

**APSEC**  
FUNDS MANAGEMENT

# Atlantic Pacific Australian Equity Fund

ARSN 158 861 155 APIR OMF0003AU

**PRODUCT DISCLOSURE STATEMENT**

ISSUE DATE:  
1ST MARCH 2022



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This Product Disclosure Statement (“PDS”) was issued on 1st March 2022. This PDS is for the offer of interests in the Atlantic Pacific Australian Equity Fund ARSN 158 861 155 (referred throughout this PDS as the “Fund”).

The PDS has been prepared and issued by Equity Trustees Limited (ABN 46 004 031 298, Australian Financial Services Licence (“AFSL”) No. 240975) in its capacity as the responsible entity of the Fund (referred throughout this PDS as the “Responsible Entity”, “Equity Trustees”, “us” or “we”). It is the issuer of Units in the Fund. The investment manager is APSEC Funds Management Pty Ltd (ABN 48 152 440 723, Corporate Authorised Representative (411859) of APSEC Compliance and Administration Pty Ltd (ABN 30 142 148 409; AFSL 345443)) (referred to throughout this PDS as the “Investment Manager” or “APSECFM”). The administrator of the Fund is Mainstream Fund Services Pty Ltd (ACN 118 902 891) and is referred to throughout this PDS as “Mainstream” or “the Administrator”.

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This PDS is prepared for your general information only. It is not intended to be a recommendation by the Responsible Entity, Investment Manager or any associate, employee, agent or officer of the Responsible Entity, Investment Manager or any other person to invest in the Fund. This PDS does not take into account the investment objectives, financial situation or needs of any particular investor. You should not base your decision to invest in the Fund solely on the information in this PDS. You should consider the suitability of the Fund in view of your personal financial circumstances, investment objectives and needs. You may want to seek advice before making an investment decision.

Equity Trustees, the Investment Manager and their employees, associates, agents or officers do not guarantee the success, repayment of capital or any rate of return on income or capital or the investment performance of the Fund. Past performance is no indication of future performance. An investment in the Fund does not represent a deposit with or a liability of Equity Trustees, the Investment Manager or any of their associates. An investment is subject to investment risk, including possible delays in repayment and loss of income or capital invested. Units in the Fund are offered and issued by the Responsible Entity on the terms and conditions described in this PDS. You should read this PDS in its entirety.

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The forward looking statements included in this PDS involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, Equity Trustees, the Investment Manager, and their officers, employees, agents or associates. Actual future events may vary materially from the forward looking statements and the assumptions on which those statements are based. Given these uncertainties, you are cautioned to not place undue reliance on such forward looking statements.

Past performance is no guarantee of future performance.

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In particular, in considering whether to invest in the Fund, investors should consider the risk factors that could affect the financial performance of the Fund. Some of the risk factors affecting the Fund are summarised in section 6.

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All amounts quoted in this PDS are in Australian dollars (“AUD”) unless stated otherwise.

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The offer made in this PDS is available only to persons receiving this PDS in Australia (electronically or otherwise). This PDS is not to be treated as an offer to sell, or a solicitation of an offer to buy, any units in any jurisdiction in which it is unlawful to make such an offer or solicitation or to any person to whom it is unlawful to make such an offer or solicitation. If you received this PDS electronically we will provide a paper copy free upon request during the life of this PDS. The PDS is available on [www.eqt.com.au/insto](http://www.eqt.com.au/insto), [www.apsec.com.au](http://www.apsec.com.au) or you can request a copy free of charge by calling 1300 379 307 or sending an email to [enquiries@apsec.com.au](mailto:enquiries@apsec.com.au).

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Information in this PDS that is not materially adverse is subject to change from time to time. We may update this information. You can obtain any updated information:

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by calling 1300 379 307; or

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by visiting the website [www.apsec.com.au](http://www.apsec.com.au); or

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by email at [enquiries@apsec.com.au](mailto:enquiries@apsec.com.au)

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A paper copy of the updated information will be provided free of charge on request.

Unless otherwise stated, all fees quoted in the PDS are inclusive of GST, after allowing for an estimate for Reduced Input Tax Credits (“RITC”).

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# DIRECTORY /

## INVESTMENT MANAGER

APSEC Funds Management Pty Ltd

ABN 48 152 440 723

Corporate Authorised Representative (411859) of  
APSEC Compliance and Administration Pty Ltd  
(AFSL 345443, ABN 30 142 148 409)

Level 4, 10 Barrack Street  
Sydney NSW 2000

Phone: 1300 379 307

[www.apsec.com.au](http://www.apsec.com.au)

## RESPONSIBLE ENTITY

Equity Trustees Limited

ABN 46 004 031 298 AFSL No 240975

GPO Box 2307  
Melbourne Vic 3001

Phone +613 8623 5000

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## ADMINISTRATOR

Mainstream Fund Services Pty Limited

ACN 118 902 891

GPO Box 4968  
Sydney NSW 2001

Phone: 1300 133 451

[www.mainstreamgroup.com](http://www.mainstreamgroup.com)

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# 1 / FUND AT A GLANCE

SUMMARY		For further information
<b>NAME OF THE FUND</b>	Atlantic Pacific Australian Equity Fund	section 5
<b>ARSN</b>	158 861 155	section 5
<b>INVESTMENT OBJECTIVE</b>	The Fund aims to achieve positive returns in excess of the Fund Benchmark, after fees and expenses, over the long term by predominantly taking both Long Positions and Short Positions in Australian equities and equity derivatives.	section 5
<b>FUND BENCHMARK</b>	S&P/ASX 200 Accumulation Index	section 5
<b>INVESTMENT STRATEGY AND INVESTMENTS HELD</b>	The Fund is a long-bias equity market product which typically buys, or short sells, Australian listed securities. Cash, cash equivalents, convertible notes, derivatives and securities in respect of which listing has been proposed are also used within the strategy.	section 5
<b>THE TYPE(S) OF INVESTOR(S) FOR WHOM THE FUND WOULD BE SUITABLE</b>	Investors who are looking for capital growth and some income. This strategy is targeted at long term investors who are able to tolerate high levels of risk. Income will be franked to the extent possible. Dividend income is unlikely to be a large proportion of returns for the Fund.	section 5
<b>RECOMMENDED INVESTMENT TIMEFRAME</b>	At least 5 to 7 years  We recommend that you consider, with your financial adviser, the suggested investment period for the Fund in relation to your own investment timeframe.  You should review this regularly to ensure that the Fund continues to meet your investment needs.	section 5
<b>MINIMUM INITIAL INVESTMENT</b>	\$20,000	section 7
<b>MINIMUM ADDITIONAL INVESTMENT</b>	\$1,000	section 7
<b>MINIMUM WITHDRAWAL AMOUNT</b>	\$1,000	section 7
<b>MINIMUM BALANCE</b>	\$1,000	section 7
<b>CUT OFF TIME FOR APPLICATIONS AND WITHDRAWALS</b>	Applications – 2pm each Business Day  Withdrawals – 2pm each Business Day	section 7
<b>COOLING OFF</b>	Available to Retail Clients in certain circumstances	section 7
<b>VALUATION FREQUENCY</b>	Daily	section 7
<b>UNIT PRICING</b>	Daily	section 7
<b>APPLICATIONS</b>	Daily	section 7

SUMMARY		For further information
<b>WITHDRAWALS</b>	Daily	section 7
<b>INCOME DISTRIBUTION</b>	Generally paid bi-annually as at 30 June and 31 December. Automatically reinvested, unless written notice is provided to the Responsible Entity.	section 7
<b>MANAGEMENT FEES AND COSTS</b>	2.20% p.a. of the NAV of the Fund (including GST less RITCs)	section 9
<b>ENTRY FEE/ EXIT FEE</b>	Nil	section 9
<b>BUY/SELL SPREAD</b>	Buy +0.10%/Sell -0.10%	section 9
<b>PERFORMANCE FEE</b>	15% (including GST less RITCs) of any investment return above the S&P/ASX200 Accumulation Index plus 3% p.a. subject to a high water mark.	section 9

## 2 / BENCHMARKS

The Fund is a 'hedge fund' for the purposes of Australian Securities and Investments Commission (ASIC) Regulatory Guide 240. The following table sets out a summary of the disclosure ASIC requires for hedge funds, the key features of the Fund and a guide to where more detailed information can be found in this PDS. A copy of ASIC Regulatory Guide 240 dated October 2013 (as may be amended, supplemented or replaced from time to time) is available from [www.asic.gov.au](http://www.asic.gov.au).

The information summarised in this table and explained in detail in the identified section reference is intended to assist investors with analysing the risks of investing in the Fund. Investors should consider this information together with the detailed explanation of various benchmarks and principles referenced throughout this PDS and the key risks of investing in the Fund highlighted in section 6 of this PDS.

	Is the benchmark satisfied?	For further information
<b>VALUATION OF ASSETS</b>  This benchmark addresses whether valuations of the Fund's non-exchange traded assets are provided by an independent administrator or an independent valuation service provider.	Yes	section 5
<b>PERIODIC REPORTING</b>  This benchmark addresses whether the responsible entity of the Fund will provide periodic disclosure of certain key information on an annual and monthly basis.	Yes	section 8

## 3 / DISCLOSURE PRINCIPLES

SUMMARY	Section (for further information)
<p><b>INVESTMENT STRATEGY</b></p> <p>The Fund aims to achieve positive returns in excess of the Fund Benchmark, after fees and expenses, over the long term by predominantly taking both Long Positions and Short Positions in Australian shares and equity derivatives.</p> <p>The Fund is a long-bias equity market product which typically buys, or short sells, Australian listed securities. Cash, cash equivalents, convertible notes, derivatives and securities in respect of which listing has been proposed are also used within the strategy.</p> <p>The Fund may have 0% to 100% of its NAV invested in Long Positions and 0% to 100% of its NAV invested in Short Positions. At all times, net market exposure (sum of Long Positions and Short Positions) of the Fund is maintained between 0% to 100% which is consistent with the manner in which the Fund has been managed since inception i.e. market exposure has been maintained between 0% to 100% of its NAV.</p> <p>APSEC Funds Management Pty Ltd is the investment manager. The Fund is managed by Nicolas Bryon and George Paxton.</p>	<p>section 5.2, 5.4, 5.6, 5.7 and 5.8</p>
<p><b>INVESTMENT MANAGER</b></p> <p>APSEC Funds Management Pty Ltd is a related body corporate of Amalgamated Australian Investment Group Limited, a diversified Financial Services company.</p> <p>Further details in relation to the expertise of the Investment Manager and the Investment Management Agreement (“IMA”) are set out in Section 4.</p>	<p>section 4</p>
<p><b>FUND STRUCTURE</b></p> <p>The Fund is an Australian unit trust registered under the Corporations Act as a managed investment scheme.</p> <p>The Responsible Entity of the Fund is Equity Trustees Limited. Equity Trustees Limited may appoint service providers to assist in the ongoing operation, management and administration of the Fund.</p> <p>The key service providers to the Fund are:</p> <ol style="list-style-type: none"> <li>1. APSEC Funds Management Pty Ltd, the investment manager of the Fund.</li> <li>2. APSEC Compliance and Administration Pty Ltd, the licensee who has appointed the Investment Manager as its corporate authorised representative. It is also responsible for overseeing and monitoring the Investment Manager’s investment and management of the Fund for and on behalf of Equity Trustees.</li> <li>3. Mainstream Fund Services Pty Ltd, the administrator and custodian of the assets of the Fund.</li> <li>4. Interactive Brokers LLC, the prime broker of the assets of the Fund.</li> </ol>	<p>section 4, 5.3</p>
<p><b>VALUATION, LOCATION AND CUSTODY OF ASSETS</b></p> <p>Mainstream Fund Services Pty Ltd is the administrator of the Fund and provides administrative, accounting and registry services. The Administrator is responsible for calculating the Fund’s NAV.</p>	<p>section 5</p>
<p><b>LIQUIDITY</b></p> <p>The Fund invests predominantly in liquid assets and is reasonably expected to realise at least 80% of its assets, at the value ascribed to those assets in calculating the Fund’s Net Asset Value, within 10 days.</p>	<p>section 5.5</p>



SUMMARY	Section (for further information)
<p><b>LEVERAGE</b></p> <p>The Fund does not borrow funds for investment. Rather, leverage is created as the proceeds from short-selling borrowed securities are reinvested in the long portfolio. Leverage in the form of short selling is used to either hedge the market risk of the long portfolio or provide specific opportunities to sell companies that are expected to underperform.</p> <p>The Fund's level of leverage is measured by the sum of the gross exposure levels of its long and short portfolios. At its maximum allowed level of gross leverage, for every \$1.00 of the net asset value of an investor's capital in the Fund, the Fund may be leveraged \$1.00.</p> <p>The maximum anticipated level of gross leverage is the same maximum allowed level of gross leverage.</p>	section 5.6
<p><b>DERIVATIVES</b></p> <p>The Fund is permitted to buy or sell exchange traded derivatives.</p>	section 5.7
<p><b>SHORT SELLING</b></p> <p>The Fund is permitted to short sell securities.</p>	section 5.8
<p><b>WITHDRAWALS</b></p> <p>Daily. Notify by 2pm each Business Day.</p>	section 5.9

## 4 / WHO IS MANAGING THE FUND?

### ABOUT THE RESPONSIBLE ENTITY

#### EQUITY TRUSTEES LIMITED

Equity Trustees Limited is the responsible entity of The Atlantic Pacific Australian Equity Fund and issuer of this PDS. Equity Trustees Limited is a wholly owned subsidiary of Equity Trustees Holdings Limited which is a company listed on the Australian Securities Exchange (“ASX”), Established as a trustee and executorial service provider by a special Act of the Victorian Parliament in 1888, Equity Trustees today is a dynamic financial services institution which will continue to grow the breadth and quality of the products and services on offer.

Specialist services of Equity Trustees include the provision of estate management services, trustee services, financial and taxation advice, personal investment advice – including superannuation – and responsible entity services for external fund managers. Equity Trustees’ responsibilities and obligations, as the responsible entity of the Fund, are governed by the Fund’s constitution (“Constitution”) as well as the Corporations Act and general trust law.

Equity Trustees also assists not-for-profit and charitable organisations with their services and financial product needs and offers philanthropy advice to families and individuals seeking to establish charitable trusts.

Equity Trustees is committed to acting in the best interests of its clients via wealth management solutions over a range of asset classes carrying different risk profiles.

Equity Trustees has delegated some of the management functions to APSEC Funds Management Pty Ltd, which will make all of the investment decisions in relation to the Fund.

### ABOUT THE INVESTMENT MANAGER

Equity Trustees, as the Responsible Entity of the Fund, has appointed APSEC Funds Management Pty Ltd (“ASPECFM”) as the investment manager of the Fund.

Established in 2011, APSEC Funds Management Pty Limited has been managing the Atlantic Pacific Australian Equity Fund since its inception in June 2013. APSECFM is an active investor of listed Australian companies and derivatives. APSECFM offers distinctly unique investment products which attempt to provide exceptional upside returns while also minimising downside returns.

APSECFM’s Investment Team comprises the following fully committed individuals each having extensive Investment Management and Research experience across Australian and Global equity markets.

#### NICOLAS BRYON – FUND MANAGER

Nicolas is an experienced fund manager and has been involved in analysing companies and managing portfolios for over 20 years. Nicolas has worked for leading financial services companies as well as numerous boutique investment managers. Nicolas has directly been involved with long only, long short, derivative overlay, systematic and event based strategies in Australia and abroad. Nicolas holds a Bachelor of Economics with Honours from Macquarie University. There have been no adverse regulatory findings against Nicolas.

#### GEORGE PAXTON – FUND MANAGER

George has been co-managing the Fund since its inception. George has had over a decade of fundamental analysis experience as well as research of event based strategies in Australia and abroad. George has worked for leading financial services companies as well as experience as a Merger & Acquisition Research Analyst. George holds a Bachelor of Arts majoring in Law & Economics with Honours from Queen Mary & Westfield College, University of London. There have been no adverse regulatory findings against George.

## 4 / WHO IS MANAGING THE FUND?

### **MICHAEL NAIR – QUANTITATIVE ANALYST**

Michael is a financial analyst with over 12 years of experience in the financial services sector, ranging from boutique firms such as Lincoln Indicators, to industry majors National Australia Bank and Gen Re. Michael joined APSEC in November 2021 to add extra quantitative rigour to the investment team and support further product enhancements for the Fund. Michael holds a Bachelor of Commerce, majoring in Actuarial Science, from the University of Melbourne. There have been no adverse regulatory findings against Michael.

The Responsible Entity has the right to terminate the services of APSEC Funds Management Pty Limited as investment manager on specified grounds as identified in the IMA between APSEC Funds Management Pty Limited, the Licensee and the Responsible Entity. For example, the Responsible Entity may terminate the IMA by giving the Licensee and/or the Investment Manager 20 Business Days' notice. The Licensee may recommend in writing to Equity Trustees that it remove the Investment Manager and terminate the IMA as it applies to the Investment Manager, and Equity Trustees will subject to its duties and the law do so promptly, by providing not less than 20 Business Days' written notice of termination to the Investment Manager. The Responsible Entity may also immediately terminate the IMA as it applies to the Investment Manager by written notice to the Investment Manager where the Investment Manager goes into administration, receivership, liquidation, ceases to carry on business in relation to its activities as an investment manager, breaches the terms of the IMA and fails to remedy the breach within the time specified under the IMA, where the Investment Manager sells or transfers part of its business or where the Responsible Entity is required to terminate the IMA under the law.

### **ABOUT THE LICENSEE**

APSEC Compliance and Administration Pty Ltd is the Australian Services Licence holder which has appointed the Investment Manager as its corporate authorised representative.

It is also a party to the IMA, under which it has agreed to, amongst other things, oversee and monitor the Investment Manager's investment and management of the Fund for and on behalf of Equity Trustees.

APSEC Compliance and Administration Pty Ltd is a related body corporate of the Investment Manager.

### **ABOUT THE ADMINISTRATOR AND CUSTODIAN**

#### **MAINSTREAM FUND SERVICES PTY LIMITED**

Mainstream Fund Services has been appointed to provide administration and custodial services for the Fund.

The Administrator provides, but is not limited to, certain administrative, accounting & registrar services for the Fund. The Administrator has been appointed to provide these services under an administration agreement between the Responsible Entity and the Administrator. The Administrator has no direct relationship with investors.

For further information, please see section 11.

### **ABOUT THE PRIME BROKER**

#### **INTERACTIVE BROKERS LLC**

Interactive Brokers LLC (**IB**) is a licensed provider of Dealing and Custodial and Depository Services in Australia. IB provides prime broking services for the Fund for Australian financial products.

## 5 / HOW THE FUND INVESTS

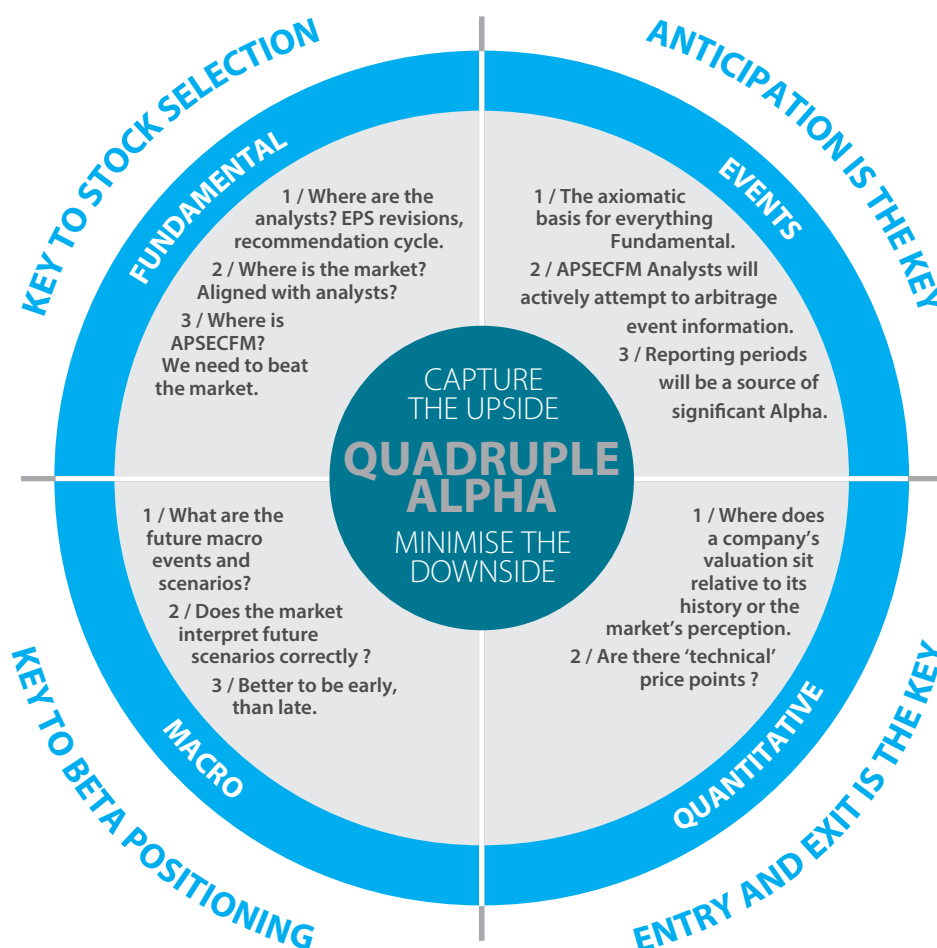
### 5.1 / INVESTMENT OBJECTIVE

The Fund aims to achieve positive returns in excess of the Fund Benchmark, after fees and expenses, over the long term by taking both Long Positions and Short Positions in Australian shares and derivatives.

### 5.2 / INVESTMENT STRATEGY

The Fund's strategy is a Long/Short strategy with variable net market exposure between 0-100%. The typical asset classes held by the fund include cash and cash equivalent financial products, Australian listed shares and other equity like securities and exchange traded derivatives. The Fund may have up to 100% of its NAV invested in Long positions and up to 100% of its NAV invested in Short Positions subject to the net market exposure range of 0-100%.

The Investment Manager believes that markets are fundamentally inefficient resulting in mispriced securities and that active investment management will result in higher than 'benchmark' returns. The Fund has adopted the S&P/ASX200 Accumulation Index as the benchmark for its performance. The Investment Manager also believes that, on review of many markets globally, no individual style or method of investing will always ensure outperformance in terms of return on investment. In light of this, the Investment Manager will adopt a style-neutral bias adapting to the dominant style dependent on where the market is in its investment cycle. Further, the Investment Manager believes that actual and forecasted events underpin absolute and relative price movements of securities. The Investment Manager will utilise a number of frameworks to assist in positioning the Fund's portfolio of investments. Graphically, this is represented below:



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### FUNDAMENTAL RESEARCH

This is organised in determining the short to medium term leverage of any company through its key drivers – including revenue, margins and capital management. In an ideal scenario, the Investment Manager looks for rising and sustainable revenues, widening margins and available capital to support growth. Identifying this stage of a company's maturity will offer significant opportunities for investment. Conversely, where a company is undergoing negative dynamics with falling revenues and margins and little to no capital for growth, this will support avoidance of investment or a short position. An assessment of whether market analysts are late in upgrading or downgrading their earnings estimates forms a key component in assessing the potential prospects for the company i.e. the Investment Manager will attempt to anticipate the actions of market analysts and arbitrage information where it has a superior information advantage.

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### EVENTS/CATALYST RESEARCH

Catalysts are defined as discrete events that may or may not occur but with which the underlying price of a security will tend to move. The Investment Manager believes that long duration events (in excess of 1 year) provide very little certainty and the possibility for larger drawdowns (i.e. price returns which are negative). Consequently, the Investment Manager will focus on short to medium duration events. Researching and targeting of events will be in relation to a new investment (long or short) or confirming the holding (long or short) of an existing position. Events may be characterised in many ways. For example, an event relating to a fundamental characteristic of a security may, in the Investment Manager's view, determine that a particular product price will rise much faster than analyst or market expectations. This may result in higher than expected revenue growth. The Investment Manager will monitor and optimise the entry point for a security that is exposed to this dynamic as the security price is likely to react to this new information once the expectations of the market have adjusted.

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### MACRO RESEARCH

This framework aims to provide an indication of where a market is in its investment cycle. The outcome of this 'top down' approach is to describe the market environment in terms of three basic characteristics – bull, bear or range trading. Each phase may last for long periods of time and is a critical overlay to the construction of a portfolio. Knowing when to be defensive or otherwise is critical to the success of the investment strategy. This particular component of the investment strategy will to a great extent determine how much net market exposure the portfolio has any point of time.

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### QUANTITATIVE ANALYSIS

This method of investment analysis is complementary to the other frameworks in that it provides the discipline for entry and exit points of an investment. This framework utilises company valuations, timing models and other technical analysis indicators. With respect to valuations, historical ranges across a number of variables provide a strong indicator of over or under valuation. The premise is that a company will have a distribution of valuation outcomes depending on the economic cycle or industry in which it operates and will not tend to deviate from this. In addition, discounted cash-flow models, as provided by market analysts, are used to provide a market-based anchor for valuation. In each case, the Investment Manager will seek to establish an intrinsic value for a business in order to form a view on relative or absolute valuation. Complementing the entry and exit decision for investments, the Investment Manager will utilise mathematical models of security price behaviour across a number of model families.

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## BENEFITS OF A LONG/SHORT INVESTMENT STYLE

At any one point in time, there are always individual prices moving up or down. Most of the time, the direction of price over an extended period of time for a particular company can be attributable to the underlying industry dynamics or specific fundamentals a company faces, good or bad. This can lead to many opportunities being present on both the long and short side of investing. By extension, moving beyond traditional fully invested buy-and-hold strategies, by adding the ability to short sell should increase the opportunity set for making absolute and relative returns. This could lead to significant divergence of the Fund to market returns at various points in time. Short selling of securities does carry additional risks which need to be considered carefully.

## BENEFITS OF VARIABLE NET MARKET EXPOSURE

All asset classes undergo periods of prolonged positive returns as well as negative returns. Therefore, unlike more traditional fully invested buy-and-hold strategies which are highly dependent on a rising market, allowing for variable net market exposure may lead to outsized relative returns during negative or range-trading market environments. Periods in which an investment manager can capitalise on the direction of the market, whether for days or months, will lead necessarily to significant relative performance. The Investment Manager believes protecting capital or minimising the dilution of capital in negative market environments is just as important as being fully invested in bull markets. The table below provides scenario analysis on how the portfolio could be positioned in various market environments, highlighting the usage of variable market exposure and the implicit leverage that may arise.

### SCENARIO ANALYSIS: PORTFOLIO POSITIONING FOR VARIOUS MARKET ENVIRONMENTS

	Bull Market	Bear Market	RANGE TRADING		
			Bottom	Middle	Top
Long positions	95%	50%	80%	80%	70%
Short positions	0%	-40%	0%	-30%	-50%
Cash	5%	90%	20%	50%	80%
Net exposure	95%	10%	80%	50%	20%
Gross exposure	95%	90%	80%	110%	120%
Implicit leverage	NO	NO	NO	YES	YES

Note: Indicative only.

Note: Cash is assumed on the basis that all positions are cash-backed equity securities.

Where derivatives are used to account for some notional exposure, cash balances will be higher.

It's also important to recognise in Australian equities, the distribution of positive days to negative days is close to an even-money bet (over the past 28 years for the All Ordinaries Accumulation index, 55% of days have been positive with an average return of 0.63% and 45% of days have been negative with an average return of -0.68%). In bull markets, the distribution skews to a higher percentage of positive days but not necessarily any more convincing than an even-money bet. Therefore, on a day-to-day basis, the market is almost just as likely to lose money as it is to make money. Where an investment manager is able to time market exposure and pick up relative alpha in down markets, on top of security alpha, they stand to gain materially over the long run, while at the same time reducing the volatility of a fund's return profile by minimising the size of the drawdowns. APSECFM view upside and downside risk symmetrically, unlike most traditional buy-and-hold investment managers, and their goal is to outperform in up markets as well as outperform through down markets.

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### INVESTMENT GUIDELINES

The assets of the Fund will generally be invested in accordance with the following guidelines:

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The Fund aims to invest in a portfolio of securities and derivatives that are listed, or expected to be listed on the ASX. The Fund may also invest in cash, cash equivalents (e.g. short duration debt) and convertible notes associated with Australian Listed entities.

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The Fund may have between 0% and 100% of its NAV invested in Long Positions (equity and derivatives typically).

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The Fund may have between 0% and 100% of its NAV invested in Short Positions (equity and derivatives typically).

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The Fund's net market exposure will range between 0% and 100% of its NAV.

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Sector limits – None.

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Individual Long Security Limit – Max 10%. Typical individual long security position sizes 1-5%.

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Individual Short Security Limit – Max 5%. Typical individual short security position sizes 1-5%.

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Pre-IPO/IPO Total allocation – Max 10%. Typical individual security sizes 0.5-1%.

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The Fund will not borrow.

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The Fund is permitted to use derivatives. Derivatives are not used to leverage the Fund. All derivatives used will be exchange traded and covered by cash, physical securities or a combination of both. When calculating net or gross exposure, the gross notional exposure for each individual security will be used.

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Due to movements in the market or similar events, the guidelines set out above may not be adhered to from time to time. In these circumstances, the Investment Manager will seek to bring the Fund's investments back within the guidelines within a reasonable period of time.

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## CHANGE IN INVESTMENT STRATEGY

The Responsible Entity reserves the right to change its investment strategy from time to time. Any changes to the investment strategy will be notified to investors in accordance with the law.

All investments carry risks. More information can be found in section 6 “Managing Risks”.

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## KEY ASSUMPTIONS AND DEPENDENCIES OF THE INVESTMENT STRATEGY

The success and profitability of the Fund will depend on a number of factors, including without limitation:

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the ability of Investment Manager to correctly speculate how investments will change in value over time;

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the market eventually recognising such value in the price of security which the Investment Manager has identified is undervalued or overvalued, which may not necessarily occur;

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the value of the assets of the Fund which may be affected by company specific performances, the general economic environment, legislation or government policy or other factors beyond the control of the Investment Manager.

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As a result, no guarantee can be given in respect of the future earnings of the Fund or the earnings or capital appreciation of the Fund’s investments. Investors should be aware that there is no guarantee that the implementation of the investment objective or process will not result in losses to investors. For further discussion on the risks of the Fund, please see section 6 (Managing risk).

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## RISK MANAGEMENT

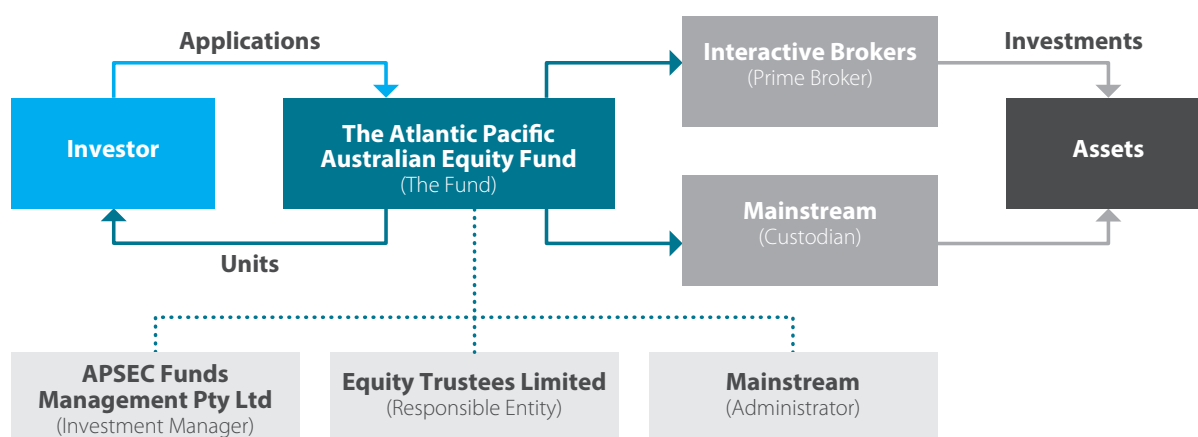
The Investment Manager manages the risk of the Fund by employing the above frameworks to assist with positioning of the Fund’s portfolio. In addition, the Investment Manager has imposed various limits (for example the maximum net exposure and individual security limit) and other risk management strategies described in section 6 to manage the investments of the Fund. Refer to section 5.7 and 5.8 on how the Investment Manager manages the risks associated with derivatives and short selling.

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### 5.3 / FUND STRUCTURE

The Fund is a registered managed investment scheme. It is a unit trust with a single class of units and is governed by the Constitution. The Fund comprises assets which are acquired in accordance with its investment strategy. Investors receive units when they invest. In general, each unit represents an individual's interest in the assets of the Fund as a whole subject to liabilities; however it does not give the investor an interest in any particular asset. The value of a unit in the Fund is determined by reference to the assets and liabilities referable to a class of unit in the Fund. Equity Trustees is the responsible entity for the Fund and has appointed APSECFM as the investment manager to manage the investments of the Fund on a day to day basis. The Responsible Entity has engaged a number of professional service providers to provide a range of investment, administration and back office services to the Fund including custody, administration services and transaction execution. The Responsible Entity has entered into service agreements with the service providers and will, with the assistance of APSECFM, regularly monitor the performance of the service providers against service standards set out in the relevant agreements. The service providers and their relationship to the Fund and the flow of funds through the Fund are shown in the diagram below.



As at the date of this PDS, the service providers to the Fund are:

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**Investment Manager:** APSEC Funds Management Pty Ltd is responsible for managing the investments of the Fund. For further details on APSECFM's role please refer to section 4. The Investment Manager is located in Australia.

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**Licensee:** APSEC Compliance and Administration Pty Ltd is responsible for overseeing and monitoring the Investment Manager's investment and management of the Fund for and on behalf of Equity Trustees. It has also appointed the Investment Manager as its corporate authorised representative. The Licensee is located in Australia.

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**Custodian:** Mainstream Fund Services Pty Ltd. The Custodian is also located in Australia.

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**Administrator:** Mainstream Fund Services Pty Ltd provides fund accounting and unit registry services in connection with the Fund. It is also responsible for providing independent valuations of the Fund's assets. For further details on Mainstream's role please refer to section 4. The Administrator is located in Australia.

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**Prime Broker:** Interactive Brokers LLC provides prime broking services to the Fund. The prime broker is located in the United States of America.

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**Auditor:** PwC. The auditor is located in Australia.

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## 5 / HOW THE FUND INVESTS

Service providers to the Fund may change without prior notice to investors. Investors will be notified of any change to service providers in the regular reports available as described in section 8. Risks relating to the use of third party service providers are outlined in section 6.

### 5.4 / VALUATION, LOCATION AND CUSTODY OF ASSETS

All positions in the Fund are independently valued by the Administrator. The majority of assets currently traded and held in the Fund are exchange traded and valued on a mark to market basis at the close of trading for each day. Assets not traded on exchanges may include cash or cash equivalent instruments and securities expected to be listed. These assets are liquid and valued independently by the Administrator in accordance with the market value of the assets. The assets are typically denominated in Australian dollars and held in Australia. There is no policy about the geographic location of the assets of the Fund.

ASSET CLASS	RESPONSIBLE CUSTODIAN	LOCATION OF CUSTODIAN	ASSETS AS A PROPORTION OF NET ASSET VALUE OF THE FUND
Australian equities	Mainstream / Interactive Brokers	Australia	0-100%
Derivatives	Mainstream / Interactive Brokers	Australia	0-100%
Unencumbered cash	Mainstream / Interactive Brokers	Australia	0-100%

### 5.5 / LIQUIDITY

The majority of assets currently traded and held by the Fund are liquid. The Responsible Entity and Investment Manager reasonably expect that the Fund would be able to realise at least 80% of the Fund's assets, at the value ascribed to those assets in the most recent calculation of NAV, within 10 days.

### 5.6 / LEVERAGE

The Fund does not borrow funds for investment or acquire derivatives for the purposes of leveraging the Fund. All derivatives used will be exchange traded and covered by cash, physical securities or a combination of both. Rather, leverage is created as the proceeds from short-selling borrowed securities are reinvested in the long portfolio. Leverage in the form of short selling is used to either hedge the market risk of the long portfolio or provide specific opportunities to sell companies that are expected to underperform based on deteriorating fundamentals.

The Fund's gross level of leverage is measured by the sum of the gross exposure levels of its long and short positions. The maximum allowed level of net leverage is \$1.00 for every \$1.00 of the Fund's Net Asset Value. The maximum anticipated level of gross leverage is the same as the maximum allowed level of gross leverage. This means that, compared with an unleveraged fund, assuming that the Fund reaches its maximum anticipated gross exposure of 200% of Net Asset Value. The following is a simplified example of how leverage through short selling works.

## 5 / HOW THE FUND INVESTS

If the Fund were to utilise \$1,000,000 of its cash to purchase \$1,000,000 worth of investments it is not using leverage and its net and gross position are equal. If the value of the Fund's investments increase by 10%, the net return is \$100,000 on a net and gross basis.

If the Fund gears its original \$1,000,000 to the maximum it will have a gross invested position of \$2,000,000. This \$2,000,000 gross exposure would consist of:

\$1,000,000 – Long investments

\$1,000,000 – Short investments

If the value of all investments increase simultaneously in value by 10%, the gross value would be \$2,200,000. On a gross basis the increase is \$200,000 and on a net basis the gain is \$0. Hence the net return on the \$1,000,000 invested by the fund is 0% and results in a net realisable value of \$1,000,000.

Conversely, if the value of all investments decrease simultaneously in value by 10%, the gross value would be \$1,800,000. On a gross basis the decrease is \$200,000 and on a net basis the decline is \$0. Hence the net return on the \$1,000,000 invested by the fund is 0% and results in a net realisable value of \$1,000,000.

Please note that the above example has been provided for reference purposes only. Any assumptions underlying these examples are hypothetical only.

This is discussed in some detail in Section 5.3: Investment Strategy which provides scenarios on when the fund would be implicitly leveraged due to short sales of securities i.e. this does not involve financial leverage (use of borrowings) but rather the individual security selections. For clarity, we reproduce the table but highlight market environments and leverage usage.

### SCENARIO ANALYSIS: PORTFOLIO POSITIONING FOR VARIOUS MARKET ENVIRONMENTS

	Bull Market	Bear Market	RANGE TRADING		
			Bottom	Middle	Top
Long positions	95%	50%	80%	80%	70%
Short positions	0%	-40%	0%	-30%	-50%
Cash	5%	90%	20%	50%	80%
Net exposure	95%	10%	80%	50%	20%
Gross exposure	95%	90%	80%	110%	120%
Implicit leverage	NO	NO	NO	YES	YES

Note: Indicative only.

Note: Cash is assumed on the basis that all positions are cash-backed equity securities.

Where derivatives are used to account for some notional exposure, cash balances will be higher.

## 5 / HOW THE FUND INVESTS

In bull markets, the portfolio would typically be positioned with long individual securities with no implicit leverage. In bear markets, the fund would be positioned with a reduction (not increase) in gross exposure due to liquidation of less liquid names (avoids outsized price gapping due to illiquidity) and reduction in position sizes in general. Market exposure would be managed with short sales across the spectrum of more risky companies as well as index futures (Beta = 1 to underlying market). Please note, transitioning to a bear market setup may include periods of implicit leverage but no financial leverage. Range Trading Markets are typically the environment in which implicit leverage will become evident. Turnover tends to increase in Range Trading Markets as well.

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### 5.7 / DERIVATIVES

The Investment Manager may use exchange traded derivatives to gain or reduce exposure to certain assets or asset classes or to hedge its risk. The most common derivatives used will be exchange traded index futures and options on Australian shares. The Fund will not use derivatives to leverage the Fund's returns outside of the investment guidelines as provided in 5.2 Investment Strategy. The primary derivative counter party is the Fund's prime broker.

Due diligence is undertaken in respect of the selection of a prime broker with the primary selection criteria being the credit quality, capability and efficiency of their technology platform, availability and stability of sourced securities lending and pricing by the Prime Broker. All derivatives will be covered by cash, physical securities or a combination of both. The Fund will be required to post collateral in relation to its derivatives. See section 6 for a description of risks associated with collateral.

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### 5.8 / SHORT SELLING

The Fund may have between 0% and 100% of its NAV invested in Short Positions.

In creating a short position the Fund will borrow a security from a securities lender and sell it with the intention of repurchasing the security when the price of the security falls. The Fund makes a profit if the price of the borrowed security declines in value in the period between when the Investment Manager short sells the security and when the borrowed security is reacquired. If the price of the security rises, a loss is incurred which can be greater than the purchased value of the security if the price of the security continues to rise. When investing in a long position, the maximum amount of the loss is the price paid for the security. However, with short-selling no such limit exist, as there is no limit on how much the price of a security may appreciate. There is also the risk that the securities lender may recall a security that the Fund has borrowed at any time which means that the Fund may have to buy the security at an unfavourable price to meet its obligations.

For example, the Fund may borrow a share and sell that share for \$100. If the price of that share decreases to \$80, then the Fund will make a profit of \$20 when it buys that share and returns it to the person the original share was borrowed from. On the other hand, if the price of the share increases to \$120, then the Fund will make a loss of \$20.

These risks can be managed by ensuring short positions are primarily in liquid securities rather than the small, low liquidity assets which are more regularly subject to price spikes and supply issues.

The Fund will only borrow shares from the Prime Broker. Any shares borrowed will be collateralized by at least 100% cash. See section 6 for a description of risks associated with collateral.

## 5 / HOW THE FUND INVESTS

The Fund will manage the risks associated with short selling by monitoring the amount of a particular security that is available to be shorted, based on the price for borrowing securities (i.e. generally the more expensive it is to borrow a security, the less of that security would be available to be borrowed, thus increasing the recall risk). The Investment Manager will place a limit of 5% of the value of any particular security that can be shorted and will scale its short positions based on the amount of stock available to be borrowed.

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### 5.9 / WITHDRAWALS

Withdrawal requests must be received before 2pm on a Business Day to receive the Withdrawal Price calculated for that Business Day.

The Fund trades predominately in liquid instruments and therefore it is likely that withdrawal requests can be satisfied in virtually all market conditions.

Except where the Fund is not liquid (see below), the Responsible Entity will generally allow investors to access their funds within 3 Business Days of acceptance of a withdrawal request for the relevant amount. However, the Constitution of the Fund allows Equity Trustees to make payment up to 14 days after the end of the relevant month on which the withdrawal request is accepted. In exceptional circumstances the Responsible Entity has a right to extend the period allowed to satisfying withdrawal requests where the Responsible Entity has taken all reasonable steps to realise sufficient assets to satisfy a withdrawal request and is unable to do so due to one or more circumstances outside its control such as restricted or suspended trading in the market for an asset.

The Responsible Entity may also suspend all withdrawals or reduce each withdrawal request pro rata in its sole discretion such that only Units with an aggregate NAV equal to 25% or where it receives withdrawal requests in a particular month in relation to Units with an aggregate NAV of more than 25% of the NAV of the Fund.

The Responsible Entity may also postpone the calculation of NAV per Unit, if it considers it desirable for the protection of the Fund or in the interests of investors at any time during certain circumstances. See 'valuation of the Fund' under Section 7.

In certain circumstances, such as when there is an extension of the period to satisfy withdrawal requests, suspension of withdrawal or where the proportion of liquid assets of the Fund falls below the specified thresholds under the Corporations Act, investors may not be able to withdraw their investments within the usual period upon request.

In the unlikely event that material changes to withdrawal rights are made, investors will be notified via email correspondence.

Please see section 7 for further details of applications and withdrawals.

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### 5.10 / SUGGESTED INVESTMENT TIMEFRAME

The suggested investment timeframe is at least 5-7 years. The Fund is an equity product and as such is deemed of higher risk relative to other assets classes (e.g. cash, fixed interest).

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### 5.11 / LABOUR STANDARDS AND ENVIRONMENTAL, SOCIAL AND ETHICAL CONSIDERATIONS

APSECFM does not take labour standards or environmental, social or ethical considerations into account in the selection, retention or realisation of Fund investments. However, where those factors negatively impact the investment performance or company stability, APSECFM's investment team will generally discuss these matters with company management and/or review the decision to hold the specific investment. No specific methodology is used for such reviews nor are there pre-determined views about the extent to which such factors will be taken into account in a review.

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### 5.12 / FUND PERFORMANCE

Fund performance can be obtained by accessing the website [www.apsec.com.au](http://www.apsec.com.au). Please note that due to the historical nature of performance information and the volatility of returns, future returns may differ from past returns.

## 6 / MANAGING RISK

All investments carry risk. Different investment strategies may carry different levels of risk, depending on the assets acquired under the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk. The significant risks below should be considered in light of your risk profile when deciding whether to invest in the Fund. Your risk profile will vary depending on a range of factors, including your age, the investment time frame (how long you wish to invest for), your other investments or assets and your risk tolerance. Neither Equity Trustees nor APSECFM guarantee the liquidity of the Fund's investments, repayment of capital or any rate of return or the Fund's investment performance. You may lose money by investing in the Fund and your investment in the Fund may not meet your objectives. Future returns may differ from past returns. In addition neither Equity Trustees nor APSECFM offers advice that takes into account your personal financial situation, including advice about whether the Fund is suitable for your circumstances. If you require personal financial advice, you should contact a licensed financial adviser.

**The Fund should be considered as a high risk investment strategy. It is not intended as a complete investment program. The Fund is designed only for informed and educated investors who can bear the economic risks of the loss of their investment in the Fund. There can be no assurance that the Fund will achieve its investment objective or that any investor will get their money back.**

Some of the risks associated with an investment in the Fund and how the Investment Manager manages those risks are listed below. There is no guarantee that any risk mitigation measures described below will be effective.

### KEY RISKS

#### COMPANY SPECIFIC RISK

There may be instances where the value of a company's securities will fall because of company specific factors (for example, where a company's major product is subject to a product recall). The value of a company's securities can also vary because of changes to management, product, distribution or the company's business environment.

#### CONCENTRATION RISK

The Fund may have exposure to a small number of key investments. Returns of the Fund may be dependent upon the performance of individual companies and industry sectors. The concentrated exposure may lead to increased volatility and increase the risk of poor performance in the Fund.

#### CREDIT RISK

There is a risk that a party to a credit transaction fails to meet its obligations, such as a counterparty defaulting under a derivative contract or a securities lender failing to deliver a borrowed security.

#### FUND RISK

As with all managed funds, there are risks particular to the Fund, including the possibility it could terminate, fees and expenses could change, the Responsible Entity or the Investment Manager may be replaced or key investment professionals could change. There is also a risk that investing in the Fund may give different results than investing directly in the Fund's underlying investments because of income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other investors.

#### SECURITY SELECTION RISK

The Investment Manager may make investment decisions that result in low returns (for example, where the Investment Manager invests in a company that significantly underperforms the Fund Benchmark).

#### DERIVATIVES RISK

Risks associated with derivatives may include adverse movement in the physical asset or benchmark underlying the derivative, potential illiquidity of the derivative, the Fund being unable to meet payment obligations as they arise and the counterparty to any derivative contract not being able to meet its obligations under the contract.

<b>INTEREST RATE RISK</b>	Changes in official interest rates can directly and indirectly impact (positively or negatively) on investment returns. Generally, an increase in interest rates has a contractionary effect on the state of the economy and the valuation of securities. For example, rising interest rates can have a negative impact on a company's value as increased borrowing costs may cause earnings to decline. As a result, the company's share price may fall.
<b>LEVERAGE RISK</b>	Implicit leverage brought about by short selling can magnify gains in a portfolio but can also magnify losses. For more detail on how leverage may be used within the Fund, please refer to 5.6.
<b>LIQUIDITY RISK</b>	There may be times when investments may not be readily sold (for example, in a falling market where some traded securities may become less liquid). Moreover, some securities may be thinly traded and there may not be sufficient market depth to facilitate the efficient realisation of those assets at all times. However, in the Investment Manager's opinion, trading volumes of investments that are to be made by the Fund are generally sufficient to satisfy liquidity requirements when necessary. The Fund generally invests in highly liquid investments which are traded in an active market, and can be readily disposed of. The Investment Manager attempts to mitigate the liquidity risk factor by ensuring that the Fund has sufficient cash (or cash equivalent) exposure to meet liquidity requirements. Note that neither the Responsible Entity nor the Investment Manager guarantees the liquidity of the Fund's investments.
<b>MARKET RISK</b>	Changes in legal and economic policy, political events, technology failure, changes in interest rates, economic cycles, investor sentiment and social climate can all directly or indirectly create an environment that may influence (negatively or positively) the value of your investment in the Fund. In addition, a downward move in the general level of the equity market can have a negative influence on the performance of the Fund. The Fund's guidelines permit short-selling and other techniques which can be employed by the Investment Manager to reduce the risk of market declines.
<b>REGULATORY RISK</b>	This is the risk that domestic or international laws or regulations (including tax laws) are changed adversely or that regulatory supervision of transactions and reporting is performed by the Investment Manager at less than an appropriate standard. The Investment Manager aims to manage this risk by regularly and closely reviewing changes in the regulatory and tax environment.
<b>SHORT SELLING RISK</b>	See section 5.8.
<b>COLLATERAL RISK</b>	<p>The Fund uses the service of a prime broker to facilitate the lending of securities to short-sell and enters into derivatives arrangements that require it to deliver collateral or other credit support to the counterparty. As such, the Fund may be exposed to certain risks in respect of that collateral including that the Fund:</p> <hr/> <p>will be required to post initial margin/collateral to the counterparty in the form of cash. The Fund will need to have sufficient liquid assets to satisfy this obligation;</p> <hr/> <p>may from time to time, if the value of short positions or derivatives move against it, be required to post variation margin/collateral with the counterparty on an ongoing basis. The Fund will need to have sufficient liquid assets to satisfy such calls, and in the event it fails to do so, the counterparty may have a right to terminate such arrangements; and</p> <hr/> <p>may be subject to the credit risk of the counterparty. In the event the counterparty becomes insolvent at a time it holds margin/collateral posted with it by the Fund, the Fund will be an unsecured creditor and will rank behind other secured creditors. In the event of insolvency of the Custodian or the Prime Broker, the Fund may not be able to recover the entire value of the relevant securities.</p>



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**OUTSOURCING  
RISK**

The Responsible Entity outsources key operational functions including investment management, custody, execution, administration and valuation to a number of third party service providers. There is a risk that third party service providers may intentionally or unintentionally breach their obligations to the Fund or provide services below standards which are expected by the Responsible Entity causing loss to the Fund.

For example, the Custodian will have general custody of the Fund's assets. The failure of the Custodian to secure custody of the Fund's assets may result in adverse consequences for the assets held in the Fund and may in turn have an adverse effect on the NAV per unit.

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**PANDEMIC  
AND OTHER  
UNFORESEEN  
EVENT RISK**

Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on the economies and financial markets either in specific countries or worldwide and consequently on the value of the Fund's investments. Further, under such circumstances the operations, including functions such as trading and valuation, of the Investment Manager and other service providers could be reduced, delayed, suspended or otherwise disrupted.

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## 7 / INVESTING AND WITHDRAWING

### INITIAL APPLICATIONS

Investors can acquire units by completing an application form. The minimum investment amount for the Fund is \$20,000. The Responsible Entity has the ability to accept lower minimum amounts.

To invest directly please complete the Application Form accompanying this PDS and send your original Application Form to:

Mainstream Fund Services Pty Ltd  
Client Services Registry Team  
GPO Box 4968  
Sydney, NSW, 2001

Application money should be transferred to the bank account details shown in the Application Form. **Please note that neither cash nor cheques will be accepted.**

We reserve the right to accept or reject applications in whole or in part at our discretion. We have the discretion to delay processing applications where we believe this to be in the best interest of the Fund's investors.

The price at which units are acquired is determined in accordance with the Constitution ("Application Price"). The Application Price on a Business Day is, in general terms, equal to the Net Asset Value ("NAV") of the Fund divided by the number of units on issue and adjusted for transaction costs ("Buy Spread"). At the date of this PDS, the Buy Spread is 0.10%.

### APPLICATION CUT-OFF TIMES

If we receive a correctly completed Application Form identification documents (if applicable) and cleared application money:

before or at 2pm on a Business Day and your application for units is accepted, you will receive the Application Price calculated for that Business Day; or

after 2pm on a Business Day and your application for units is accepted, you will receive the Application Price calculated for the next Business Day.

We will only start processing an application if:

we consider that you have correctly completed the Application Form;

you have provided us with the relevant identification documents if required; and

we have received the application money (in cleared funds) stated in your Application Form.

We reserve the right to accept or reject applications in whole or in part at our discretion. We have the discretion to delay processing applications where we believe this to be in the best interest of the Fund's investors.

## 7) INVESTING AND WITHDRAWING

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### ADDITIONAL APPLICATIONS

The Application Price will vary as the market value of assets in the Fund rises or falls.

You can make additional investments into the Fund at any time by sending us confirmation of your additional investment amount together with a completed Application Form to:

Mainstream Fund Services Pty Ltd  
Client Services Registry Team  
GPO Box 4968  
Sydney, NSW, 2001  
Email: [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com)  
Fax: +61 2 9251 3525

The minimum additional investment into the Fund is \$1,000.

Applications can be made at any time. Application cut-off times and unit pricing are set out in the initial applications section above.

**Please note that we do not pay interest on application monies.**

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### TERMS AND CONDITIONS FOR APPLICATIONS

Equity Trustees reserves the right to refuse any application without giving a reason. If for any reason Equity Trustees refuses or is unable to process your application to invest in the Fund, Equity Trustees will return your application money to you, subject to regulatory considerations, less any taxes or bank fees in connection with the application. You will not be entitled to any interest on your application money in this circumstance. Any interest earned on application monies will be retained by Equity Trustees.

Under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006, applications made without providing all the information and supporting identification documentation requested on the Application Form cannot be processed until all the necessary information has been provided. As a result delays in processing your application may occur.

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### COOLING OFF PERIOD

If you are a Retail Client you may have a right to 'cool off' in relation to an investment in the Fund within 14 days of the earlier of:

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**CONFIRMATION OF THE INVESTMENT BEING RECEIVED OR AVAILABLE; AND  
THE END OF THE FIFTH DAY AFTER THE UNITS ARE ISSUED OR SOLD.**

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A Retail Client may exercise this right by notifying Equity Trustees in writing at the address as stated above. A Retail Client is entitled to a refund of their investment adjusted for any increase or decrease in the relevant application price at the time we receive the notification from you and the application price at which the units were issued, as well as any other tax and other reasonable administrative expenses and transaction costs associated with the acquisition and termination of the investment.

The right of a Retail Client to cool off does not apply in certain limited situations, such as if the issue is made under a distribution reinvestment plan, switching facility or where Units were additional contributions required under an existing agreement. Also, the right to cool off does not apply to you if you choose to exercise your rights or powers as a unit holder in the Fund before or during the 14 day period.

The right to cool off may not apply if you are an Indirect Investor, even if you are a Retail Client. Indirect Investors should seek advice from their IDPS Operator or consult the IDPS Guide or similar type document as to whether cooling off rights apply.

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## 7) INVESTING AND WITHDRAWING

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### **MAKING A WITHDRAWAL**

Subject to the redemption limitations described in this PDS, investors of the Fund can withdraw all or a portion of their investment by written request to:

Mainstream Fund Services Pty Ltd  
Client Services Registry Team  
GPO Box 4968  
Sydney, NSW, 2001  
Email: [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com)  
Fax: +61 2 9251 3525

The minimum withdrawal amount is \$1,000. Once we receive your withdrawal request, we may act on your instruction without further enquiry if the instruction bears your account number or investor details and your (apparent) signature(s), or your authorised signatory's (apparent) signature(s).

Equity Trustees will generally allow an investor to access their investment within 3 Business Days of acceptance of a withdrawal request by transferring the withdrawal proceeds to such investors' nominated bank account. However, the Constitution allows Equity Trustees to reject withdrawal requests and also to make payment up to 14 days after acceptance of a request (which may be extended in certain circumstances).

The price at which units are withdrawn is determined in accordance with the Constitution ("Withdrawal Price"). The Withdrawal Price on a Business Day is, in general terms, equal to the NAV of the Fund, divided by the number of units on issue and adjusted for transaction costs ("Sell Spread"). At the date of this PDS, the Sell Spread is 0.10%. The Withdrawal Price will vary as the market value of assets in the Fund rises or falls.

Equity Trustees reserves the right to fully redeem your investment if your investment balance in the Fund falls below \$1,000 as a result of processing your withdrawal request. Equity Trustees can deny a withdrawal request or suspend consideration of a withdrawal request in certain circumstances, including where accepting the request is not in the best interests of investors in the Fund or where the Fund is not liquid (as defined in the Corporations Act). When the Fund is not liquid, an investor can only withdraw when Equity Trustees makes a withdrawal offer to investors in accordance with the Corporations Act. Equity Trustees is not obliged to make such offers.

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### **WITHDRAWAL CUT-OFF TIMES**

If we receive a withdrawal request:

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before 2pm on a Business Day and your withdrawal request is accepted, you will receive the Withdrawal Price calculated for that Business Day; or

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on or after 2pm on a Business Day and your withdrawal request is accepted, you will receive the Withdrawal Price calculated for the next Business Day.

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We reserve the right to accept or reject withdrawal requests in whole or in part at our discretion. We have the discretion to delay processing withdrawal requests where we believe this to be in the best interest of the Fund's investors.

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### **ACCESS TO MONEY**

Except where the Fund is not liquid (see below), the Responsible Entity will generally allow investors to access their funds within 3 Business Days of receipt of a redemption request form for the relevant amount.

The Responsible Entity reserves the right to postpone the processing and payment of withdrawals for the Fund subject to the above extensions of time.

## 7) INVESTING AND WITHDRAWING

Where the Fund is not liquid (as defined in the Corporations Act) an investor does not have a right to withdraw from the Fund and can only withdraw where the Responsible Entity makes a withdrawal offer to investors in accordance with the Corporations Act. The Responsible Entity is not obliged to make such offers. The Fund will cease to be liquid if less than 80% of its assets are liquid assets. Broadly, liquid assets are money in an account or on deposit with a financial institution, bank accepted bills, marketable securities, other prescribed property and other assets that the Responsible Entity reasonably expects can be realised for their market value within the period specified in the Constitution for satisfying withdrawal requests while the Fund is liquid.

If you have invested indirectly in the Fund through an IDPS, you need to provide your withdrawal request directly to your IDPS Operator. The time to process a withdrawal request will depend on the particular IDPS Operator.

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### TERMS AND CONDITIONS FOR WITHDRAWALS

Once your withdrawal request is received, your instruction may be acted on without further enquiry if the instruction bears your account number or investor details and your (apparent) signature(s), or your authorised signatory's (apparent) signature(s).

Equity Trustees and/or the Administrator reserve the right to ask for the production of original documents or other information to authenticate the communication. In the case of mis-receipt or corruption of any message, you will be required to re-send the documents.

No withdrawal proceeds will be paid until the Administrator has received the withdrawal request signed by the investor or an authorised signatory. Neither Equity Trustees nor the Administrator shall be responsible for any mis-delivery or non-receipt of any facsimile. Facsimiles sent to the Administrator shall only be effective when actually received by the Administrator.

When you are withdrawing, you should take note of the following:

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We are not responsible or liable if you do not receive, or are late in receiving, any withdrawal money that is paid according to your instructions.

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We may contact you to check your details before processing your withdrawal request. This may cause a delay in finalising payment of your withdrawal money. No interest is payable for any delay in finalising payment of your withdrawal money.

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If we cannot satisfactorily identify you as the withdrawing investor, we may refuse or reject your withdrawal request or payment of your withdrawal proceeds will be delayed. We are not responsible for any loss you consequently suffer.

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As an investor who is withdrawing, you agree that any payment made according to instructions received by post or courier, email or fax, shall be a complete satisfaction of our obligations, despite any fact or circumstances such as the payment being made without your knowledge or authority.

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You agree that if the payment is made according to these terms, you and any person claiming through or under you, shall have no claim against us about the payment.

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The Constitution allows Equity Trustees to make payment up to 14 days after the acceptance of a request (which may be extended in certain circumstances).

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Equity Trustees can deny a withdrawal request where accepting the request would cause the Fund to cease to be liquid or where the Fund is not liquid (as defined in the Corporations Act). When a fund is not liquid, an investor can only withdraw when Equity Trustees makes a withdrawal offer to investors in accordance with the Corporations Act. Equity Trustees is not obliged to make such offers.

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A fund will be liquid if at least 80% of its assets are liquid assets (generally cash and marketable securities).

## 7) INVESTING AND WITHDRAWING

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### DISTRIBUTIONS

The Fund usually distributes income bi-annually at the end of June and December. Distributions are calculated on the last day of period end, and are normally paid to investors within 14 Business Days of the period end, although the distribution may take longer. Equity Trustees may amend the distribution frequency without notice.

An investor's share of any distributable income is calculated in accordance with the Constitution and is generally based on the number of units held by the investor at the end of the distribution period and the distributable income.

Investors can have their distribution reinvested or paid to a nominated bank account. Investors who do not indicate a preference will have their distributions automatically reinvested on the last day of the income distribution period.

In some circumstances, the Responsible Entity may determine that a Unit redeemed during an income distribution period includes a component of distributable income.

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### VALUATION OF THE FUND

The value of the investments of the Fund is generally determined daily. Generally, investments will be valued at the next available market value but other valuation methods and policies may be applied by Equity Trustees or the Administrator if appropriate.

The value of a unit in the Fund is determined on a class basis based on the value of the investments in the Fund (after taking into account any liabilities of the Fund), in accordance with the Constitution of the Fund. For example, the Application Price of a unit in the Fund is based on the NAV of the Fund divided by the number of units on issue plus an allowance for transaction costs required for buying investments. This allowance is known as the Buy spread. At the date of this PDS, the Buy/Sell spread is 0.10%.

The Responsible Entity may postpone the calculation of the NAV per Unit, if it considers it desirable for the protection of the Fund or in the interests of investors at any time during the continuance of any of the following eventualities:

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during any period when any futures exchange, stock exchange or other market on which Assets are traded is closed otherwise than for ordinary holidays;

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during any period when trading on any futures exchange or other market on which assets are traded is restricted or suspended;

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during the existence of any state of affairs as a result of which disposal of any of the assets cannot in the opinion of the Responsible Entity be effected normally or without materially prejudicing the interests of the investors;

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during any emergency, including without limitation an emergency caused by a mechanical or electronic malfunction, or when for any other reason the value of any asset;

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during any period when the acquisition or realisation of assets or the transfer of funds involved in such acquisition or realisation cannot in the opinion of the Responsible Entity be effected at normal prices or normal rates of exchange;

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a moratorium is declared or other similar action is taken by any governmental authority or regulatory body of a place within which a significant proportion of the assets are situated; or

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during any period when the counterpart to a contract or the approved valuer cannot or do not provide valuations relevant to the calculation of the NAV per Unit.

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### JOINT ACCOUNT OPERATION

For joint accounts, each signatory must sign withdrawal requests. Please ensure both signatories sign the declaration in the Application Form. Joint accounts will be held as joint tenants.

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## 7) INVESTING AND WITHDRAWING

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### **AUTHORISED SIGNATORIES**

You can appoint a person, partnership or company as your authorised signatory. To do so, please nominate them on the initial Application Form and have them sign the relevant sections. If a company is appointed, the powers extend to any director and officer of the company. If a partnership is appointed, the powers extend to all partners. Such appointments will only be cancelled or changed once we receive written instructions from you to do so.

Once appointed, your authorised signatory has full access to operate your investment account for and on your behalf. This includes the following:

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making additional investments;

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requesting income distribution instructions to be changed;

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withdrawing all or part of your investment;

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changing bank account details;

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enquiring and obtaining copies of the status of your investment; and

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having online account access to your investment.

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If you do appoint an authorised signatory:

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you are bound by their acts;

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you release, discharge and indemnify us from and against any losses, liabilities, actions, proceedings, account claims and demands arising from instructions received from your authorised representatives; and

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you agree that any instructions received from your authorised representative shall be complete satisfaction of our obligations, even if the instructions were made without your knowledge or authority.

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### **ELECTRONIC INSTRUCTIONS**

If an investor instructs Equity Trustees by electronic means, such as facsimile, email or internet the investor releases Equity Trustees from and indemnifies Equity Trustees against, all losses and liabilities arising from any payment or action Equity Trustees makes based on any instruction (even if not genuine) that Equity Trustees receives by an electronic communication bearing the investor's investor code and which appears to indicate to Equity Trustees that the communication has been provided by the investor e.g. a signature which is apparently the investor's and that of an authorised signatory for the investment or an email address which is apparently the investor's. The investor also agrees that neither they nor anyone claiming through them has any claim against Equity Trustees or the Fund in relation to such payments or actions. There is a risk that a fraudulent withdrawal request can be made by someone who has access to an investor's investor code and a copy of their signature or email address.

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## 8 / KEEPING TRACK OF YOUR INVESTMENT

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### ENQUIRIES

If you have any questions regarding the Fund you can call 1300 379 307 or visit [www.apsec.com.au](http://www.apsec.com.au).

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### COMPLAINTS RESOLUTION

Equity Trustees has an established complaints handling process and is committed to properly considering and resolving all complaints. If you have a complaint about your investment, please contact us on:

Phone: 1300 133 472

Post: Equity Trustees Limited  
GPO Box 2307  
Melbourne VIC 3001

Email: [compliance@eqt.com.au](mailto:compliance@eqt.com.au)

We will acknowledge receipt of the complaint within 1 Business Day or as soon as possible after receiving the complaint. We will seek to resolve your complaint as soon as practicable but not more than 30 calendar days after receiving the complaint. If you are not satisfied with our response to your complaint, you may be able to lodge a complaint with the Australian Financial Complaints Authority ("AFCA").

Contact details are:

Online: [www.afca.org.au](http://www.afca.org.au)

Phone: AFCA on 1800 931 678

Email: [info@afca.org.au](mailto:info@afca.org.au)

Post: GPO Box 3  
Melbourne VIC 3001.

The external dispute resolution body is established to assist you in resolving your complaint where you have been unable to do so with us. However, it's important that you contact us first.

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### REPORTS

We will make the following statements available to all investors;

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A transaction confirmation statement, showing a change in your unit holding (provided when a transaction occurs or on request).

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The relevant fund's annual audited accounts for each period ended 30 June.

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Annual distribution, tax and confirmation of holdings statements for each period ended 30 June.

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Annual report detailing each of the following:

- the actual allocation to each asset type;
  - the liquidity profile of the portfolio assets as at the end of the period;
  - the maturity profile of the liabilities as at the end of the period;
  - the derivative counterparties engaged (including capital protection providers); and
  - the leverage ratio (including leverage embedded in the assets of the Fund, other than listed equities and bonds) as at the end of the period;
  - the annual investment returns over at least a five-year period (or, if the Fund has not been operating for five years, the returns since its inception); and
  - the key service providers if they have changed since the latest report given to investors, including any change in their related party status.
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The latest annual report will be available online from [www.eqt.com.au/insto](http://www.eqt.com.au/insto) and [www.apsec.com.au](http://www.apsec.com.au).

The following information is available on the APSECFM website and/or is disclosed monthly:

- the current total NAV of the Fund and the redemption value of a unit in each class of units as at the date the NAV was calculated;
- the monthly investment returns over at least a five-year period (or, if the Fund has not been operating for five years, the returns since its inception);
- key service providers if they have changed since the last report given to investors, including any change to their related party status;
- for each of the following matters since the last report on those matters:
  - the net return on the Fund's assets after fees, costs and taxes;
  - any material change in the Fund's risk profile;
  - any material change in the Fund's strategy; and
  - any change in the individuals playing a key role in investment decisions for the Fund.

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By applying to invest in the Fund, you agree that, to the extent permitted by law, any periodic information which is required to be given to you under the Corporations Act or ASIC policy can be given to you by making that information available on Equity Trustees' or APSECFM's website.

The Fund is a disclosing entity as defined by the Corporations Act. As such, it will be subject to regular reporting and disclosure obligations and copies of documents lodged with ASIC in relation to the Fund may be obtained from or inspected at an ASIC Office. Investors also have a right to obtain a copy, free of charge, of any of the following documents:

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the most recent annual financial report lodged with ASIC by the Fund;

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any half yearly financial report lodged with ASIC by the Fund after the lodgement of that annual financial report but before the date of the PDS; and

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any continuous disclosure notices given by the Fund after the lodgement of that annual financial report and before the date of this PDS.

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These documents can also be obtained by visiting [www.eqt.com.au/insto](http://www.eqt.com.au/insto) or [www.apsec.com.au](http://www.apsec.com.au).

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## 9 / FEES AND OTHER COSTS

The warning statement below is required by law to be displayed at the beginning of the 'Fees and Other Costs' section of this PDS. The example given in the warning statement does not relate to any investments described within this PDS.

### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100 000 to \$80 000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

## FEES AND OTHER COSTS

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Taxes are set out in another part of this document. You should read all the information about fees and costs because it is important to understand their impact on your investment.

## FEES AND COSTS SUMMARY

ATLANTIC PACIFIC AUSTRALIAN EQUITY FUND		
TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>ONGOING ANNUAL FEES AND COSTS<sup>1</sup></b>		
<b>MANAGEMENT FEES AND COSTS</b> <b>The fees and costs for managing your investment</b>	2.20% of the NAV of the Fund	<p>The management fees component of management fees and costs are accrued daily and paid from the Fund monthly in arrears and reflected in the unit price. Otherwise, the fees and costs are variable and deducted and reflected in the unit price of the Fund as they are incurred.</p> <p>The management fees component of management fees and costs can be negotiated. Please see "Differential fees" in the "Additional Explanation of Fees and Costs" for further information.</p>

<b>PERFORMANCE FEES</b> Amounts deducted from your investment in relation to the performance of the product	0.00% of the NAV of the Fund <sup>2</sup>	Performance fees are calculated daily and paid monthly in arrears from the Fund and reflected in the unit price.
<b>TRANSACTION COSTS</b> The costs incurred by the scheme when buying or selling assets	2.63% of the NAV of the Fund	Transaction costs are variable and deducted from the Fund as they are incurred and reflected in the unit price. They are disclosed net of amounts recovered by the buy-sell spread.
<b>MEMBER ACTIVITY RELATED FEES AND COSTS (FEES FOR SERVICES OR WHEN YOUR MONEY MOVES IN OR OUT OF THE SCHEME)</b>		
<b>ESTABLISHMENT FEE</b> The fee to open your investment	Not applicable	Not applicable
<b>CONTRIBUTION FEE</b> The fee on each amount contributed to your investment	Not applicable	Not applicable
<b>BUY-SELL SPREAD</b> An amount deducted from your investment representing costs incurred in transactions by the scheme	0.10% upon entry and 0.10% upon exit	These costs are an additional cost to the investor but are incorporated into the unit price and arise when investing application monies and funding withdrawals from the Fund and are not separately charged to the investor. The Buy Spread is paid into the Fund as part of an application and the Sell Spread is left in the Fund as part of a redemption.
<b>WITHDRAWAL FEE</b> The fee on each amount you take out of your investment	Not applicable	Not applicable
<b>EXIT FEE</b> The fee to close your investment	Not applicable	Not applicable
<b>SWITCHING FEE</b> The fee for changing investment options	Not applicable	Not applicable

1. All fees quoted above are inclusive of Goods and Services Tax (GST) and net of any Reduced Input Tax Credits (RITC). See below for more details as to how the relevant fees and costs are calculated.
2. This represents the performance fee of the Fund which is payable as an expense of the Fund to the Investment Manager. See "Performance fees" below for more information.

## ADDITIONAL EXPLANATION OF FEES AND COSTS

### MANAGEMENT FEES AND COSTS

The management fees and costs include amounts payable for administering and operating the Fund, investing the assets of the Fund, expenses and reimbursements in relation to the Fund and indirect costs if applicable.

Management fees and costs do not include performance fees or transaction costs, which are disclosed separately.

The management fees component of management fees and costs of 2.20% p.a. of the NAV of the Fund is payable to the Responsible Entity of the Fund for managing the assets and overseeing the operations of the Fund. The management fees component is accrued daily and paid from the Fund monthly in arrears and reflected in the unit price. As at the date of this PDS, the management fees component covers certain ordinary expenses such as Responsible Entity fees, investment management fees, custodian fees, and administration and audit fees.

The indirect costs and other expenses component of 0.00% p.a. of the NAV of the Fund may include other ordinary expenses of operating the Fund, as well as management fees and costs (if any) arising from interposed vehicles in or through which the Fund invests and the costs of investing in over-the-counter derivatives to gain investment exposure to assets or implement the Fund's investment strategy (if any). The indirect costs and other expenses component is variable and reflected in the unit price of the Fund as the relevant fees and costs are incurred. They are borne by investors, but they are not paid to the Responsible Entity or Investment Manager.

Actual indirect costs for the current and future years may differ. If in future there is an increase to indirect costs disclosed in this PDS, updates will be provided on Equity Trustees' website at [www.eqt.com.au/insto](http://www.eqt.com.au/insto) where they are not otherwise required to be disclosed to investors under law.

### PERFORMANCE FEES

Performance fees include amounts that are calculated by reference to the performance of the Fund. The performance fees for the Fund are 0.00% of the NAV of the Fund. The performance fee figure that is disclosed in the Fees and Costs Summary is generally based on an average of the performance fees over the previous five financial years, where each performance fee relevant to the Fund is averaged and totalled to give the performance fees for the Fund.

In respect of the Fund that was not in operation for the previous five financial years, the performance fee average is calculated by reference to the number of financial years in which the Fund was operated.

In terms of the performance fees payable to the Investment Manager, a performance fee is payable where the investment performance of the Fund (before payment of management fees and expense recoveries) exceeds the performance of the S&P/ASX 200 Accumulation Index by more than 3% p.a. The performance fees are 15% of this excess, calculated daily and paid monthly in arrears from the Fund and calculated based on the beginning NAV of the Fund over the relevant period.

No performance fees are payable until any accrued underperformance (in dollar terms) from prior periods has been made up (this feature is referred to as a high-watermark).

Please note that the performance fees disclosed in the Fees and Costs Summary is not a forecast as the actual performance fee for the current and future financial years may differ. The Responsible Entity cannot guarantee that performance fees will remain at their previous level or that the performance of the Fund will outperform the Benchmark.

It is not possible to estimate the actual performance fee payable in any given period, as we cannot forecast what the performance of the Fund will be. Information on current performance fees will be updated from time to time and available at [www.eqt.com.au/insto](http://www.eqt.com.au/insto)

**PERFORMANCE  
FEE EXAMPLE**

The example below is provided for illustrative purposes only and does not represent any actual or prospective performance of the Fund. We do not provide any assurance that the Fund will achieve the performance used in the example and you should not rely on this example in determining whether to invest in the Fund.

Assume the following:

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The Fund's performance is 10% p.a. before the management fee and expense recoveries have been deducted (Adjusted NAV)

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The Fund's Benchmark performance is 5% p.a. over the same period

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The Fund's performance hurdle is 3% p.a over the same period

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The high-water mark is set at zero The Fund's Adjusted NAV is \$250,000

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The Fund's return above the Fund's performance hurdle is 2% p.a. The performance fee is calculated as  $15\% \times 2\% \times \$250,000 = \$750$ .

If the Fund's performance is lower than the Fund's Benchmark, a performance fee is not charged but a negative performance fee is recorded notionally. Any negative performance fee recorded during the performance period must be recouped before the Investment Manager becomes entitled to a performance fee.

Please note that the example is used for illustrative purposes only and does not forecast future performance.

**TRANSACTION  
COSTS**

In managing the assets of the Fund, the Fund may incur transaction costs such as brokerage, buy-sell spreads in respect of the underlying investments of the Fund, settlement costs, clearing costs and applicable stamp duty when assets are bought and sold. Transaction costs also include costs incurred by interposed vehicles in which the Fund invests (if any), that would have been transaction costs if they had been incurred by the Fund itself. Transaction costs are an additional cost to the investor where they are not recovered by the Buy/Sell Spread, and are generally incurred when the assets of the Fund are changed in connection with day-to-day trading or when there are applications or withdrawals which cause net cash flows into or out of the Fund.

The Buy/Sell Spread that is disclosed in the Fees and Costs Summary is a reasonable estimate of transaction costs that the Fund will incur when buying or selling assets of the Fund. These costs are an additional cost to the investor but are incorporated into the unit price and arise when investing application monies and funding withdrawals from the Fund and are not separately charged to the investor. The Buy Spread is paid into the Fund as part of an application and the Sell Spread is left in the Fund as part of a redemption and not paid to Equity Trustees or the Investment Manager. The estimated Buy/Sell Spread is 0.10% upon entry and 0.10% upon exit. The dollar value of these costs based on an application or a withdrawal of \$20,000 is \$20 for each individual transaction. The Buy/Sell Spread can be altered by the Responsible Entity at any time and [www.apsec.com.au](http://www.apsec.com.au) will be updated as soon as practicable to reflect any change. The Responsible Entity may also waive the Buy/Sell Spread in part or in full at its discretion. The transaction costs figure in the Fees and Costs Summary is shown net of any amount recovered by the Buy/Sell Spread charged by the Responsible Entity.

Transaction costs generally arise through the day-to-day trading of the Fund's assets and are reflected in the Fund's unit price as an additional cost to the investor, as and when they are incurred.

The gross transaction costs for the Fund are 2.67% p.a. of the NAV of the Fund, which is based on the relevant costs incurred during the financial year ended 30 June 2021, adjusted for one-offs/non-recurring events.

However, actual transaction costs for future years may differ.

**CAN THE FEES CHANGE?**

Yes, all fees can change without investor consent, subject to the maximum fee amounts specified in the Constitution. The current maximum management fee to which Equity Trustees is entitled is 5.00% of the GAV of the Fund. However, Equity Trustees does not intend to charge that amount and will generally provide investors with at least 30 days' notice of any proposed increase to the management fees component of management fees and costs. In most circumstances, the Constitution defines the maximum level that can be charged for fees described in this PDS. Equity Trustees also has the right to recover all reasonable expenses incurred in relation to the proper performance of its duties in managing the Fund and as such these expenses may increase or decrease accordingly, without notice.

**PAYMENTS TO IDPS OPERATORS**

Subject to the law, annual payments may be made to some IDPS Operators because they offer the Fund on their investment menus. Product access is paid by the Investment Manager out of its investment management fee and is not an additional cost to the investor.

**DIFFERENTIAL FEES**

The Investment Manager may from time to time negotiate a different fee arrangement (by way of a rebate or waiver of fees) with certain investors who are Wholesale Clients. Please contact the Investment Manager on 1300 379 307 for further information.

**TAXATION**

Please refer to Section 10 of the Product Disclosure Statement for further information on taxation.

**EXAMPLE OF ANNUAL FEES AND COSTS FOR AN INVESTMENT OPTION**

This table gives an example of how the ongoing annual fees and costs in the investment option for this product can affect your investment over a 1-year period. You should use this table to compare this product with other products offered by managed investment schemes.

EXAMPLE – ATLANTIC PACIFIC AUSTRALIAN EQUITY FUND		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR
<b>CONTRIBUTION FEES</b>	Nil	For every \$5,000 you put in, you will be charged \$0.
<b>PLUS MANAGEMENT FEES AND COSTS</b>	2.20% p.a.	<b>And</b> , for every \$50,000 you have in the Atlantic Pacific Australian Equity Fund you will be charged or have deducted from your investment \$1,100 each year
<b>PLUS PERFORMANCE FEES</b>	0.00% p.a.	<b>And</b> , you will be charged or have deducted from your investment \$0 in performance fees each year
<b>PLUS TRANSACTION COSTS</b>	2.63% p.a.	<b>And</b> , you will be charged or have deducted from your investment \$1,315 in transaction costs
<b>EQUALS COST OF ATLANTIC PACIFIC AUSTRALIAN EQUITY FUND</b>		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of:  \$2,415*  <b>What it costs you will depend on the investment option you choose and the fees you negotiate.</b>

\* Additional fees may apply. Please note that this example does not capture all the fees and costs that may apply to you such as the Buy/Sell Spread.

This example assumes the \$5,000 contribution occurs at the end of the first year, therefore the fees and costs are calculated using the \$50,000 balance only.

**Warning: If you have consulted a financial adviser, you may pay additional fees. You should refer to the Statement of Advice or Financial Services Guide provided by your financial adviser in which details of the fees are set out.**

ASIC provides a fee calculator on [www.moneySMART.gov.au](http://www.moneySMART.gov.au), which you may use to calculate the effects of fees and costs on account balances. The performance fees stated in this table are based on the average performance fee for the Fund, over the previous five financial years. The performance of the Fund for this financial year, and the performance fees, may be higher or lower or not payable in the future. It is not a forecast of the performance of the Fund or the amount of the performance fees in the future.

The indirect costs and other expenses component of management fees and costs and transaction costs may also be based on estimates. As a result, the total fees and costs that you are charged may differ from the figures shown in the table.

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# 10 / TAXATION

## TAXATION

The following information summarises some of the Australian taxation issues you may wish to consider before making an investment in the Fund and assumes that an investor holds their units in the Fund on capital account and is not considered to be carrying a business of investing, trading in investments or investing for the purpose of profit making by sale. The information should be used as a guide only and does not constitute professional tax advice as individual circumstances may differ.

The summary is based on the Australian tax laws as at the date of the PDS. The Australian tax laws are subject to continual change, and the tax treatment applicable to unitholders may differ. Accordingly, it is recommended that investors seek their own professional advice, specific to their own circumstances of the taxation implications of investing in the Fund.

## AUSTRALIAN TAXATION TREATMENT OF THE FUND

### GENERAL

The Fund is an Australian resident trust estate for Australian tax purposes. Therefore, the Fund is required to determine its net income (taxable income) for the year of income. On the basis that investors will be attributed their share of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) of the Fund and the Fund is not a public trading trust, the Fund should be treated as a flow-through trust for tax purposes. This means that investors should be taxed on an attribution basis or on their share of the Fund's net taxable income and the Fund should not be subject to Australian income tax.

In the case where the Fund makes a loss for Australian tax purposes, the Fund cannot distribute the tax loss to investors. However, the tax loss may be carried forward by the Fund for offset against taxable income of the Fund in subsequent years, subject to the operation of the trust loss rules.

### AMIT – CORE RULES

#### ATTRIBUTION MANAGED INVESTMENT TRUST (“AMIT”) – CORE RULES

The Fund has elected into the AMIT regime, and will be subject to the AMIT rules for each year of income in which it continues to satisfy the conditions to be an AMIT. The AMIT legislation applies an attribution model whereby the RE of the Fund attributes amounts of trust components of a particular character to investors (or “members”) on a fair and reasonable basis consistent with the operation of the Fund's Constitution, which includes provisions in relation to AMIT. Under the AMIT rules, the following will apply:

**Fair and reasonable attribution:** Each year, the Fund's determined trust components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. tax credits) will be calculated. As the RE intends to attribute the taxable income of the Fund to investors on a fair and reasonable basis, the RE should not be subject to tax on the taxable income of the Fund.

**Unders or overs adjustments:** Where the Fund's determined trust components for a year are revised in a subsequent year (e.g. due to actual amounts differing to the estimates of income, gains / losses or expenses), then unders and overs may arise. Unders and overs will generally be carried forward and adjusted in the calculation of determined trust components in the year of discovery.

**Cost base adjustments:** Where the distribution made is less than (or more than) certain tax components attributed to investors, then the cost base of an Investor's units may be increased (or decreased). Details of cost base adjustments will be included on an Investor's annual tax statement, referred to as an AMIT Member Annual Statement (“AMMA”).

**Large redemptions:** In certain circumstances, gains may be attributed to a specific investor, for example, gains on disposal of assets to fund a large redemption being fairly and reasonably attributed to the redeeming investor.

**Penalties:** In certain circumstances (e.g. failure to comply with certain AMIT rules), specific penalties may be imposed upon the RE.



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**DEEMED  
CAPITAL GAINS  
TAX (“CGT”)  
ELECTION**

Eligible Managed Investment Trusts (“MITs”) may make an irrevocable election to apply a deemed capital account treatment for realised gains and losses on covered assets (including equities and units in other trusts, but excluding debt securities, foreign exchange contracts and most derivatives).

The Fund has previously made the MIT CGT election and, subject to the Fund continuing to meet the eligibility requirements to be a MIT, realised gains and losses from the disposal of covered assets will be treated as capital gains or losses. Realised capital gains on covered assets held for 12 months or greater (excluding dates of acquisition and disposal) may be eligible to be treated as discount capital gains. Capital losses incurred by the Fund can generally be carried forward and offset against nominal capital gains of the Fund derived in subsequent income years.

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**FUND NOT AN  
AMIT**

The Fund may not be an AMIT for a given income year (e.g. it does not qualify as a MIT for that year). The AMIT regime will not apply and the general trust provisions of the tax law will apply.

The Fund will be required to determine its net (taxable) income for the income year. Each Investor will be assessed on that share of net income that accords to the proportion of the ‘income of the trust’ to which they are ‘presently entitled’ for that year, even if they receive or reinvest a distribution after year end. On the basis that Investors are presently entitled to all of the trust income for that year, the RE should not be assessed on the net (taxable) income of the Fund and it will be treated as a flow through entity for income tax purposes.

In the case where the Fund incurs a revenue loss for Australian tax purposes, the Fund cannot distribute the tax loss to Investors. However, the tax loss may be carried forward by the Fund and recouped against assessable income of the Fund in subsequent years, subject to the trust loss recoupment rules.

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**TAXATION OF  
FINANCIAL  
ARRANGEMENTS  
 (“TOFA”)**

The TOFA rules may apply to certain “financial arrangements” held by the Fund. Broadly, the TOFA regime seeks to recognise “sufficiently certain” returns on financial arrangements on an accruals basis for tax purposes rather than on a realisation basis. Where returns from financial arrangements (including derivatives) are not “sufficiently certain” they will continue to be recognised on a realisation basis, unless specific tax timing elections are made. The Fund has not made any TOFA tax timing elections at the date of this PDS.

The Administrator and the Investment Manager of the Fund will assist the Responsible Entity regarding compliance with the TOFA rules (where applicable).

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**TAXATION  
REFORM**

The tax information included in this PDS is based on the taxation legislation and administrative practice as at the issue date of this PDS, together with proposed changes to the taxation legislation as announced by the Government.

However, the Australian tax system is in a continuing state of reform, and based on the Government’s reform agenda, reform is likely to escalate rather than diminish. Any reform of a tax system creates uncertainty as to the full extent of announced reforms, or uncertainty as to the meaning of new law that is enacted pending interpretation through the judicial process. These reforms may impact on the tax position of the Fund and their investors. Accordingly, it will be necessary to closely monitor the progress of these reforms, and it is strongly recommended that investors seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Fund.

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## AUSTRALIAN TAXATION OF AUSTRALIAN RESIDENT INVESTORS

### DISTRIBUTIONS

In income years in which the Fund is an AMIT, Investors will be subject to taxation on the net taxable income of the Fund on an attribution basis.

For each year of income, each Australian resident Investor will be required to include within their own tax calculations and tax return filings the assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) of the Fund attributed to them by the RE of the Fund.

The tax consequences for investors in the Fund depends on the tax components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) of the Fund attributed to them.

Investors will receive an AMMA statement detailing all relevant taxation information concerning attributed amounts and cash distributions, including any Foreign Income Tax Offset ("FITO") entitlements, returns of capital, assessable income, and any upwards or downwards cost base adjustment in the capital gains tax cost base of their units in the Fund. of their units in the Fund.

Should the cost base of an Investor's units be reduced below zero, the amounts in excess of the Investor's cost base should be a capital gain that should be included in the Investor's calculation of their net capital gain or loss for the income year.

Where an Investor makes a large withdrawal from the Fund, the RE may include, in the redemption payment, an income distribution representing that share of realised income and capital gains of the Fund referable to the units redeemed. The redeeming Investor will also be advised of any tax offsets relating to this income distribution.

### FUND NOT AN AMIT

Each Investor will be assessed on that share of the Fund's net (taxable) income that accords to the share of the 'income of the trust' to which they were 'presently entitled' for that year of income, even if the distribution is received after year end or reinvested. An investor will be liable to pay income tax on their share of the taxable income of the Fund at their applicable tax rates. Each investor will receive an annual tax statement outlining the tax components of the distribution.

### FRANKING CREDITS AND FRANKED DIVIDENDS

Income distributions from the Fund may include an entitlement to franked dividends. Generally, investors should include the franked dividends and the franking credits (imputation credits) they receive in their assessable income.

Certain additional requirements, including the 45 day holding period rule may need to be satisfied in order to obtain franking credits in relation to dividends. The investor's particular circumstances (and that of the Fund) will be relevant to determine whether the investor is entitled to any franking credits, in respect of the investor's share of the franked dividends. Any excess franking credits may be refundable to some investors, such as individuals and complying superannuation funds. No refund of franking credits is available to corporate investors.

### FOREIGN INCOME

The Fund may also derive foreign sourced income that might be subject to foreign tax. Australian resident investors should include their share of both the foreign income and the amount of any foreign tax withheld in their assessable income. In such circumstances, investors may be entitled to a foreign income tax offset (FITO) for the foreign tax paid, against the Australian tax payable on the foreign sourced income. To the extent the investors do not have sufficient overall foreign sourced income to utilise all of the FITOs relevant to a particular year of income, the excess FITOs cannot be carried forward to a future income year.

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**DISPOSAL  
OF UNITS BY  
AUSTRALIAN  
RESIDENT  
INVESTORS**

If an Australian resident investor transfers or redeems their units in the Fund, this may constitute a disposal of the units for tax purposes. Where an investor holds their units in the Fund on capital account, a capital gain or loss on the disposal may arise and each investor should calculate their capital gain or loss according to their own particular facts and circumstances, As noted above, proceeds on disposal may include a component of distributable income.

In calculating the taxable amount of a capital gain, after offsetting any available capital losses, a discount of 50% for individuals and trusts or 33 1/3% for complying Australian superannuation funds may be allowed where the units in the Fund have been held for 12 months or more (excluding the date of acquisition and date of disposal). No CGT discount is available to corporate investors.

Any capital losses arising from the disposal of the investment may be used to offset other nominal capital gains the investor may have derived. Net capital losses may be carried forward for offset against capital gains of subsequent years but may not be offset against ordinary income.

The capital gains discount concession may be denied in certain circumstances where an investor (together with associates) holds 10% or more of the issued units of the Fund, the Fund has less than 300 beneficiaries and other requirements are met. Investors who together with associates are likely to hold 10% or more of the units in the Fund should seek advice on this issue.

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**TAX FILE  
NUMBER  
("TFN") AND  
AUSTRALIAN  
BUSINESS  
NUMBER  
("ABN")**

It is not compulsory for an investor to quote their TFN or ABN. If an investor is making this investment in the course of a business or enterprise, the investor may quote an ABN instead of a TFN. Failure by an investor to quote an ABN or TFN or claim an exemption may cause the Responsible Entity to withhold tax at the top marginal rate, plus the Medicare levy, on gross payments including distribution or attribution of income to the investor. The investor may be able to claim a credit in their tax return for any TFN or ABN tax withheld. Collection of TFNs is permitted under taxation and privacy legislation.

By quoting their TFN or ABN, the investor authorises Equity Trustees to apply it in respect of all the investor's investments with Equity Trustees. If the investor does not want to quote their TFN or ABN for some investments, the RE should be advised.

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## AUSTRALIAN TAXATION OF NON-RESIDENT INVESTORS

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**TAX ON INCOME**

Deductions of Australian tax will be made from distributions (or attributions) from certain Australian sourced income and capital gains paid to a non-resident investor.

We recommend that non-resident investors seek independent tax advice before investing, taking into account their particular circumstances and the provisions of any relevant Double Taxation Agreement/ Exchange of Information Agreement ("EOI") between Australia and their country of residence.

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**DISPOSAL OF  
UNITS BY  
NON-RESIDENT  
INVESTORS**

Based on the Fund's investment profile, non-resident investors holding their units on capital account should not generally be subject to Australian capital gains tax on the disposal of units in the Fund unless the units were capital assets held by the investor in carrying on a business through a permanent establishment in Australia. Australian tax may apply in certain circumstances if the non-resident holds their units on revenue account. We recommend that non-resident investors seek independent tax advice in relation to the tax consequences of the disposal of their units.

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## 11 / OTHER IMPORTANT INFORMATION

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### CONSENTS

APSEC Funds Management Pty Ltd has given and, at the date of this PDS, has not withdrawn, their written consent:

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to be named in this PDS as the Investment Manager of the Fund; and

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to the inclusion of the statements made about them, the Fund and the tables and statistical information, which are attributed to them, in sections 1, 2, 3, 4, 5, 6 and 8.

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APSEC Funds Management Pty Ltd has not otherwise been involved in the preparation of this PDS and has not caused or otherwise authorised the issue of this PDS. APSEC Funds Management Pty Ltd and their employees and officers do not accept any responsibility arising in any way for errors or omissions from this PDS, other than in relation to the statements for which it has provided its consent.

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### THE PRIME BROKER

Interactive Brokers LLC has been appointed as prime broker to provide a range of services, including execution, stock lending and custody.

Interactive Brokers LLC has not otherwise been involved in the preparation of this PDS and has not caused or otherwise authorised the issue of this PDS. Interactive Brokers LLC and its employees and officers do not accept any responsibility arising in any way for errors or omissions from this PDS.

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### THE ADMINISTRATOR AND CUSTODIAN

Mainstream Fund Services Pty Ltd has been appointed as the Fund's administrator and custodian to perform certain administrative, accounting, registrar and transfer agency services for the Fund as well providing traditional custodial services for unencumbered, unleveraged assets.

Mainstream Pty Ltd has not otherwise been involved in the preparation of this PDS and has not caused or otherwise authorised the issue of this PDS. Mainstream and its employees and officers do not accept any responsibility arising in any way for errors or omissions from this PDS.

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### ATTRIBUTION MANAGED INVESTMENT SCHEMES ("AMITS")

The Constitution provides, where separate classes of units are on issue in respect of the Fund, for income allocation to take into account any impact of the currency overlay that may be in place for the respective classes. The quantum of the distribution is sought to be determined on a standalone basis. Prior to the AMIT multi-class election being made (as described below), the Fund is treated as a single taxpayer. As any separate classes of units would not currently be treated as separate taxpayers, it is possible under the current taxation regime that the tax character of distributions made to a particular class may be impacted by transactions associated with another class. The Constitution provides a mechanism to seek to minimise this outcome. Insofar as possible, where separate classes of units are on issue, the Constitution seeks to quarantine the income associated with a particular class to that class.

In May 2016, the Australian Federal Government enacted legislation establishing a new tax system for Attribution Managed Investment Trusts (AMITs). Trusts that meet the eligibility criteria to be an AMIT may elect into the AMIT rules. An election into AMIT has been made in respect of the Fund and therefore the following will apply:

#### **FAIR AND REASONABLE ATTRIBUTION:**

Each year, the Fund's determined trust components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) will be allocated to investors on a "fair and reasonable" attribution basis, rather than being allocated proportionally based on each investor's present entitlement to the income of the Fund.

#### **UNDERS OR OVERS ADJUSTMENTS:**

Where the Fund's determined trust components for a year are revised in a subsequent year (e.g. due to actual amounts differing to the estimates of income, gains / losses or expenses), then unders and overs may arise. Unders and overs will generally be carried forward and adjusted in the year of discovery.

**COST BASE ADJUSTMENTS:**

Where the distribution made is less than (or more than) certain components attributed to investors, then the cost base of an investor's units may be increased (or decreased). Details of cost base adjustment will be included on an investor's annual tax statement, referred to as an AMIT Member Annual Statement (AMMA).

**LARGE REDEMPTIONS:**

In certain circumstances, gains may be attributed to a specific investor, for example, gains on disposal of assets to fund a large redemption being attributed to the redeeming investor.

**MULTI-CLASS AMITS:**

A choice is available to elect to treat separate classes of units as separate AMITs. Equity Trustees is intending that the AMIT multi-class election be made in respect of the Fund.

**PENALTIES:**

In certain circumstances (e.g. failure to comply with certain AMIT rules), specific penalties may be imposed.

The new rules are intended to reduce complexity, increase certainty and reduce compliance costs for managed investment trusts and their investors.

**TERMINATION OF THE FUND**

The Responsible Entity may resolve at any time to terminate and liquidate the Fund (if it provides investors with notice) in accordance with the Constitution and the Corporations Act. Upon termination and after conversion of the assets of the Fund into cash and payment of, or provision for, all costs (including anticipated costs) of winding up the Fund, expenses and liabilities, the net proceeds will be distributed pro-rata among all investors according to the sum of the Withdrawal Price for the units they hold in the Fund against the aggregate Withdrawal Price for all the units on issue in the Fund.

**OUR LEGAL RELATIONSHIP WITH YOU**

Equity Trustees' responsibilities and obligations, as the Responsible Entity of the Fund, are governed by the Constitution of the Fund, as well as the Corporations Act and general trust law. The Constitution of the Fund contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both Equity Trustees, as the Responsible Entity of the Fund, and investors.

If you invest in a fund, you agree to be bound by the terms of the PDS and the Constitution. You can request a copy of the Constitution, free of charge. Please consider these documents before investing in a fund.

Equity Trustees may amend the Constitution if it considers that the amendment will not adversely affect investors' rights. Otherwise the Constitution may be amended by way of a special resolution of investors.

To the extent that any contract or obligation arises in connection with the acceptance by Equity Trustees of an application or reliance on this PDS by an investor, any amendment to the Constitution may vary or cancel that contract or obligation. Further, that contract or obligation may be varied or cancelled by a deed executed by Equity Trustees with the approval of a special resolution of investors, or without that approval if Equity Trustees considers the variation or cancellation will not materially and adversely affect investor's rights.

A copy of the Constitution of the Fund is available, free of charge, on request from Equity Trustees.

**COMPLIANCE PLAN**

Equity Trustees has prepared and lodged a compliance plan for the Fund with ASIC. The compliance plan describes the procedures used by Equity Trustees to comply with the Corporations Act and the Constitution of the Fund. Each year the compliance plan for the Fund is audited and the audit report is lodged with ASIC.

**UNIT PRICING  
DISCRETIONS  
POLICY**

Equity Trustees has developed a formal written policy in relation to the guidelines and relevant factors taken into account when exercising any discretion in calculating unit prices (including determining the value of assets and liabilities). A copy of the policy and, where applicable and to the extent required, any other relevant documents in relation to the policy (such as records of any discretions which are outside the scope of, or inconsistent with, the unit pricing policy) will be made available to investors free of charge on request.

**INDEMNITY**

Equity Trustees, as the responsible entity of the Fund, is indemnified out of the Fund against all liabilities properly incurred by it in performing or exercising any of its powers in the performance of its duties in relation to the Fund except those incurred as a result of gross negligence, breach of trust or fraud of the Responsible Entity. Subject to the law, Equity Trustees may retain or pay out from the assets of the Fund any sum necessary to affect such an indemnity.

**ANTI-MONEY  
LAUNDERING  
AND COUNTER  
TERRORISM  
FINANCING  
("AML/CTF")**

Australia's AML/CTF laws require Equity Trustees to adopt and maintain an Anti-Money Laundering and Counter Terrorism Financing program. A fundamental part of the AML/CTF program is that Equity Trustees knows certain information about investors in the funds.

To meet this legal requirement, we need to collect certain identification information and documentation ("KYC Documents") from new investors. Existing investors may also be asked to provide KYC Documents as part of a re-identification process to comply with the AML/CTF laws. Processing of applications will be delayed or refused if investors do not provide the KYC Documents when requested.

Under the AML/CTF laws, Equity Trustees may be required to submit reports to AUSTRAC. This may include the disclosure of your personal information. Equity Trustees may not be able to tell you when this occurs.

Neither Equity Trustees nor APSECFM is liable for any loss you may suffer because of compliance with the AML/CTF laws.

**YOUR PRIVACY**

The Australian Privacy Principles contained in the Privacy Act 1988 (Cth) ("Privacy Act") regulate the way in which we collect, use, disclose, and otherwise handle your personal information. Equity Trustees is committed to respecting and protecting the privacy of your personal information, and our Privacy Policy details how we do this.

It is important to be aware that, in order to provide our products and services to you, Equity Trustees may need to collect personal information about you and any other individuals associated with the product or service offering. In addition to practical reasons, this is necessary to ensure compliance with our legal and regulatory obligations (including under the Corporations Act, the AML/CTF Act and taxation legislation). If you do not provide the information requested, we may not be able to process your application, administer, manage, invest, pay or transfer your investment(s).

You must therefore ensure that any personal information you provide to Equity Trustees is true and correct in every detail. If any of this personal information (including your contact details) changes, you must promptly advise us of the changes in writing. While we will generally collect your personal information from you, your broker or adviser or the Investment Manager and Administrator directly, we may also obtain or confirm information about you from publicly available sources in order to meet regulatory obligations.

In terms of how we deal with your personal information, Equity Trustees will use it for the purpose of providing you with our products and services and complying with our regulatory obligations. Equity Trustees may also disclose it to other members of our corporate group, or to third parties who we work with or engage for these same purposes. Such third parties may be situated in Australia or offshore, however we take reasonable steps to ensure that they will comply with the Privacy Act when collecting, using or handling your personal information.

The types of third parties that we may disclose your information to include, but are not limited to:

1. stockbrokers, financial advisers or adviser dealer groups, their service providers and/or any joint holder of an investment;
2. those providing services for administering or managing the Fund, including the Investment Manager, Custodian and Administrator, auditors, or those that provide mailing or printing services;
3. our other service providers;
4. regulatory bodies such as ASIC, ATO, APRA and AUSTRAC; and
5. other third parties who you have consented to us disclosing your information to, or to whom we are required or permitted by law to disclose information to.

Equity Trustees or the Investment Manager may from time to time provide you with direct marketing and/or educational material about products and services they believe may be of interest to you. You have the right to “opt out” of such communications by contacting us using the contact details below.

In addition to the above information, Equity Trustees’ Privacy Policy contains further information about how we handle your personal information, and how you can access information held about you, seek a correction to that information, or make a privacy-related complaint.

Full details of Equity Trustees’ Privacy Policy is available at [www.eqt.com.au](http://www.eqt.com.au). You can also request a copy by contacting Equity Trustees’ Privacy Officer on +61 3 8623 5000 or by email to [privacy@eqt.com.au](mailto:privacy@eqt.com.au).

#### **INFORMATION ON UNDERLYING INVESTMENTS**

Information regarding the underlying investments of the Fund will be provided to an investor on requests, to the extent Equity Trustees is satisfied that such information is required to enable the investor to comply with its statutory reporting obligations. This information will be supplied up to 30 days after a satisfactory request has been received.

#### **RELATED PARTY DISCLOSURE**

The Investment Manager is related to the Amalgamated Australian Investment Group Limited ABN 81 140 208 288 (“AAIG”). The associated entities of AAIG include but may not be limited to Ascot Securities Pty Limited ABN 45 075 902 206 AFSL 246718 (a Market Participant of the Australian Stock Exchange Limited); APSEC Compliance and Administration Pty Ltd ABN 30 142 148 409 AFSL 345443; APSEC Funds Management Pty Ltd 30 142 148 409 AFSL 345443; Atlantic Pacific Securities Pty Ltd ABN 72 135 187 085 trading as ASR Wealth Advisers CAR 339207 of Trilogy Group Australia Pty Ltd ABN 80 078 111 654 AFSL 218770; Australian Stock Report Pty Limited ABN 94 106 863 978 AFSL 301682; Amalgamated Australian Investment Solutions Pty Limited ABN 61 123 680 106 AFSL 314614; HC Securities Pty Limited ABN 78 117 830 805 CAR 296 316; Australian Investment & Insurance Group Pty Limited ABN 93 068 486 126 AFSL 226405; Macrovue Pty Limited ABN 98 600 022 679 (Macrovue) AFSL 484264; HALO Technologies Pty Ltd ABN 54 623 830 866 CAR 1261916 of DomaCom Australia Limited ABN 33 153 951 770 AFSL 444365; and the Atlantic Pacific Australian Equity Fund ARSN 158 861 155 (“the AAIG Group”).

The AAIG Group is engaged in various financial services related businesses and diverse interests. These activities and interests may include, but may not be limited to, acting as a financial adviser, corporate adviser, investor, research provider and investment manager in relation to financial products and services that may be directly or indirectly purchased or sold by the Fund and service providers to the Fund. The Fund will not be entitled to compensation related to such businesses (unless otherwise stated in the PDS) even where there are losses caused by actual or perceived conflicts of interest.

One AAIG Group entity will give advice to and make investment decisions for the Fund and that advice may differ from advice given by another entity operating within the AAIG Group or on behalf of an account controlled and operated by an entity within the AAIG Group. The Investment Manager may make decisions on behalf of the Fund on a daily basis that may be different from recommendations contained in research issued by another entity within the AAIG Group. The AAIG Group has robust information barriers in place between the various entities and the results of investment activity of the Fund may differ from the performance of investments in other entities within the Group.

The Investment Manager may execute transactions on behalf of the Fund via an entity within the AAIG Group and may pay commission or other payments from either parties in relation to those transactions. The AAIG Group may act as broker, dealer, agent or otherwise for the Fund and will retain all commissions, fees and other compensation in connection therewith.

The directors, officers, employees and contractors within the AAIG Group ("AAIG Personnel") may buy or sell securities for their own accounts. The positions taken by AAIG Personnel may be different to the positions taken by the Fund. The AAIG Group has implemented Staff Trading Policy which imposes restrictions on AAIG Personnel in relation to their personal trading activity which mitigates the conflict risk across the business.

Under the IMA, APSEC Compliance and Administration Pty Ltd is responsible for overseeing and monitoring the Investment Manager's investment and management of the Fund for and on behalf of Equity Trustees.

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**FOREIGN  
ACCOUNT TAX  
COMPLIANCE  
ACT ("FATCA")**

In April 2014, the Australian Government signed an intergovernmental agreement ("IGA") with the United States of America ("U.S."), which requires all Australian financial institutions to comply with the FATCA Act enacted by the U.S. in 2010.

Under FATCA, Australian financial institutions are required to collect and review their information to identify U.S. residents and U.S. controlling persons that invest in assets through non-U.S. entities. This information is reported to the Australian Taxation Office ("ATO"). The ATO may then pass that information onto the U.S. Internal Revenue Service.

In order to comply with the FATCA obligations, we may request certain information from you. Failure to comply with FATCA obligations may result in the Fund, to the extent relevant, being subject to a 30% withholding tax on payment of U.S. income or gross proceeds from the sale of certain U.S. investments. If the Fund suffers any amount of FATCA withholding and is unable to obtain a refund for the amounts withheld, we will not be required to compensate investors for any such withholding and the effect of the amounts withheld will be reflected in the returns of the Fund.

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**COMMON  
REPORTING  
STANDARDS  
("CRS")**

The CRS is developed by the Organisation of Economic Co-operation and Development and requires certain financial institutions resident in a participating jurisdiction to document and identify reportable accounts and implement due diligence procedures. These financial institutions will also be required to report certain information on reportable accounts to their relevant local tax authorities.

Australia signed the CRS Multilateral Competent Authority Agreement and has enacted provisions within the domestic tax legislation to implement CRS in Australia. Australian financial institutions need to document and identify reportable accounts, implement due diligence procedures and report certain information with respect to reportable accounts to the ATO. The ATO may then exchange this information with foreign tax authorities in the relevant signatory countries.

In order to comply with the CRS obligations, we may request certain information from you. Unlike FATCA, there is no withholding tax that is applicable under CRS.

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## 12 / GLOSSARY OF IMPORTANT TERMS

<b>ACTIVE INVESTMENT MANAGEMENT</b>	Active management is the use of a human element to actively manage a fund's portfolio. Active managers rely on analytical research, forecasts, and their own judgment and experience in making investment decisions on what securities to buy, hold and sell.
<b>APSECFM</b>	APSEC Funds Management Pty Ltd
<b>APPLICATION FORM</b>	The Application Form used by investors who wish to subscribe for units directly in the Fund and accompanying this PDS.
<b>ASIC</b>	The Australian Securities and Investments Commission.
<b>ASSET CLASS</b>	A category of financial assets. The major asset classes are equities, property, fixed interest securities and cash.
<b>BEAR MARKET</b>	A market condition in which the prices of securities are falling, and widespread pessimism causes the negative sentiment to be self-sustaining. As investors anticipate losses in a bear market and selling continues, pessimism only grows. A downturn of 20% or more is considered an entry into a bear market.
<b>BULL MARKET</b>	A market condition in which the prices of securities are rising and are expected to rise. Bull markets are characterised by optimism, investor confidence and expectations that strong results will continue.
<b>BUSINESS DAY</b>	Any day (except any weekend or public holiday) on which trading banks are open for usual business in Sydney, Australia.
<b>BUY/SELL SPREAD</b>	The difference between the Application Price and Withdrawal Price of units in the Fund, which reflects the estimated transactions costs associated with buying and selling the assets of the Fund, when investors invest in or withdraw from the Fund.
<b>CONSTITUTION</b>	The constitution of the Fund which describes the rights, responsibilities and beneficial interest of both investors and the Responsible Entity in relation to the Fund.
<b>CORPORATIONS ACT</b>	The Corporations Act 2001 (Cth) and Corporations Regulations 2001 (Cth), as amended from time to time.
<b>DERIVATIVES</b>	Generally, a derivative is a financial contract whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index. Derivatives may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indexes. Examples include options contracts, futures contracts, options on futures contracts, swap agreements (including, but not limited to, long and short credit default swaps and forward swap spread locks) and options on swap agreements.
<b>DISTRIBUTION</b>	The amount that is paid to investors after the end of a distribution period. This generally includes any income and realised capital gains.
<b>DRAWDOWN</b>	A drawdown is the peak-to-trough decline during a specific period of investment. This describes the extent to which an investment has fallen at its lowest point relative to the prior peak before reaching its next peak.
<b>EVENT/CATALYST RESEARCH</b>	Event research can take many forms. In our view of events, it can relate to company reporting events which may change the outlook for a company's earnings. We also view events related to price outcomes that breach certain parameters of mathematical models as an event that impacts a company's share price. Events, of whatever form, are the basis for security price movements. From a Fundamental Research basis, event research applies to both cum and ex company events. Research is directed towards analysing expectations of market participants in relation to upcoming or actual events in an attempt to gain an information advantage which may result in excess returns. This is applied to publicly available information only.

<b>FUND BENCHMARK</b>	S&P/ASX 200 Accumulation Index
<b>FUNDAMENTAL RESEARCH</b>	Fundamental Research involves evaluating a company in an attempt to understand the core drivers of profitability. This involves the assimilation of information relating to the macroeconomic environment, industry environment and company specific factors.
<b>HEDGE</b>	The practice of undertaking one investment activity in order to protect against loss in another. While hedges can reduce potential losses, they can also reduce potential profits.
<b>IDPS</b>	Investor directed portfolio service. An IDPS is generally the vehicle through which an investor purchases a range of underlying investment options from numerous investment managers, with the IDPS Operator providing the investor with consolidated and streamlined transaction statements and other reporting.
<b>IDPS GUIDE</b>	The terms and conditions of an IDPS issued by the IDPS Operator.
<b>IDPS OPERATOR</b>	An entity that operates and offers an IDPS.
<b>INDIRECT INVESTOR</b>	A person who invests indirectly in units in a Fund through an IDPS.
<b>IB</b>	Interactive Brokers LLC
<b>IMA</b>	The investment management agreement between the Responsible Entity, the Licensee and the Investment Manager.
<b>LICENCE</b>	Australian financial services licence issued by ASIC under section 913B of the Corporations Act.
<b>LICENSEE</b>	APSEC Compliance and Administration Pty Ltd
<b>LIQUIDITY</b>	The ability of an investment to be easily and quickly converted into cash with little loss of capital.
<b>LONG/SHORT</b>	An investment style that incorporates the use of both Long Positions and Short Positions.
<b>LONG POSITIONS</b>	An investment position where the Fund has actual ownership of a security. This position will profit from an increase in the value of the security held and a loss will be suffered where the value of the security decreases. In these circumstances, securities are held 'long'.
<b>MACRO RESEARCH</b>	Macro Research involves evaluating the drivers of economies which may directly impact domestic companies or global liquidity and sentiment therein.
<b>NET ASSET VALUE (NAV)</b>	The value of assets of the Fund less the value of the liabilities of the Fund (excluding net assets attributable to investors).
<b>PERFORMANCE HURDLE</b>	S&P/ASX200 Accumulation Index plus 3% p.a.
<b>RANGE TRADING MARKET</b>	A market condition in which the prices of securities are rising and falling within a tight range, for example plus or minus 5-10%. Visually, the market appears to be trading sideways. Range trading markets are characterized by bouts of optimism as well as bouts of negativity providing no clear direction.
<b>RETAIL CLIENT</b>	Persons or entity which is a retail client as defined under section 761G of the Corporations Act.
<b>RITC</b>	Reduced Input Tax Credit. Equity Trustees will apply for reduced input tax credits on behalf of the Fund, where applicable, to reduce the GST cost to the Fund.

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<b>SHORT POSITIONS</b>	An investment position where the Fund sells a security it does not own to try to profit from a decrease in the value of the security. If the value of the security increases a loss will be incurred. Short positions are created by borrowing securities from a securities lender and selling them on the share market with the intention of buying them back when they decrease in value. In these circumstances, securities are held 'short'.
<b>STYLE NEUTRAL</b>	A Style Neutral Investment Manager believes no particular style of investment is dominant over time and instead the practitioner attempts to adapt to changing circumstances. Common investment styles include Value (including Deep value), Growth, Momentum and GARP (Growth at a Reasonable Price).
<b>VARIABLE NET MARKET EXPOSURE</b>	In contrast to a fully invested Fund which will have a very high proportion of the fund's assets invested in the relevant asset class for the life of the Fund, a Fund with Variable Net Market exposure will be able to move to 100% cash or be fully invested at any point of time.
<b>WHOLESALE CLIENT</b>	Person or entity which is a wholesale client as defined under the Corporations Act.

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**APSEC**  
FUNDS MANAGEMENT

**ATLANTIC PACIFIC AUSTRALIAN EQUITY FUND**  
ARSN 158 861 155    APIR OMF0003AU