

# Stonehouse Core Value Portfolio

## Governance Framework

Risk is a natural part of investing

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As risk cannot be entirely avoided when investing, the philosophy employed for the Stonehouse Core Value Portfolio (CVP) is to identify and manage risk as far as is practicable. Neither the performance of your investments nor capital invested in the CVP is guaranteed, but Stonehouse provides an appropriate and robust governance framework for the CVP as described below in order to mitigate the overall risk of using the CVP to achieve its objectives.

Highly comprehensive governance framework

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In thinking about the various risks that an investor faces, Stonehouse's governance framework takes a holistic view in managing those risks and is built on the following core pillars:

- **Stonehouse Investment Committee**
- **Asset Consulting & Research (Select IP, as appointed by Stonehouse)**
- **Responsible Entity of the CVP – (OneVue, as appointed by Stonehouse)**
- **OneVue's Compliance Committee**

*For further details please refer to the table on page 2.*

High quality external specialists involved in the CVP

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The CVP incorporates the following external specialists for key disciplines in relation to operations and governance. Importantly, Stonehouse has the power to replace any of these providers – most importantly we can replace OneVue as RE and Select IP as Asset Consultant at any time if they fail to deliver in line with our expectations.

*For further details please refer to the table on page 3.*

'Best of Breed' investments

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Importantly, neither Stonehouse, OneVue nor Select IP is owned by any bank, broker or investment house and yet all these businesses are similarly robustly regulated in the provision of financial advice and investment management having their own Australian Financial Services Licences (AFSL). Stonehouse has been able to develop an investment research, portfolio implementation and governance framework within which we identify, select and recommend appropriate underlying investments, without the constraints and potential conflicts that ownership by a large institution might bring. As such, there are no vested interest in investments held within the CVP.

| Stonehouse's Governance Pillar                     | Role   | Details  |
|--|--|--|
| <b>Stonehouse Investment Committee (IC)</b>        | <ul style="list-style-type: none"> <li>✓ Stonehouse's role as Investment Manager to the CVP is set out in a fully documented Investment Management Agreement</li> <li>✓ The IC oversees all aspects of the CVP's underlying investments and associated compliance and attribution reporting</li> <li>✓ Role and Governance set out in a fully documented IC Charter</li> </ul> | <ul style="list-style-type: none"> <li>✓ Co-Chaired by Stonehouse director's Mark Stewart &amp; Ben Hancock</li> <li>✓ Meets on a weekly basis with formal documented monthly reviews and ad-hoc in demanding market conditions</li> <li>✓ Comprises members from both Stonehouse and Select IP</li> <li>✓ Ongoing review and management of your investment strategy of the CVP</li> </ul>   |
| <b>Asset Consulting &amp; Research - Select IP</b> | <ul style="list-style-type: none"> <li>✓ Provides investment advice, portfolio construction and due diligence to Stonehouse as Investment Manager</li> <li>✓ Role and Governance set out in fully documented Responsible Entity and Asset Consulting Services Agreement</li> <li>✓ Stonehouse can replace Select IP as Asset Consultant</li> </ul>                             | <ul style="list-style-type: none"> <li>✓ Team of six dedicated investment and risk professionals providing portfolio construction advice</li> <li>✓ Dedicated Risk and Compliance team overseas portfolio risk management monitoring</li> <li>✓ Conducts detailed due diligence (including operational due diligence) on the underlying investments and managers of the CVP and reports to the IC</li> </ul>   |
| <b>Investment Advisory Consultants</b>             | <ul style="list-style-type: none"> <li>✓ Provides market expertise and consulting to the CVP via Select IP</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Highly experienced investment professionals engaged as required</li> <li>✓ Valuable insights to the investment process</li> <li>✓ Specialist expertise in economics, funds management and operational due diligence</li> </ul>  |
| <b>Responsible Entity – OneVue</b>                 | <ul style="list-style-type: none"> <li>✓ Provides dedicated oversight and ensures that Stonehouse and Select IP comply with their obligations to the CVP</li> <li>✓ Role and Governance set out in a fully documented Responsible Entity and Asset Consulting Services Agreement</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Registers the CVP Constitutions and their Product Disclosure Statement (PDS) with ASIC</li> <li>✓ Legal and compliance framework with dedicated Compliance Officer and internal general legal counsel to oversee operation of the CVP in line with their Constitutions, PDS and Compliance Plan</li> <li>✓ 40 dedicated professionals in legal, IT, compliance, fund accounting and client service</li> </ul> |
| <b>OneVue's Compliance Committee</b>               | <ul style="list-style-type: none"> <li>✓ Provides independent compliance oversight of Select and the CVP</li> <li>✓ Role and Governance set out in fully documented Compliance Plan and Service Agreements</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Majority of members (two) are independent of Select</li> <li>✓ Meets quarterly</li> <li>✓ Compliance Plan filed with ASIC and audited annually by Ernst &amp; Young</li> </ul>  |

| Stonehouse's External Specialists | Role  | Details   |
|-----------------------------------|---|---|
| <b>OneVue's Fund Services</b>     | <ul style="list-style-type: none"> <li>✓ OneVue performs the unit registry services</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Carries out the processing of application and redemptions</li> </ul>   |
| <b>Ernst &amp; Young</b>          | <ul style="list-style-type: none"> <li>✓ Financial auditors and tax advisers to the CVP</li> <li>✓ ASIC required auditors of the Compliance Plan for the CVP</li> </ul> | <ul style="list-style-type: none"> <li>✓ Tier 1 global firm providing regulatory defined audit role</li> <li>✓ Significant expertise in managed investments and financial services</li> <li>✓ Ernst &amp; Young are also the auditors of Select</li> </ul>  |
| <b>BNP Paribas</b>                | <ul style="list-style-type: none"> <li>✓ Provide independent custody and unit pricing for the CVP</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Tier 1 global firm providing regulatory defined custodian role</li> <li>✓ Very importantly, this means that all assets of the CVP are acquired, disposed of, and held by BNP, <b>not</b> OneVue, Select IP nor Stonehouse</li> <li>✓ Neither OneVue, Select IP nor Stonehouse handle client funds – this is done by BNP</li> <li>✓ International Financing Review named BNP Paribas its 2012 Bank of the Year.</li> <li>✓ Credit Rating A+ (long term) Fitch and S&amp;P</li> <li>✓ Carry out independent investment valuations and Unit Price calculations</li> </ul> |
| <b>Baker &amp; McKenzie</b>       | <ul style="list-style-type: none"> <li>✓ General legal and regulatory advice</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Leading international and Australian lawyers with Strongest Global Law Firm Brand (2010 to 2012)</li> <li>✓ Approval of all legal documents (Constitutions, PDS's etc) for the CVP</li> <li>✓ Provide ongoing advice in respect of ongoing financial services and compliance based issues.</li> </ul>  |

More information on Stonehouse can be found at [www.stonehousegroup.com.au](http://www.stonehousegroup.com.au) or please speak to your Adviser.

Further information on OneVue and Select IP can be found at [www.onevue.com.au](http://www.onevue.com.au) and [www.selectfunds.com.au](http://www.selectfunds.com.au)