



**CDM Pacific**

Investment Managers & Advisers

## **Financial Services Guide (FSG)**

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This FSG is issued by CDM Pacific Pty Ltd (“CDM Pacific” or “MDA Operator”) ABN 42 077 412 027 Australia Financial Services Licence (AFSL) Number 223682. Under the Corporations Act our primary responsibility is to you, our client, and we are obliged to provide you with this FSG. This FSG was prepared on 21<sup>st</sup> April 2011. Our contact details are included in this FSG.

## **A guide to our relationship with you**

The way in which your capital is managed is paramount to the quality of lifestyle you can enjoy. CDM Pacific is an investment management business and our role is to provide advice and deal in financial products on your behalf aimed at you achieving your financial goals.

The purpose of this Financial Services Guide (FSG) is to detail the financial services CDM Pacific offer and to assist you in making an informed decision whether to use these services, before seeking our advice.

It contains information about remuneration, who we are, any associations or relationships we may have with financial product issuers, details of any potential conflicts of interest, our internal and external dispute resolution procedures and how you can access them, information on how we handle your personal information, and how we can be contacted.

## **Experience & continual education**

You will need to know that the advice you receive from CDM Pacific is up-to-date and accurate. Whilst our directors, employees and authorised representatives have many years of practical experience, continual education is a requirement of both CDM Pacific and the industry regulator.

## **What other documentation might you receive?**

Under the law regulating the provision of financial services, general advice and personal advice have special meanings and may differ from what you commonly understand. General advice can include direct or implied recommendations about financial products or services, whether general or for a class or kind of investor, and does not take into account your particular circumstances. General advice includes advice based on consideration of the investment alone (including by reference to current market conditions). Any such advice is provided without any express or implied recommendation that is appropriate for you in light of your personal circumstances.

If you have been provided with personal advice, you may be provided with a Statement Of Advice (SOA). Personal financial product advice is advice that takes into account one or more of your objectives, financial situation and needs or may reasonably be expected to have done so. The SOA will contain the advice, the basis on which it is given and other information such as our fees and commission and any association we have with financial product issuers or other parties which may have influenced the advice. Under a Managed Discretionary Account (MDA) service you will be provided with personal advice (expanded upon further in this FSG).

If we recommend to you a particular financial product or you acquire a financial product through us, you may also receive a Product Disclosure Statement (PDS) prepared by a product issuer which contains information about the particular product, including any relevant terms, significant risks and details of other fees and charges which may apply. This document will be provided to assist you in making an informed decision about that product.

If we provide to you a SoA, other than as part of a MDA Service, we may provide further advice to you after we have given you a SoA. If we have not provided you with a record of the further advice you may request, either verbally or in writing, a record of further advice within 7 years (or as prescribed by law) of us providing the further advice.

Regular updates, marketing materials, research reports, PDSs or offer documents and website content are not personal advice. CDM Pacific may collect personal or investment information from you to identify you, for marketing purposes or to administer your account. Collection of personal information is not to be implied that personal advice is given. How your personal information is dealt with is further expanded in this FSG, and a copy of our Privacy Policy is available by contacting us, or can be found on our website.

## **What are the financial services provided by CDM Pacific?**

CDM Pacific is authorised by its AFSL to provide the following services to retail and wholesale clients:

- provide product advice with respect to derivatives, securities, foreign exchange contracts, managed funds, basic deposit products and interests in managed investment schemes limited to MDA services.
- Issue derivatives, foreign exchange contracts, and interests in managed investment schemes limited to MDA services.
- deal on behalf of another person in derivatives and foreign exchange contracts, securities, managed funds and basic deposit products.

CDM Pacific offers the following services to its clients:

- MDA Services – CDM Pacific offers to its clients a choice of MDA Services, including a Commodities and Derivatives MDA.

CDM Pacific also provides education and training in relation to Securities, Derivatives and Foreign Exchange Contracts. If you wish to attend any of the training sessions please contact us for further details.

## Historical Record

No disciplinary action has ever been taken by ASIC against CDM Pacific.

There have not been any civil or criminal actions that are relevant to the provision of MDA services by CDM Pacific against CDM Pacific or its Directors, Shareholders, employees or authorised representatives.

## Who are the principals and advisers of CDM Pacific?

**Brad Smith** is a Responsible Manager and sole director of CDM Pacific. Brad has an extensive business and corporate background dealing in retail and wholesale environments from both a management and a proprietor perspective. Brad entered the markets as a private trader prior to starting his own commercial business as a professional client adviser and has now merged this business in a joint venture with CDM Pacific. Brad is RG146 compliant having completed a Diploma of Finance (Financial Markets), Futures, FX and ADA 1 & 2 accreditation.

## What is a managed discretionary account service?

A MDA service is a managed investment scheme and a facility for making a financial investment and has the following key features:

- (i) Clients give to the MDA Operator i.e. CDM Pacific, access to money or money's worth (client contributions);
- (ii) CDM Pacific has the discretion to invest in financial products (as authorised by its AFSL) using client contributions without prior reference to the client for each transaction;
- (iii) Each client agrees with CDM Pacific that assets derived directly or indirectly from that client's contributions are managed as a discrete portfolio belonging to the client; and
- (iv) Each client has an understanding that they will derive benefits from the MDA service, including benefits from CDM Pacific's expertise in investment selection and other services offered as part of the MDA service.

Pursuant to an ASIC Class Order [CO 04/194], MDA Operators, such as CDM Pacific, have been granted relief, subject to a number of conditions, from the Managed Investment Scheme legislation contained in Chapter 5C of the Corporations Act and the product disclosure provisions in Chapter 6D and in Part 7.9 of the Corporations Act. This FSG complies with the conditions set out in the ASIC Class Order.

The advice we provide in relation to MDA Services is a function of taking into account one or more of your objectives, financial situation and/or needs. In order to do this, we will need to ask a number of questions and seek certain information to obtain an informed understanding of your position including your risk tolerance.

To enable us to provide you with MDA Services, we need you to provide us with complete information. You will find an "Investor Profile" in our account opening documentation which you will need to fill in and lodge with us. You should then discuss your objectives, financial situation and needs with us. This is an essential part of the process so we can form an opinion as to whether a MDA offered by us is appropriate and suitable for you. You should also tell us about any material change in your circumstances and /or objectives as they occur so that the information we hold remains up to date.

In order to provide you with MDA services you need to open an MDA. To open a MDA you must enter into a "MDA Contract" with CDM Pacific before the MDA service can be provided. The MDA Contract will include an Investment Program that is prepared in accordance with the requirements in Division 3 of Part 7.7 of the Corporations Act and the Investment Program will contain the following information:

- (i) the nature and scope of the discretions CDM Pacific will be authorised and required to exercise under the MDA Contract and any investment strategy that is to be applied in exercising those discretions;
- (ii) any significant risks associated with the MDA Contract;
- (iii) the basis on which CDM Pacific considers the MDA Contract to be suitable for the client; and
- (iv) warnings about the MDA Contract, such as:
  - it may not be suitable for the client if the client has provided CDM Pacific with limited or inaccurate personal information about the client's relevant circumstances; and
  - it may cease to be suitable for the client if the client's relevant circumstances change.

The MDA service offered by CDM Pacific requires the Client to hold beneficial title to the portfolio of assets and as such the Client must open an account in their own name or in the name of the company / trust that the client has authority. The MDA service provided by CDM Pacific does not include custodial or depository services.

Your funds will be held with the Execution and Clearing Broker. Clients' assets are therefore held in a Clients' Segregated Account or Client's Trust Account with the Execution and Clearing Broker. The Clearing Broker nominated by CDM Pacific provides order execution as well as clearing services to the client.

There are significant risks associated with an investment via an MDA. Investment through the MDA Service offered by CDM Pacific may not be suitable for all investors.

There can be no assurance that the MDA will achieve its investment objectives. Each prospective client should carefully review the MDA Contract and the Statement of Advice provided to you and carefully consider the risks before deciding to invest.

## Evaluating your risks

In evaluating the merits and suitability of an investment in an MDA, careful consideration should be given by prospective investors to the following risk factors. This does not purport to be an exhaustive list of all the risks associated with investing through the MDA service.

- ❑ Investor's returns will be determined by reference to cumulative net gains or losses (if any), arising from the investment activities of CDM Pacific. The return on the investment may vary significantly and may decrease as well as increase, depending upon trading profits and losses. CDM Pacific makes no representation as to any return that investors will earn via the MDA and there can be no assurance that any target performance will be in any respect indicative of how the MDA will perform (either in terms of profitability or correlation with other investments) in the future.
- ❑ CDM Pacific may make investments in markets that are volatile and which may become illiquid. Accordingly, it may be impossible (in the event of trading halts or daily price fluctuation limits on the markets traded or otherwise) or expensive for CDM Pacific to liquidate positions in which the prices in the market are moving. Alternatively, it may not be possible in certain circumstances for a position to be initiated or liquidated promptly (in the event of insufficient trading activity in the relevant market or otherwise). These risks may be accentuated where CDM Pacific is required to liquidate positions to meet margin obligations.
- ❑ Investors should carefully consider the investment objective of CDM Pacific as set out in the Investment Program. There can be no guarantee that CDM Pacific will realise the investment objective.
- ❑ The performance of the MDA will be affected by charges related to the investments of CDM Pacific. The more transactions entered in to, typically the more transaction costs involved. The exact amount of brokerage and related transaction costs that will be incurred will depend upon a number of factors including the nature and frequency of the market opportunities presented, the size of transactions and the transaction rates in effect from time to time.
- ❑ Investors should be aware that exchange rate fluctuations could cause the value of the investment to diminish or increase.
- ❑ In order to implement the Investment Program, CDM Pacific may use financial products which are leveraged. While leverage presents opportunities for increasing total returns, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by CDM Pacific will be magnified. The effect of the use of leverage in a market that moves adversely to the investment could result in a loss, which would be greater than if leverage were not used.
- ❑ Leveraged transactions may require the client to post collateral or margin. Increases in the amount of margin could result in the need for CDM Pacific to close some or all open positions at times and at prices which could be disadvantageous and could result in losses.
- ❑ Investments made by CDM Pacific may be concentrated and a significant proportion of its assets may be denominated in a single currency. To the extent that there is a concentration in a single currency, the overall impact of adverse movements in the currency could be considerably greater than if there had not been such a concentration in that currency.
- ❑ CDM Pacific may employ certain strategies that depend upon the reliability and accuracy of the analytical investment processes. To the extent such investment processes (or the assumptions underlying them) do not prove to be correct, the MDA may not perform as anticipated, and could result in losses.
- ❑ The MDA may have exposure to interest rate risks. To the extent prevailing interest rates change, it could negatively affect the value of the MDA.
- ❑ Identification and exploitation of the investment objective to be pursued by CDM Pacific involves a high degree of uncertainty. No assurance can be given that CDM Pacific will be able to identify suitable investment opportunities in which to deploy the allocated assets.
- ❑ CDM Pacific may use techniques which may subject the investments to certain risks. These techniques include investment in geared warrants, futures and option contracts, margin foreign exchange contracts and, in particular, selling call and put options on International Futures Exchanges. These techniques contain risks which may be greater than the risks normally involved with investment in traditional asset classes.
- ❑ No assurance can be given that the strategies employed by CDM Pacific in the past to achieve attractive returns will continue to be successful or that the return will be similar to that achieved by CDM Pacific in the past.
- ❑ CDM Pacific may use "bulk ordering". There is risk that the volume of orders may significantly increase the likelihood of "split fills". Accordingly, some client accounts will receive prices that are more favourable / detrimental (whatever the case may be) in comparison to other client accounts.
- ❑ The success of the MDA is heavily dependent on the skill and capacity of CDM Pacific to identify appropriate investment opportunities.
- ❑ As MDA's are not pooled, but operated as separate and discrete portfolios, individual MDA balances may vary substantially in comparison to other MDA balances.

- ❑ Stop loss orders are applied from time to time to manage risk on certain investments. However, there is no guarantee that such stop loss orders will be applied, nor executed at the specified price.
- ❑ Due to the nature of the Investment Program, MDA's may be subjected to considerable draw-downs on capital.

## **How can you instruct us?**

You need to provide the documents and information described in CDM Pacific's client documentation. You should give us any instruction or communication by telephone, letter, facsimile (fax), email or in person. Communications other than by telephone are at your risk. You must check and confirm with an investment manager that orders sent via fax or email has in fact been received by CDM Pacific. You must review any confirmation or communication we send to you immediately upon receipt to ensure its accuracy and report any discrepancies to CDM Pacific.

## **If relevant, how do we review the investment programs?**

Any investment program for a client that has been deemed to be receiving personal advice will be reviewed on an annual basis. Advice will be provided to the client about whether the program continues to be suitable for the client in light of the client's personal objectives, needs and relevant personal circumstances. The directors of CDM Pacific will be responsible for conducting the review of the investment program and may request for updated "Investor Profile" documentation from the client.

## **How is your personal information dealt with?**

CDM Pacific recognises the importance of ensuring that its clients have confidence in the way we handle personal information we receive.

Personal information is any information about an individual that identifies the individual or by which their identity can reasonably be ascertained.

CDM Pacific abides by the National Privacy Principles established under the Privacy Amendment (Private Sector) Act 2001.

CDM Pacific may disclose your Personal Information to external contractors for the following purposes:

- a) execution, clearing and settlement of financial product transactions
- b) accounting for financial product transactions
- c) causing statutory audits to be conducted as required by law
- d) maintenance and service of our information technology systems
- e) in the course of reviews by external consultants

You can be assured that your information will be maintained on a confidential basis by any contractor to whom it is disclosed.

## **Other financial product providers**

CDM Pacific has established a relationship with CMC Markets Stockbroking Limited and CMC Markets Asia Pacific Pty Limited for clients of CDM Pacific to open their own trading accounts.

CDM Pacific has established a relationship with MF Global Australia Limited (MFGA) for clients of CDM Pacific to open a Commodities and Derivatives MDA for the purposes of registering and clearing futures and options contracts.

CDM Pacific will recommend to clients that they open an account with CMC Markets and MF Global Australia Limited (MFGA) as they are firms capable of providing execution and clearing services in global markets.

The relationship that CDM Pacific has with CMC Markets and MF Global Australia Limited (MFGA) does not, in any way, influence CDM Pacific in the provision of financial services to its Clients.

## **Fees, charges and remuneration**

You may pay CDM Pacific a fee depending on the services and / or products you choose.

### *CDM Pacific Broking services*

CDM Pacific has a co-branded trading platform available for individuals who wish to make their own trading decisions and execute those decisions via a web based platform. The platform CDM Pacific provides is co-branded and is provided and facilitated by CMC Markets.

### *Broking service Rates and Fees – Equities*

	<b>Trade value</b>	<b>Brokerage</b>
<b>Internet</b>	Up to \$15,000	\$19.95
	\$15,001 to \$30,000	\$29.95
	Over \$30,000	0.11%
<b>Phone Trades</b>	Up to \$20,000	\$59.95
	\$20,001 to \$37,500	\$82.50
	Over \$37,500	0.22%

### *Broking service Rates and Fees – Options*

	<b>Trade value</b>	<b>Brokerage</b>
<b>Options, phone only</b>	\$0 to \$8,000	44.00 + clearing house fee
	Over \$8,000	0.55% + clearing house fee

### *CDM Pacific MDA services*

In exchange for providing its MDA Services, the Client agrees to pay a Management Fee of up to 2% per annum, accrued daily and billed quarterly in arrears on the account's daily Net Liquidation Value.

In addition, to ensure that returns to the MDA Operator are based upon performance, a Performance Fee will also be payable by the client.

The Performance Fee applied on a quarterly basis at a rate of 20% of any Net Profit. Profit is determined by subtracting the beginning period Net Liquidation Value from the ending period Net Liquidation Value, and removing all cash items such as deposits, withdrawals, and fees for the period. Fees will be calculated and posted by the 10th business day after the end of a quarter. In the event the account is closed the Performance Fee, if due, is computed on the final value of the account.

### *Other products, services and disclosures of interests*

CDM Pacific may receive a portion of the commissions payable to the Clearing/Executing/Settlement Broker(s).

Where interest is paid by a Clearing Broker, CDM Pacific may receive portions of interest paid on MDA's and private client accounts held by the Clearing Broker(s).

### *Financial Planning Services*

CDM Pacific does not provide a financial planning service. These services are carried out by external parties. CDM Pacific may receive a commission payment from the financial planner at no extra charge to the client.

### *Commissions and other Fees*

MFGA, as the Clearing/ Executing Broker will charge you Commissions and/or other fees, depending on product traded, of \$12.00USD, €10.00EUR, £8.00GBP or \$17.00AUD per trade per side.

These rates may change from time to time. The Clearing/ Executing Broker will advise you of any changes pursuant to the terms and conditions of the agreement you sign with them.

### **Changes of Fees or Expenses**

Should there be a change in the fees or expenses charged by CDM Pacific to you, CDM Pacific will give one month's prior notice of any such changes.

### **How will CDM Pacific advisers be remunerated?**

Directors and employees of CDM Pacific are remunerated by way of salary and a portion of management and performance fees; commissions (where applicable).

Authorised Representatives are remunerated by receiving a portion of the commission paid by you to the Clearing/ Executing Broker and by receiving a portion (if not all) of the management and performance paid by you to CDM Pacific.

## How will Referral Agents be remunerated?

Referral Agents are remunerated by receiving a portion of the commission paid by you to the you to the Clearing/ Executing Broker and by receiving a portion (if not all) of the management and performance paid by you to CDM Pacific.

## Dispute resolution

We want to know about any problems or concerns you may have with our services so we can take steps to resolve the issue. We have internal and external dispute resolution procedures to resolve complaints from clients. A copy of these procedures may be obtained by contacting us and requesting a copy.

Initially, all complaints will be handled and investigated internally. Should you feel dissatisfied with the outcome, you have the ability to escalate your concerns to an external body for a resolution.

Furthermore, CDM Pacific is a member of the Financial Ombudsman Service (FOS), which is an approved external dispute resolution scheme that can deal with complaints about all of the financial services CDM Pacific provides under its AFSL.

If you have a complaint about the financial services provided to you, please take the following steps:

1. Contact CDM Pacific (details below) to inform us about your complaint. You may do this by telephone, facsimile, email or letter.
2. If you are dissatisfied with the outcome, you have the right to complain to the Financial Ombudsman Service (FOS) in writing at:

Financial Ombudsman Service  
G.P.O. Box 3  
Melbourne VIC 3001

Telephone: 1300 780 808  
Facsimile: (03) 9613 6399  
Web: [www.fos.org.au](http://www.fos.org.au)  
Email: [info@fos.org.au](mailto:info@fos.org.au)

CDM Pacific is a member of the FOS complaints resolution scheme and our membership number is 11285.

3. You can contact the Australian Securities and Investments Commission on 1300 300 630. This is a free call info line. This is another alternative that you may use to make a complaint and obtain information about your rights.

In accordance with Regulatory Guide RG126 and Section 912B of the Corporations Act 2001, CDM Pacific has Professional Indemnity Insurance in place which covers the work done for it by its representatives and employees.

## Contact details

If you have any queries about this FSG or our services, you can contact CDM Pacific:

Unit 105, 18 Fern Street  
Surfers Paradise, Qld Australia 4217

PO Box 653 Biggera Waters Qld Australia 4216

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