based on arm's length commercial terms.

We have policies and procedures in place to manage and conflicts of interest in relation to our role as RE or manager of the Funds. Any identified conflicts will be managed in accordance with the law, relevant regulation and our policies.

Privacy and your personal information

We are committed to respecting your privacy. The Privacy Act 1988 (Cth) regulates how we handle your personal information, including how we collect, use, disclose and secure it. By investing in the Funds, you consent and agree to your personal information being collected and used by us as explained in our Privacy Policy available at humanfinancial.com.au/privacy.