



Auscap Asset Management Limited  
Auscap Long Short Australian Equities Fund

## Product Disclosure Statement

ARSN 615 542 213

29 September 2022



## IMPORTANT INFORMATION

This Product Disclosure Statement (**PDS**) has been prepared and issued by Auscap Asset Management Limited (ABN 11 158 929 143, AFSL 428014) in its capacity as the responsible entity (**Auscap** or **Responsible Entity**) of the Auscap Long Short Australian Equities Fund (ARSN 615 542 213) (**Auscap Fund** or **Fund**) on 29 September 2022. Auscap is also the investment manager of the Fund (**Investment Manager**).

This PDS is made available to investors and prospective investors who invest directly in the Fund, as well as investors and prospective investors who invest indirectly in the Fund via an IDPS (**Indirect Investors**).

### General Information only

The information in this PDS is general information only and does not take into account an investor's individual objectives, personal financial situation or needs. It is not intended to be a recommendation by Auscap or any associate, employee, agent or officer of Auscap or any other person to invest in the Fund. Investors should not base their decision to invest in the Fund solely on the information in this PDS. Before making an investment decision, an investor should consider the PDS and seek professional advice to determine whether an investment in the Fund is appropriate for the investor and carefully consider the potential benefits and risks involved in investing in the Fund, in light of the investor's particular financial situation, investment needs, objectives and tax circumstances. A copy of the Target Market Determination for the Fund, prepared by Auscap in connection with the Design and Distribution Obligations, is available on request or at [www.auscapam.com/ddo/](http://www.auscapam.com/ddo/).

### No guarantee

Auscap and its employees, associates, agents and 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 not a reliable indicator of future performance. An investment in the Fund does not represent a deposit with Auscap or any of its associates.

An investment in the Fund is subject to investment risks, including possible loss of income or capital invested. Investors should carefully consider the key risks in section 5 of this PDS before making an investment decision in relation to the Fund.

Units in the Fund are offered and issued by Auscap as the responsible entity of the Fund on the terms and conditions described in this PDS. Investors should read this PDS in its entirety.

To the maximum extent permitted by law, neither Auscap nor its respective affiliates, related bodies corporate, directors, officers, employees, representatives or advisors makes any representations or warranties, express or implied, as to the accuracy or completeness of any of the information contained in this PDS or any other information (whether written or oral) made available to investors in the Fund, and to the maximum extent permitted by law, each of such parties expressly disclaims any and all liability relating to or resulting from the use of this PDS or such other information.

### Offer to persons in Australia and New Zealand

The offer made in this PDS is only available to persons receiving this PDS in Australia or New Zealand (electronically or otherwise). New Zealand investors should read the section 'Important additional information for New Zealand investors' in section 9.10 of this PDS. 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 an investor receives this PDS electronically, the investor should ensure that it has received a complete copy of this PDS and the Application Form.

### Indirect Investors

Indirect Investors applying for Units through an IDPS should be aware that they do not acquire the rights of a Unitholder in the Fund. Accordingly, Indirect Investors may not have the same rights in relation to applications and redemptions, voting and distributions as investors who invest directly in the Fund. The rights of Indirect Investors are set out in the relevant IDPS guide or other similar type of document. Indirect Investors should direct all questions relating to the Fund to their relevant IDPS operator.

### **Interpretation**

Unless otherwise stated, all references to 'dollars' or '\$' in this PDS refer to Australian dollars and a reference to a 'Business Day' means a day (other than a Saturday, Sunday, public holiday or bank holiday) on which banks are open for general banking business in Sydney, Australia. Unless otherwise stated, a reference to time in this PDS is to Sydney, Australia time. Capitalised terms and abbreviations have the meaning given to them in the Glossary in section 10 of this PDS, or otherwise, as defined in the body of this PDS.

### **Updated Information**

Information in this PDS that is not materially adverse to Unitholders may be subject to change from time to time and Auscap may update this PDS with any such changes, details of which may be found on its website at [www.auscapam.com](http://www.auscapam.com). A paper copy of this PDS and any updated information will be provided free of charge upon request during the life of this PDS. To request a copy, please contact Auscap using the details shown in section 1 of this PDS under 'Contact details', 'Responsible Entity and Investment Manager'. Alternatively, you can download the latest version of this PDS and any updated information from Auscap's website at [www.auscapam.com](http://www.auscapam.com).

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## 1. THE AUSCAP FUND AT A GLANCE

FEATURE	SUMMARY	FURTHER INFORMATION
<b>The Fund</b>	<b>Auscap Long Short Australian Equities Fund</b> ARSN 615 542 213 APIR ASX0001AU, ASX8411AU & ASX6124AU	
<b>Commencement date</b>	December 2012	
<b>Responsible Entity and Investment Manager</b>	Auscap Asset Management Limited	3
<b>Benchmark</b>	The All Ordinaries Accumulation Index.	4.1
<b>Recommended investment timeframe</b>	The minimum suggested investment timeframe for the Fund is 5 years. However, you should: <ul style="list-style-type: none"> <li>consider, with your financial adviser, whether the suggested investment timeframe is appropriate for you in relation to your own circumstances; and</li> <li>review your investment in the Fund regularly to ensure that it continues to meet your investment needs.</li> </ul>	6.1
<b>Applications</b>	Applications are to be received in the correct form together with cleared application monies. See section 6.1 for more information on timing for submission of applications for both the Monthly Class and the Daily Platform Class.	6.1
<b>Redemptions</b>	See sections 2.1 and 6.5 for more information on timing for submission of redemption requests and section 5 for the risks associated with this timing. Indirect Investors should contact their IDPS operator.	2.1, 6.5, 5
<b>Fees and Costs</b>	Auscap charges fees and costs including management fees and costs of 1.69% per annum of the NAV of each Class, a Performance Fee of 15.375% of Outperformance subject to the performance of the Fund also exceeding that of the Reserve Bank of Australia Cash Rate since the High Water Mark, and transaction costs. Further details on the applicable fees and costs are contained in section 7.	7
<b>Benefits of investing in the Fund</b>	For investors seeking exposure to a portfolio comprised of primarily listed Australian equities, the Fund: <ul style="list-style-type: none"> <li>aims to generate strong absolute returns in excess of the Benchmark;</li> <li>enables the Portfolio Managers to concentrate the Fund's capital in the opportunities they perceive to be offering the best risk-adjusted return;</li> <li>is actively managed by Auscap's experienced Portfolio Managers; and</li> <li>looks to lower correlation with markets by holding both long and short positions.</li> </ul>	
<b>Key Risks of investing in the Fund</b>	All investments have an inherent level of risk. Auscap has established investment processes that seek to mitigate the risks associated with the Fund, however an investment in the Fund carries certain risks.  Key risks associated with investing in the Fund are outlined in section 5 of this PDS.	5
<b>Distributions</b>	Determined annually as at 30 June.	6.3

FEATURE	SUMMARY	FURTHER INFORMATION
<b>Valuations</b>	<p>For the Monthly Class, valuations are conducted monthly as at the last Business Day of the month.</p> <p>For the Daily Platform Class, valuations are conducted daily as at the end of each Business Day.</p>	6.6
<b>Contact details</b>	<p>All paper-based Application Forms and Redemption Requests should be directed to the Administrator of the Fund, Link Fund Solutions Pty Limited (<b>Link Fund Solutions</b> or <b>Administrator</b>), as follows:</p> <p><b>ADMINISTRATOR OF THE FUND</b></p> <p>Postal address:            Link Fund Solutions Pty Limited            Unitholder Services            Attention: Auscap Fund Unit Registry            Locked Bag 5038, Parramatta NSW 2124            Phone: +61 2 8767 1114            Email: <a href="mailto:Auscap@linkmarketservices.com.au">Auscap@linkmarketservices.com.au</a></p> <p>Any enquiries about an investment in the Fund and all other enquiries regarding the Fund, including requests for additional copies of this PDS or a copy of the Constitution should be directed to the following:</p> <p><b>RESPONSIBLE ENTITY AND INVESTMENT MANAGER</b></p> <p>Street address:            Auscap Asset Management Limited            Level 30, 9 Castlereagh Street            Sydney, NSW 2000 Australia            Phone: +61 2 8378 0800            Email: <a href="mailto:info@auscapam.com">info@auscapam.com</a>            Website: <a href="http://www.auscapam.com">www.auscapam.com</a></p>	

## 2. ASIC BENCHMARKS AND DISCLOSURE PRINCIPLES

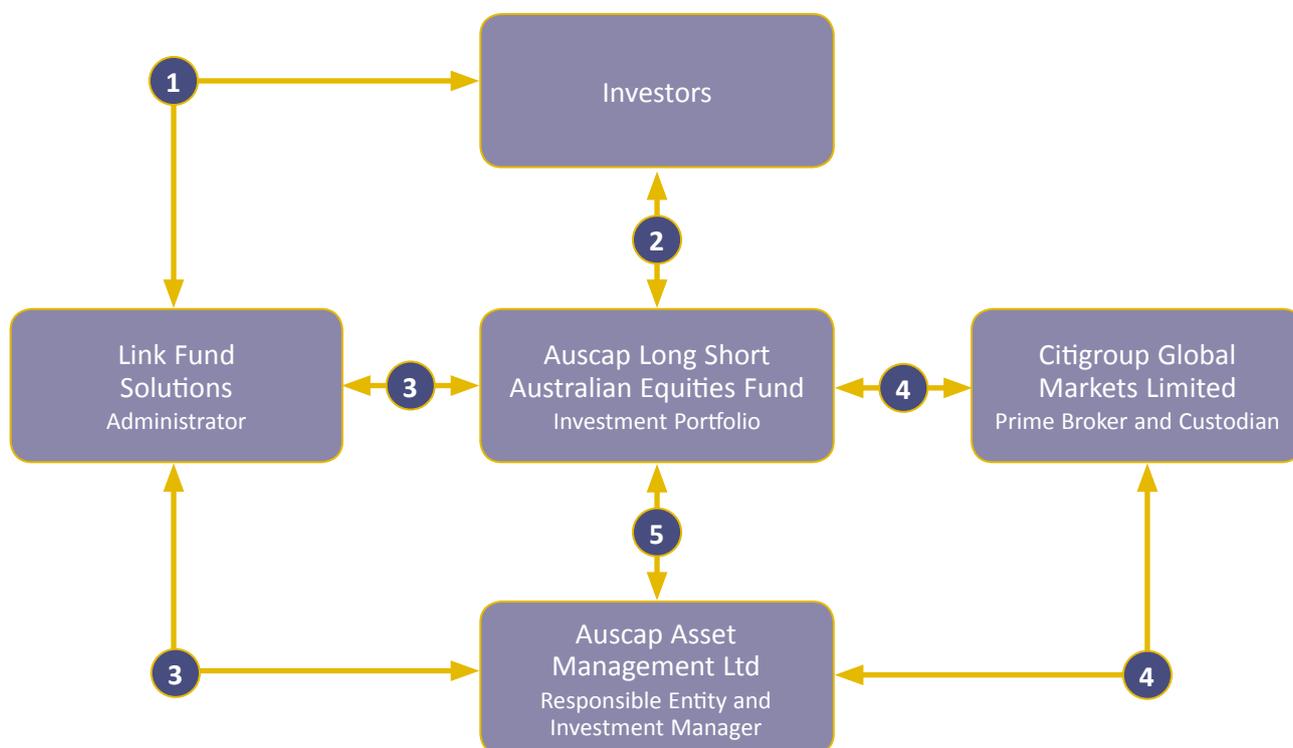
### 2.1 ASIC Regulatory Guide 240

The following table sets out a summary of the benchmarks and disclosures that ASIC believes should be highlighted in a product disclosure statement for a product like the Fund and refers to the sections in this PDS where you can find further information.

Benchmark	
<p><b>Valuation of assets</b></p> <p>Does the Responsible Entity have and implement a policy that requires valuations of the Fund's assets that are not exchange traded to be provided by an independent administrator or an independent valuation service provider?</p> <p><i>Further Information:</i> Section 6.6</p>	<p><b>Auscap complies with this benchmark in relation to the Fund.</b></p> <p>The valuation of any non-exchange traded assets is determined from an independent source by the Fund's Administrator in consultation with Auscap and in accordance with market practice.</p>
<p><b>Periodic reporting</b></p> <p>Does the Responsible Entity have and implement a policy to provide periodic disclosure of certain key information?</p> <p><i>Further Information:</i> Section 6.7</p>	<p><b>Auscap complies with this benchmark in relation to the Fund.</b></p> <p><b>Monthly reporting</b></p> <p>Monthly updates are provided on certain key information via Unitholder statements (distributed to direct investors by Link Fund Solutions).</p> <p>The monthly Auscap Newsletter is available on the Auscap website at <a href="http://www.auscapam.com">www.auscapam.com</a> or via subscription to Auscap's email mailing list. Updated Fund information will be available via Auscap's website on a monthly basis.</p> <p><b>Annual reporting</b></p> <p>Auscap will make available online the Fund's annual report for the purposes of ASIC Regulatory Guide 240, at a web address that will be communicated to Unitholders as soon as practicable after 30 June each year.</p>
Disclosure Principles	
<p><b>Investment strategy</b></p> <p><i>Further Information:</i> Section 4</p>	<p><b>Fund objective</b></p> <p>The Fund's investment objective is to generate strong absolute returns in excess of the Benchmark, which is the All Ordinaries Accumulation Index.</p> <p><b>Investment strategy</b></p> <p>The Fund invests primarily in Australian listed equities and focuses on fundamental, value-driven, long and short positions.</p> <p>The key risks of investing in the Fund are described in section 5 of this PDS.</p>
<p><b>Investment Manager of the Fund</b></p> <p><i>Further Information:</i> Sections 3.1 and 3.2</p>	<p>Auscap Asset Management Limited (ABN 11 158 929 143, AFSL 428014) is the Responsible Entity and the Investment Manager of the Fund.</p>

<p><b>Fund structure</b></p> <p><i>Further Information: Section 3</i></p>	<p>The Fund is structured as an Australian registered managed investment scheme under the Corporations Act.</p>
<p><b>Valuation, location and custody of assets</b></p> <p><i>Further Information: Sections 3.3, 4.5, 6.6 and 9.9</i></p>	<p><b>Valuation of the Fund’s assets</b></p> <p>Link Fund Solutions is the Administrator of the Fund. The Administrator is responsible for calculating the Fund’s NAV. This is done monthly, generally as at the last Business Day of the month for the Monthly Class, and daily each Business Day for the Daily Platform Class.</p> <p>The Fund’s investments predominantly comprise listed Australian equities and cash.</p> <p><b>Location and custody of the Fund’s assets.</b></p> <p>Citigroup Global Markets Limited is the Prime Broker and Custodian of the Fund. See section 9.9 for further information on the location and custody of the Fund’s assets.</p>
<p><b>Liquidity</b></p> <p><i>Further Information: Sections 4.13 and 5</i></p>	<p>As at the date of this PDS, Auscap reasonably expects to be able to realise within 10 days at least 80% of the Fund’s assets at the value ascribed to those assets in calculating the Fund’s NAV (subject to any relevant transaction costs).</p> <p>See section 4.13 for further details on liquidity and Auscap’s liquidity management policy. See section 5 for the risks associated with liquidity.</p>
<p><b>Leverage</b></p> <p><i>Further Information: Sections 4.8 and 5</i></p>	<p>Leverage will be used in accordance with the investment strategy for the Fund. The Fund may be geared up to 200% gross long, up to 200% gross short and up to 150% net long or net short. See section 4.8 for further information and an explanation about gross and net positions, including an example.</p> <p>See section 5 for more information on the risks associated with leverage.</p>
<p><b>Derivatives</b></p> <p><i>Further Information: Sections 4.6 and 5</i></p>	<p>Exchange-traded derivatives, including futures, may be used by the Fund, subject to Auscap’s AFSL, for hedging and non-hedging purposes such as:</p> <ul style="list-style-type: none"> <li>• to manage or reduce particular risks;</li> <li>• to implement an investment strategy in a cost efficient manner;</li> <li>• a substitute for direct investment in securities; and/or</li> <li>• to gain exposure to other types of investments where appropriate.</li> </ul> <p>There are specific risks associated with the use of derivatives including the requirement to post Collateral. See section 5 for more information on the risks associated with derivatives.</p> <p>Throughout the history of the Fund, derivatives have been used occasionally.</p>
<p><b>Short selling</b></p> <p><i>Further Information: Sections 4.7 and 5</i></p>	<p>Auscap, as the Investment Manager, may engage in the short selling of securities, which may enable the Fund to profit from falls in the value of companies which it believes are overpriced. Short positions may also be entered into for risk management purposes.</p> <p>Short selling can involve greater risk than taking a long position or buying a security. See section 5 for more information on the risks associated with short selling.</p>
<p><b>Redemptions</b></p> <p><i>Further Information: Sections 5 and 6.5</i></p>	<p>For the Monthly Class redemptions are processed on a monthly basis, with a minimum one full month notice period.</p> <p>For the Daily Platform Class, redemption requests must be submitted by the IDPS operator and received by the Administrator by 2pm on any Business Day for receipt of that day’s Unit Price.</p> <p>Indirect Investors should contact their IDPS operator for applicable cut-off times for making a redemption request through the IDPS. Indirect Investors are required to provide their redemption request directly to the relevant IDPS operator. The time to process a redemption request will depend on the particular IDPS operator.</p>

### 3. AUSCAP FUND OVERVIEW



- 1 Application, Additional Application and Redemption Request Forms submitted by investors to Link Fund Solutions who provide subscription notifications, monthly Unitholder statements and tax distribution statements to investors
- 2 Application monies transferred to Fund application account, investor issued Units in the Fund (Link Fund Solutions to provide the notification)
- 3 Link Fund Solutions contracted by the Responsible Entity to provide administration and registry services for the Fund
- 4 Investment portfolio held by the Prime Broker and Custodian who has been appointed by the Responsible Entity
- 5 Responsible entity and investment management functions carried out by Auscap

#### 3.1 Auscap Fund Structure

The Fund is an Australian registered managed investment scheme (ARSN 615 542 213). Each Unit in the Fund gives an investor a beneficial interest in the Fund's assets as a whole, but not an entitlement to, or an interest in, any particular asset of the Fund.

The Fund's Constitution allows for more than one class of Units to be offered to potential Unitholders. The rights of Unitholders in different classes of Units may vary. The Fund has on issue two Classes of Units, being the Monthly Class and Daily Platform Class. Units in the Monthly Class can be issued by way of direct investment through this PDS or by way of IDPS operators investing in the Fund on behalf of Indirect Investors. Units in the Daily Platform Class are only to be issued to IDPS operators investing in the Fund on behalf of Indirect Investors, unless otherwise determined by Auscap.

## 3.2 Investment Manager of the Fund

Tim Carleton and Matthew Parker are the Principals of Auscap and the Portfolio Managers of the Fund. Tim and Matthew have operated the Fund since December 2012 and are co-invested in the Fund. Tim and Matthew dedicate a significant amount of their time to executing the Fund's investment strategy.

### **Tim Carleton** *Principal and Portfolio Manager*

Tim co-founded Auscap with Matthew in 2012 and has jointly operated the Fund as a Portfolio Manager since December 2012.

Tim has over 18 years of experience in the financial services industry working in equities portfolio management and investment banking. Tim was previously an executive director within the proprietary strategies team at Goldman Sachs, responsible for managing a long short Australian equities portfolio using Goldman Sachs proprietary funds.

Prior to joining Goldman Sachs in 2007, Tim worked at Macquarie Bank within the Investment Banking Group. He was involved in significant principal transactions using Macquarie Bank funds and in advising ASX listed companies.

Tim has a Bachelor of Commerce (Finance and Economics) and a Bachelor of Laws (Hons) from the University of Sydney. Tim is a Chartered Financial Analyst (CFA Institute), Chartered Market Technician (Market Technicians Association) and a Senior Associate of FINSIA. He is also a Graduate of the Australian Institute of Company Directors (GAICD).

### **Matthew Parker** *Principal and Portfolio Manager*

Matthew co-founded Auscap with Tim in 2012 and has jointly operated the Fund as a Portfolio Manager since December 2012.

Matthew has over 26 years of experience in the financial services industry working in equities portfolio management, trading and dealing. Matthew was previously an executive director within the proprietary strategies team at Goldman Sachs responsible for managing a long short Australian equities portfolio using Goldman Sachs proprietary funds.

Prior to joining Goldman Sachs in 2008, Matthew spent 9 years at Merrill Lynch Australia as a director responsible for managing a long short equities portfolio using Merrill Lynch Australia proprietary funds. Prior to this, Matthew worked at Bankers Trust in various roles involving equities trading and dealing.

Matthew is a Graduate of the Australian Institute of Company Directors (GAICD).

## 3.3 Key service providers

Auscap, as Responsible Entity, has the power to delegate certain duties in accordance with the Corporations Act and its Constitution and has engaged industry leading service providers to manage the Fund's prime brokerage, custody, fund administration, unit registry, accounting, legal and audit requirements.

Auscap has entered into arm's length contractual agreements with each of its service providers and periodically monitors and reviews their performance to ensure that services are being provided in accordance with the terms of such agreements.

Auscap has appointed the following service providers:

- Link Fund Solutions, as the Administrator, to provide fund administration and unit registry services to the Fund including:
  - ▶ fund accounting services, including trade confirmation and reconciliation;
  - ▶ regulatory and administrative services;
  - ▶ mandate compliance, performance and analytical services; and
  - ▶ unit pricing and registry services;
- Citigroup Global Markets Limited (**CGML**), as the Prime Broker and Custodian, under the terms of a customer agreement for Australian prime brokerage services (**Prime Broker Agreement**); and
- EY, a multinational professional services firm with a member firm in Australia, to provide tax, audit and legal services for the Fund.

Details of Auscap's contractual arrangements with respect to the key service providers are set out in section 9.9.

## 4. INVESTMENT OBJECTIVES & PROCESSES

### 4.1 Investment objective

The Fund's investment objective is to generate strong absolute returns in excess of the Benchmark, the All Ordinaries Accumulation Index.

### 4.2 Value driven investment philosophy

Auscap is a value-based, long short equities manager. The Fund targets attractive total return opportunities through disciplined investing. Auscap aims to preserve capital and generate long-term, compounding returns. The Fund's ability to generate returns consistent with its investment objective is dependent on a number of assumptions which may not eventuate, including sufficient attractive investment opportunities, the market's recognition of the value of these opportunities in line with Auscap's expectations and the ability of Auscap to limit the number and impact of errors in analysis, assessment and execution of its investment strategy.

The Fund is a high conviction portfolio that is typically invested in between 30 and 60 positions. The Fund is long biased, however may be net long, short or neutral depending on the strategies being employed by Auscap at the relevant time. Auscap will allocate capital in accordance with expected performance and risk measures. See section 4.7 for more information on short selling, and section 5 for the risks associated with short selling.

Auscap will seek to achieve the Fund's investment objective by investing the Fund's capital in securities it believes will appreciate in value, whilst shorting securities it considers will depreciate in value.

The typical asset classes invested in are listed Australian equities denominated in Australian dollars and cash. From time to time, the Fund may invest in other asset classes.

### 4.3 Investment process



In implementing the investment strategy of the Fund, Auscap will take into consideration tax and income benefits, including franking credits that can be passed through to Australian investors.

## 4.4 Risk management

Disciplined risk management is a key focus for Auscap. Auscap's risk management process includes:

- daily monitoring of risk via internal control systems using aggregate, sector and single name exposure and various other risk management tools;
- monitoring of hard risk limits (e.g. the Fund may be geared up to 200% gross long, 200% gross short and up to 150% net long or net short – see section 4.8 for an explanation about gross and net positions and a worked example); and
- a quarterly review of risk management by the Auscap Board.

Auscap's risk management process is dependent on its ability to properly assess and reduce risk where appropriate. This may or may not be successful.

## 4.5 Fund instruments

Along with Australian listed equities, the Fund may from time to time, and subject to Auscap's AFSL, have exposure to the following financial products:

- listed futures (predominantly relating to listed equities, trusts, funds and indices);
- cash equivalent investments;
- foreign exchange and currency futures;
- international listed equities, including Australian dual listed entities, fungible equities, American Depository Receipts (i.e. ADRs) and pooled investment vehicles;
- exchange-traded derivatives (predominantly exchange traded options relating to listed equities, indices and on occasion other assets); and
- any other financial products where Auscap deems it appropriate.

There are no allocation limits in respect of the class or location of assets of the Fund, although the portfolio is expected to comprise predominantly Australian listed equities denominated in Australian dollars.

## 4.6 Derivatives

Exchange-traded derivatives, including futures, may be used by the Fund, subject to Auscap's AFSL, for hedging and non-hedging purposes such as:

- to manage or reduce particular risks;
- to implement an investment strategy in a cost efficient manner;
- a substitute for direct investment in securities; and/or
- to gain exposure to other types of investments where appropriate.

## 4.7 Short selling

The Fund may engage in the short selling of securities, which may enable it to profit from falls in the value of companies which it believes are overpriced. The Fund will typically borrow securities from the Prime Broker at the prevailing market price and sell the securities with the view that the market price of the securities will decline at some point in the future, at which point the securities would then be bought back and returned to the lender.

*The example below is provided for illustrative purposes only*

#### **Worked example – Short Selling**

Auscap believes that the price of stock X will fall. The current price of stock X is \$10 and Auscap decides to sell short 100 shares. In order to execute the short-sale, Auscap borrows the 100 shares from its Prime Broker and sells them in the market. Auscap then receives \$1000 ( $\$10 \times 100$ ) from the proceeds of the sale.

#### **Scenario 1:**

One month later the price of stock X has dropped to \$8. Auscap now buys back the shares on the market, spending \$800 ( $\$8 \times 100$ ) to repurchase the shares, and returns the stock to the lender. Auscap has received \$1000 but spent only \$800, so the profit on the trade is \$200.

#### **Scenario 2:**

One month later the price of stock X has risen to \$12. Auscap now buys back the shares on the market, spending \$1200 ( $\$12 \times 100$ ) to repurchase, and returns the stock to the lender. Auscap has spent \$1200 but only received \$1000, so incurs a loss of \$200.

Note that this worked example does not take into account the transaction costs associated with short selling. There are also specific risks associated with short-selling. Refer to section 5 of this PDS for more information.

## **4.8 Leverage**

Leverage will be used in accordance with the investment strategy of the Fund for both investment and hedging purposes.

The Fund may borrow from the Cash Lender for the purpose of having an exposure to the market that is greater than 100%. The Fund may also borrow shares to short sell and may, at times, purchase or sell derivatives in line with the investment strategy. Each of these activities has the potential to leverage the Fund's exposure. The Fund may be geared up to 200% gross long, up to 200% gross short and up to 150% net long or net short. As at the date of this PDS, the Prime Broker and Cash Lender are the only counterparties to any leveraged transactions and the Prime Broker will hold Collateral for those transactions. The Fund's assets may be exposed to set-off rights or claims in the instance where leverage is used.

While the use of leverage has the potential to increase returns on an investment in the Fund, it may also increase losses and its use may increase the risk profile of the Fund.

See section 5 for further information on the risks associated with leverage.

*The example below is provided for illustrative purposes only*

#### **Worked example – Leverage**

As an illustration only, on the assumption that the Fund has \$100 million in funds under management, Auscap could implement strategies that result in the Fund having up to \$200 million (i.e. 200%) of gross long positions and up to \$200 million (i.e. 200%) of gross short positions. However, the net position of the Fund (i.e. gross longs less gross shorts) can never exceed \$150 million net long (i.e. 150%) or \$150 million net short (i.e. 150%). Auscap does not intend that its leverage limits will be as high as these percentage limits on a regular basis.

Assuming the Fund were at its maximum level of net leverage, with \$200 million of gross long positions and \$50 million of gross short positions:

- A 10% appreciation in the value of gross long positions would increase the value of the portfolio by 20%
- A 10% appreciation in the value of gross short positions would decrease the value of the portfolio by 5%
- A 10% depreciation in the value of gross long positions would decrease the value of the portfolio by 20%
- A 10% depreciation in the value of gross short positions would increase the value of the portfolio by 5%

#### **4.9 Underwriting and sub-underwriting**

Auscap may identify investment opportunities that involve underwriting or sub-underwriting arrangements. Auscap may make such investments primarily for the purpose of investing in accordance with the investment strategy of the Fund. Should Auscap earn any fees for underwriting services, these fees will be paid to the Fund.

#### **4.10 Trade Allocation Policy**

As at the date of this PDS, Auscap is responsible for managing more than one fund. Auscap may on occasion purchase or sell the same security on behalf of more than one fund at or about the same time. In determining the suitability of each investment opportunity to a fund, consideration will be given to a number of factors, the most important being the fund's investment objectives and strategy, existing portfolio composition and cash levels. Auscap complies with a trade allocation policy to determine allocation between funds in these circumstances. A copy of the trade allocation policy is available free of charge by contacting Auscap.

#### **4.11 Labour standards and environmental, social and ethical considerations**

Auscap's approach to investment decision-making is primarily driven by financial and economic considerations. Labour standards, and environmental, social and ethical factors can impact the financial performance of investments. As a result, Auscap includes an assessment of labour standards, and environmental, social and ethical considerations for the purpose of selecting, retaining or realising any investments for the Fund. Auscap does not have a predetermined view on these standards and considerations or the extent to which they would be taken into account (other than it takes them into account to the extent they materially affect the investment from a financial perspective). Rather, it considers these standards and considerations as it becomes aware of them when making investment decisions. Auscap has no set approach for monitoring or reviewing its approach to taking such standards and considerations into account.

#### **4.12 Changing the investment strategy**

Auscap may change its investment objectives and strategy for the Fund from time to time. Although there is no current intention to change the investment strategy, if this does occur Unitholders will be advised in accordance with Corporations Act requirements.

The risks associated with the investment strategy for the Fund are set out in section 5 of this PDS.

### 4.13 Liquidity

As at the date of this PDS, Auscap reasonably expects to be able to realise at least 80% of the Fund's assets, at the value ascribed to those assets in calculating the Fund's NAV, within 10 days (subject to any relevant transaction costs).

However, at certain times, particularly under stressed market conditions, this may not be possible. Consequently, Auscap maintains a liquidity management policy that has the following key elements:

- Auscap will primarily hold investments that are traded on an active market;
- Units in the Monthly Class are subject to a minimum one full month redemption notice period; and
- Auscap regularly monitors and internally reports on the liquidity of the Fund.

A copy of the liquidity management policy is available free of charge by contacting Auscap.

In certain circumstances, it may be necessary to suspend redemptions to allow sufficient time for the liquidation of assets to meet redemptions. If the Fund ceases to be liquid (as defined in the Corporations Act), redemptions will only be permitted if Auscap makes a withdrawal offer in accordance with the Corporations Act. See section 6.5 for more information.

See section 5 for the risks associated with liquidity.

## 5. KEY RISKS

There is no guarantee that the Fund will achieve its investment objectives and investors should fully understand and be capable of assuming the risks of investing in the Fund. You should be aware that the value of your investment may go down and/or you could receive little or no income. Past performance is not a reliable indicator of future performance. Neither the performance of the Fund nor the security of your investment can be guaranteed by Auscap. You should talk to your professional adviser about the risks involved in investing in the Fund and how such risks may impact upon your individual financial circumstances.

The key risks of investing in the Fund include, but are not limited to:

### ***Management risk***

There is a risk that Auscap's investment strategy could fail to achieve the Fund's investment objectives and could result in a decrease in the value of an investment in the Fund (see section 4 for details of the investment strategy for the Fund). The Fund is subject to management risk because it is actively managed. In making investment decisions for the Fund, Auscap will apply the Fund's investment strategy, but there is no guarantee that Auscap's decisions will produce the intended result. There can be no assurance that the Fund's investment objective will be realised or that investors (including Indirect Investors) will receive any returns on their investment.

### ***Share market investment risk***

The value of the long investments in the Fund's portfolio may decrease in response to the activities of an individual company or in response to general market, business or economic conditions. Conversely, the value of the Fund's short sale liabilities may increase as a result of the same factors. In each case, investors are exposed to a decrease in the Fund's Unit Price.

### ***Short selling risk***

Auscap may engage in the short sale of securities. The Fund may lose money on short positions due to the unpredictable appreciation in a security's value or the securities market as a whole. Short selling can involve a higher level of risk than buying a security because there is no limit to how much the price of a security may appreciate.

### ***Company or entity specific risk***

An investment in a company or other entity (such as a trust) by the Fund may be affected by unexpected changes in that company's or entity's operations (e.g. changes in management or the loss of a major customer) and business environment. See also concentration risk below.

### ***Concentration risk***

The Fund may invest a relatively high percentage of its assets in a limited number of securities, or in securities in a limited number of industries, which may cause the value of the Fund's investments to be more affected by any single adverse economic, political or regulatory event than the investments of a more diversified investment portfolio.

### ***Liquidity risk***

Liquidity risk arises when investments are made in securities which are traded on an infrequent basis, or in securities which are not traded regularly on any financial market. Should the Fund hold illiquid securities then it may not be able to sell them at a fair price at the time it may wish to do so. This may affect the Fund's performance and may also impact upon an investor's ability to redeem from the Fund.

### ***Borrowing and leverage risk***

The Fund may leverage its capital, in accordance with its investment strategy, if Auscap believes that the use of leverage may enable the Fund to achieve a higher rate of return. In order to borrow additional funds for investment purposes the Prime Broker may require additional Collateral. The Fund may leverage its capital through the use of derivatives (see below for the risks associated with derivatives) and short sales. The risk associated with leveraging is that it increases the gross exposure of the Fund and can have the effect of magnifying both the profits and losses of the Fund. Returns from leveraged investments are generally more volatile than returns from unleveraged investments.

### ***Personnel risk***

There is a risk that one of the Principals and Portfolio Managers could leave Auscap or become unable to perform their roles. There is also a risk that other key personnel of Auscap could change or become unable or unavailable to perform their roles. If either of these risks materialises, there may be an impact on the performance of the Fund.

### ***Prime Broker and Collateral risk***

Auscap has appointed CGML as Prime Broker and Custodian and CGMA as a Cash Lender (see section 9.9 for further information, including details of relevant agreements). As is typical for most prime brokerage agreements, under the Prime Broker Agreement, the Prime Broker may hold Collateral in respect of certain transactions. The Prime Broker may deal with the Collateral for its own purposes as though the assets of the Fund were its own assets, subject to an obligation to return equivalent securities or cash value and in the event of insolvency of the Prime Broker, Auscap will rank as an unsecured creditor of the Prime Broker and may not be able to recover the entire value of the Collateral posted.

### ***Counterparty risk***

Counterparty risk is the risk that the counterparty to a transaction or contract (e.g. the Prime Broker) may default on their obligations and that the Fund may, as a result, experience an adverse investment outcome or liability. Many counterparties to the Fund have limited liability to the Fund. For more information in relation to the Prime Broker's limitation on liability to the Fund, see section 9.9.

### ***Broad investment mandate risk***

The Fund has a broad investment mandate. This generally gives the Portfolio Managers more discretion to allocate the Fund's capital, as compared with other investment managers who may have a narrower investment mandate. While the investment mandate has been designed with the aim of maximising the Fund's absolute returns, there is still the risk that investing to the full extent of the investment mandate may have an adverse effect on the value of the Fund.

### ***Operational risk***

Disruptions to administrative procedures or operational controls may challenge the day to day operations of the Fund. Adverse impacts may arise internally through human error, technology or infrastructure changes.

### ***Derivatives risk***

Derivatives may be used to adjust the security and portfolio risk-reward profiles of the Fund and, as a result, have various risks attached to them. The risks of derivatives include: the value of the derivative failing to move in line with the underlying asset; potential illiquidity of the derivative; the possibility that the derivative position is difficult or costly to reverse; the derivative not performing as expected; premium decay over time; capital loss; and counterparty risk.

While the use of derivatives can offer the opportunity for higher returns, it can also magnify losses, resulting in a decrease in the value of Units in the Fund.

### ***Service provider risk***

The Fund relies on external service providers in connection with its operations and investment activities. Services include fund administration, prime brokerage, custody, audit and legal. There is a risk that these service providers may not meet their contractual obligations or seek to terminate their services to the Fund. In this situation, the Fund may be required to replace a service provider and this may lead to a disruption of its activities. See also operational risk.

### ***Legal, regulatory and tax risk***

Legal, regulatory and tax changes could occur during the life of the Fund, which may adversely affect the Fund and its underlying investments. The value or tax treatment of an investment, or the effectiveness of the Fund's trading or investment strategy, may be adversely affected by changes in government (including tax) policies, regulations and laws or changes in generally accepted accounting policies or valuation methods.

### ***Fund risk***

Common risks associated with most managed funds include the risks that the fund may be terminated; fees and expenses could change; the responsible entity could change; or the management of the fund could change.

In addition, the results of investing in the Fund may lead to different results compared with investing directly in securities because of income or capital gains accrued in the Fund and the consequences of other investors investing in, or withdrawing from, the Fund.

### ***Redemption risk***

The redemption notice period is between one month and two months for the Monthly Class, depending on the day during the month that a redemption request is provided to the Administrator. The risk associated with the length of this period is that it exposes the Unitholder to fluctuations in the Unit Price over this period. In addition, if market events reduce the liquidity of a security or asset class, the generally applicable timeframe for meeting redemption requests may not be met. It may take longer to sell these types of investments at an acceptable price. In addition, if an investor or group of investors seeks to make large redemptions, then selling assets to meet those redemptions may result in a detrimental impact on the price received by the Fund for those assets. In certain circumstances, the Responsible Entity may suspend redemptions to allow sufficient time for the liquidation of assets to meet redemptions.

Indirect Investors are subject to the above risk, although the timeframes discussed may vary depending upon the terms set out by the relevant IDPS operator and whether the Indirect Investor's investment relates to Units in the Monthly Class issued through an IDPS operator or the Daily Platform Class.

### ***Speculative nature of some investments***

Some investments of the Fund may be regarded as being speculative in nature and involve increased levels of investment risk. There can be no assurance that the Fund's investment objective will be realised or that investors will receive any return on their investment. Part of Auscap's investment strategy is to identify securities which are undervalued (or overvalued for short positions) by the marketplace. The success of such a strategy depends on the market eventually recognising such value in the price of the security, which may not necessarily occur.

### ***Foreign currency risk***

The Fund may have exposure to foreign assets or assets with foreign currency earnings. These assets and earnings may be subject to currency fluctuations between the Australian dollar and the currency in which the investment is denominated which may cause the value of an investment in the Fund to fall. Auscap will evaluate the foreign exchange exposure of the Fund and may undertake transactions that aim to reduce the impact of movements in exchange rates on the value of the Fund's assets. However, there

is no guarantee that this strategy will be successful or that currency risks will be mitigated. It may not be possible or practicable to hedge successfully against currency exposure in all circumstances. The cost of hedging is an expense that is borne by the Fund.

***Interest rate risk***

Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of many types of assets held by the Fund. Interest rates may directly or indirectly affect a company's cost of borrowings as well as the value of fixed interest securities.

***Performance Fee structure risk***

Auscap receives a Performance Fee as outlined in section 7. The Performance Fee arrangements may create an incentive for Auscap to make higher risk investments than might otherwise be the case.

***Cyber risk***

There is a risk of fraud, data loss, business disruption or damage to information of the Fund or to an investor's personal information as a result of a threat or failure to protect the information or personal data stored within the IT systems and networks of Auscap or other service providers.

***Force majeure risk***

Circumstances beyond Auscap's reasonable control may impact the operation, administration and performance of the Fund. Those include industrial disputes, failure of a securities exchange, fires, flood, hurricanes, earthquakes, wars, strikes, acts of terrorism, governmental pre-emption in connection with an emergency of state and pandemics.

## 6. INVESTING & WITHDRAWING FROM THE AUSCAP FUND

### 6.1 Applications

#### *Initial applications*

Applications, which require a minimum initial investment of \$1, may be made by completing the paper-based Application Form available at [www.auscapam.com/investor-forms/](http://www.auscapam.com/investor-forms/) or on request and sending it to Link Fund Solutions or for the Monthly Class, by completing the online Application Form available through Auscap's website at [www.auscapam.com](http://www.auscapam.com). Auscap has the absolute discretion to accept or reject an application and to change the minimum investment amount, including the right to waive or increase the minimum initial investment amount. Rejected, invalid or incomplete applications will be returned to applicants as soon as possible. Interest earned on rejected application monies is retained by the Fund and is not payable to the applicant.

Application money should be transferred to the bank account details listed in the Application Form. See below for cut-off times.

A confirmation advice will be issued to a Unitholder as soon as practicable following the determination of the applicable Unit Price.

Indirect Investors investing through an IDPS should use the application method required by their IDPS operator.

#### *Minimum additional investment*

Additional investments, which must be for a minimum investment of \$1, may be made by completing the Additional Application Form available at [www.auscapam.com/investor-forms/](http://www.auscapam.com/investor-forms/) or on request and sending it to Link Fund Solutions. Application monies for additional investments in the Fund by Unitholders can be transferred by cheque or by electronic funds transfer using the details listed in the Additional Application Form.

Alternatively, application monies for additional investments in the Fund by Unitholders can be transferred using BPAY<sup>®1</sup>, without completing the Additional Application Form. Unitholders can locate their BPAY details in their Monthly Unitholder Statement.

Auscap, in its absolute discretion, may waive or increase the minimum additional investment amount.

Indirect Investors investing through an IDPS should refer to the relevant IDPS guide for the minimum additional investment amount.

<sup>1</sup> BPAY<sup>®</sup> is registered to BPAY Pty Limited ABN 69 079 137 518.

#### *Application process, cut-off times and Issue Price*

New investors must complete an initial Application Form. If the initial paper-based Application Form is used, the initial Application Form and relevant identification documents must be sent as originals to the Administrator, and the Administrator will not process any new applications until it has received a properly completed and signed original Application Form and originals or original certified copies of applicable identification documentation required under the AML Requirements. If, for the Monthly Class the initial online Application Form is used, the instructions provided within that online Application Form should be followed in terms of the submission of applicable identification documentation.

For the Monthly Class, cleared funds must be transferred into the Fund's application account along with a correctly completed Application Form no later than 5pm on the last Business Day before the end of the month. Earlier or later cut-off times may be determined at the absolute discretion of Auscap. The

Fund will retain any interest earned on any application monies. Auscap recommends investors submit their Application Forms at least 3 Business Days before the end of the month.

Applications for the Monthly Class will generally be processed on the first Business Day of each month. The issue price (**Issue Price**) will be based on the NAV of the Fund at the immediately preceding Valuation Day (see Unit Pricing in section 6.2 below).

Applications for the Monthly Class and the Daily Platform Class by Indirect Investors via an IDPS should be made in the manner required by the relevant IDPS operator. The cut-off time for the Daily Platform Class applications, together with cleared funds, is 2pm on any Business Day for receipt of that day's Unit Price. Applications for the Daily Platform Class received by 2pm on a Business Day will generally be processed on the following Business Day. Any application received after 2pm on a Business Day will generally be treated as having been received the following Business Day. IDPS operators must contact Auscap for a specific Application Form for the Daily Platform Class. Indirect Investors should contact their IDPS operator for the applicable cut-off times for investing through the IDPS.

For additional investments, a copy of the completed Additional Application Form must be sent or emailed to the Administrator. Unitholders bear the risk of any Initial or Additional Application Forms not being received. Neither the Administrator nor Auscap accept any responsibility or liability for any loss caused as a result of non-receipt or ineligibility of any mail, email or Application Form or for any loss caused in respect of any action taken as a consequence of such instruction believed in good faith to have originated from properly authorised persons.

For clarity, in the event that BPAY is used for an additional investment, the Unitholder is not required to complete the Additional Application Form.

The cut-off times set out in this PDS remain the same where BPAY is used and you should keep this in mind in terms of when you make an additional investment using BPAY.

BPAY is not available for the transfer of application money for initial applications to invest in the Fund.

### ***Cooling off period***

Retail Investors can change their mind within a 14 day period of their investment by notifying Auscap in writing or electronically. The 14 day period commences on the earlier of either the date you receive confirmation of your investment or the end of the fifth day after the day on which your Units are issued. The realised market value of the Units will be refunded, less any taxes and reasonable transaction and administrative costs.

The proceeds refunded may be lesser or greater than the amount invested, since Units in the Fund are subject to market movement from the time they are acquired.

Cooling-off rights do not apply to "wholesale clients" as defined by the Corporations Act.

Also, cooling off rights do not apply in respect of any investment acquired through an IDPS. However, Indirect Investors should contact their operator and read the operator's offer document for more information on any cooling off rights that may apply in relation to the relevant IDPS.

### ***Unitholder and class rights***

Unitholders may be admitted to the Fund upon such terms and conditions as permitted by Auscap. Terms and conditions of Unitholders in one Class may differ from those applicable to Unitholders in other Classes on matters including, but not limited to, notice periods, fee waivers, rebates or reductions and information rights.

New Classes of Units in the Fund may be established by Auscap without the approval of the existing Unitholders. However, Auscap will provide existing Unitholders with written notice of any classification or reclassification of their existing Units in the Fund.

## 6.2 Unit pricing

Each Unit has a unit price (**Unit Price**), calculated by dividing the NAV of the relevant Class of Units by the total number of Units held by all Unitholders on that day for each Class. Unit Prices are calculated to 4 decimal places and the number of Units issued is rounded to 2 decimal places.

The Issue Price is calculated by reference to the Unit Price of the Monthly Class or the Daily Platform Class (as applicable) at the relevant Valuation Day and adding the “buy spread” per Unit. The Redemption Price is calculated in the same way as the Issue Price except that the “sell spread” is deducted. For more information of the “buy/sell spread” see section 7.2 of this PDS.

Under the Constitution of the Fund, Auscap has certain discretions in calculating Unit Prices. A documented unit pricing policy is maintained relating to the exercise of these discretions. A copy of the unit pricing policy is available free of charge by contacting Auscap.

## 6.3 Distributions

The Responsible Entity may determine whether Fund income is available for distribution. Any Fund income available for distribution, less expenses, will be distributed annually as soon as practicable after 30 June. Distributions will be based on the income and realised capital gains of the Fund’s investments for that tax year. Distributions will be calculated and allocated by Auscap and Link Fund Solutions in accordance with the Distribution Policy. Investors elect in the Application Form to have their distributions reinvested into Units in the Fund by default, but may elect to have their distributions paid in cash. Unitholders may also change their election at any time thereafter by notifying the Administrator in writing at least 10 Business Days before 30 June. Units issued for reinvestment of the distribution entitlement will not incur a “buy/sell spread”. If a Unitholder redeems all Units held by them in the Fund, and that redemption request is processed on 1 July, the Unitholder’s distribution (if any) will be paid to them as cash irrespective of their elected distribution option.

Auscap reserves the right to cancel distribution reinvestments and Unitholders will be notified if this occurs. Indirect Investors should review their IDPS guide for information regarding distributions.

## 6.4 Transfer of Units

Transfer requests should be made in writing to the Administrator. Auscap may require transfer documentation to be completed by the transferor including the completion of an Application Form by the transferee and/or other documentation. Auscap may refuse to register any transfer of Units in its absolute discretion without providing any reason. If Auscap refuses to register a transfer of Units, the relevant Units may be compulsorily redeemed by Auscap.

Unitholders should consider and obtain advice on the taxation implications of any such transfer of Units. Indirect Investors should contact their IDPS operator for information regarding the transfer of Units.

## 6.5 Redemptions/Withdrawals

### *Redemption processes and cut off times*

If a Unitholder requests to redeem Units from the Fund and Auscap accepts that request, Auscap will, to the extent necessary, liquidate securities it holds as positions in the Fund. Auscap will use the proceeds of the realisation of the assets to fund the Unitholder's request.

For the Monthly Class, redemption requests must be submitted and received by the Administrator by 5pm on the last Business Day of the month, with a one full month notice period then applying and the processing of the redemption request taking place on or about the first Business Day of the month following the one full month notice period.

This means that if a Unitholder submits a redemption request on the first day of a month, the Redemption Price will be calculated based on the NAV per Unit on the Valuation Day at the end of the next month, with the redemption request processed on or about the first Business Day of the following month. This is effectively a 2 month period. In normal circumstances, proceeds from redemptions will be available within 30 days after the relevant Redemption Day.

For the Daily Platform Class, redemption requests must be submitted by the IDPS operator and received by the Administrator by 2pm on any Business Day for receipt of that day's Unit Price. Any redemption request received after 2pm on a Business Day will generally be treated as having been received the following Business Day. Indirect Investors should contact their IDPS operator for applicable cut-off times for making a redemption request through the IDPS. In normal circumstances, proceeds from redemptions for the Daily Platform Class will be available within 10 Business Days after the redemption has been processed.

For a partial redemption request, instructions must specify the amount of Units or the dollar amount to be redeemed.

The redemption price will be the NAV per Unit of a Class on the Valuation Day immediately preceding the Redemption Day, less the "sell spread" (**Redemption Price**). With the exception of Financial Year end, Redemption Prices will generally be finalised within 10 Business Days after the relevant Redemption Day. For Financial Year end, Redemption Prices will generally be finalised within 20 Business Days.

If the original request is received by the Administrator after the deadline for receipt of requests for any particular Redemption Day, it will be treated as a request for redemption on the next Redemption Day.

*The examples below are provided for illustrative purposes only for redemptions in the Monthly Class. The examples show the timeframe for processing a redemption request and for a Unitholder to receive a redemption payment based on redemption requests being received by the Administrator on 1 February and 31 January (and assumes each date specified below is a Business Day).*

#### **Worked example 1 – Redemption timing**

Redemption request received by Administrator on 1 February.

Redemption processed on 1 April and Redemption Price calculated as at the Valuation Day immediately preceding this date.

Proceeds from redemption generally received by Unitholder by 30 April.

#### **Worked example 2 – Redemption timing**

Redemption request received by Administrator on 31 January.

Redemption processed on 1 March and Redemption Price calculated as at the Valuation Day immediately preceding this date.

Proceeds from redemption generally received by Unitholder by 30 March.

In order to request a redemption of Units, Unitholders need to correctly complete and submit the Redemption Request Form available at [www.auscapam.com/investor-forms/](http://www.auscapam.com/investor-forms/) or on request. Redemption payments will occur by way of electronic funds transfer to the bank account nominated by the Unitholder. Normal bank charges will apply.

If Unitholders choose to send Redemption Request Forms by post or email, they bear the risk of such requests not being received. Neither the Administrator nor Auscap accept any responsibility or liability for any loss caused as a result of non-receipt or ineligibility of any mail, email or Redemption Request Form or for any loss caused in respect of any action taken as a consequence of such instruction believed in good faith to have originated from properly authorised persons.

Auscap has the absolute discretion to allow redemptions at other times or with longer or shorter notice periods.

Indirect Investors need to provide redemption requests directly to the IDPS operator. The time to process a redemption request will depend on the particular IDPS operator.

### ***Redemption proceeds***

Where a Unitholder redeems its Units, Auscap may determine after year end the amount of the Fund's net income that is referable to those redeemed Units. The redemption proceeds may include and comprise capital and income in proportions determined by Auscap.

### ***Suspension of redemptions***

Under the Constitution, Auscap has the right to deny a redemption request. In addition, Auscap may suspend the redemption of Units and the payment of redemption proceeds if it believes that it is in the best interests of Unitholders as a whole, e.g. if it believes that it is desirable for the protection of the Fund. As noted in section 5, there are certain circumstances (e.g. market events causing a reduction in the liquidity of a security or asset class, or if an investor or a group of investors seek to make large redemptions, or if any relevant financial market is closed or trading on any such market is restricted) where Auscap, if it believes that it is in the best interests of Unitholders as a whole, may suspend the redemptions of Units and the payment of redemptions to allow sufficient time for liquidation of assets to meet redemptions. This means that the generally applicable timeframe for processing redemptions may be extended. Redemption requests received during a suspension period will be processed at the next Redemption Day after the end of the suspension.

If there are any material changes to a Unitholder's rights with respect to redemptions or a redemption request is denied, the Unitholder will be notified by the Responsible Entity in writing.

### ***Withdrawal offers***

In some circumstances (e.g. if the Fund becomes illiquid), investors may not be able to redeem their investment in the usual period or at all. If the Fund ceases to be liquid (as defined in the Corporations Act), redemptions will only be permitted if Auscap makes a withdrawal offer in accordance with the Corporations Act. Auscap is not obliged to make such an offer. If Auscap makes such an offer, and an insufficient amount of money is available from the assets specified in the withdrawal offer to satisfy redemption requests, the requests will be satisfied proportionately amongst the redeeming investors. Under the Corporations Act, a fund is generally illiquid if it has less than 80% liquid assets (generally cash and marketable securities).

## 6.6 Valuation

Under Australian Accounting Standards, investments in the Fund are valued at fair value. The valuation policy of the Fund is that listed investments are valued at their last traded price, or where this price is not available, using the best information reasonably available including by reference to comparable investments. This may lead to differences in the Fund valuation compared with the valuation performed for Australian Accounting Standards at the Financial Year end. A copy of the valuation policy is available free of charge by contacting Auscap.

Cash is valued at its face value with the addition of accrued interest.

## 6.7 Monitoring your investment

### *Unitholder communications*

Unitholders will receive regular correspondence from Auscap either directly, on Auscap's website, or from Link Fund Solutions. This includes:

- Subscription Confirmation
  - ▶ Sets out details of the Unitholder, Valuation Day, Unit Price, the Class and number of Units the Unitholder holds in the Fund upon initial or subsequent application
- Monthly Unitholder Statement
  - ▶ Includes monthly unitholdings, the current NAV and the Unit Price of any holdings in a relevant Class
- Annual Tax Distribution Statements
- Periodic Statements
- Fund Annual Report
  - ▶ Reports on key information including:
    - the allocation to each asset type held by the Fund;
    - the liquidity profile of the Fund's assets as at the end of the reporting period;
    - the Fund's leverage ratio as at the end of the reporting period;
    - the maturity profile of the Fund's liabilities and the derivative counterparties engaged;
    - annual investment returns over a five year period or since inception of the Fund (if the Fund has not been operating for five years); and
    - the key service providers, if they have changed since the last such Annual Report
  - ▶ The latest Fund Annual Report will be available online at a web address that will be communicated to Unitholders
- Transfer Confirmation
  - ▶ Sets out details of the Unitholder, transfer day, Unit Price, the Class and number of Units the Unitholder holds in the Fund upon transfer out and transfer in
- Redemption Statement
  - ▶ Includes the Units or amount redeemed and the applicable Redemption Price

### ***Audited financial statements***

Audited financial statements of the Fund will be prepared annually for the year ending 30 June. They will be prepared in accordance with the applicable accounting standards in Australia to the extent that the Fund is required to comply with those standards by the Corporations Act or under the Fund's Constitution. A copy of the most recent annual audited financial statements of the Fund will be available online at a web address that will be communicated to Unitholders.

Unitholders may request to be sent a copy of the financial statements, which will be provided by Auscap free of charge.

### ***Other regular information***

The Auscap Newsletter, which discusses monthly investment performance, exposures and philosophy, is available on Auscap's website ([www.auscapam.com](http://www.auscapam.com)) or via subscription to Auscap's email mailing list.

Other updated information will also be available via Auscap's website ([www.auscapam.com](http://www.auscapam.com)), including the following information on a monthly basis:

- the current NAV of the Fund;
- the redemption value of a Unit in each Class as at the date the NAV was calculated;
- the key service providers if they have changed since the last update given to investors; and
- each of the following since the last update given on those matters:
  - ▶ the net return for the Monthly Class on the Fund's assets after fees, costs and taxes;
  - ▶ any material change in the Fund's risk profile or strategy; and
  - ▶ any change in the individuals playing a key role in investment decisions for the Fund (i.e. the Principals and Portfolio Managers).

### ***Continuous disclosure***

As the Fund is a 'disclosing entity' within the meaning of that term in the Corporations Act, it is 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 and will also be available on request from Auscap.

In addition, Unitholders have the right to obtain a copy of the following documents from Auscap upon request:

- the annual financial report most recently lodged with ASIC;
- any half year financial report lodged with ASIC (if applicable) after the lodgement of the latest annual financial report; and
- any continuous disclosure notices released by the Fund after lodgement of the latest annual financial report.

Any other continuous disclosure notices required under the Corporations Act will be made available on Auscap's website ([www.auscapam.com](http://www.auscapam.com)) on the basis of ASIC's good practice guidance for continuous disclosure.

## 7. FEES & OTHER COSTS

### 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 fees. 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)** Moneysmart website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

### 7.1 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 Fund as a whole. Taxes are set out in another part of this document.

For Indirect Investors, the fees listed in this 'Fees & Other Costs' section of this PDS are in addition to any other fees and costs charged by your IDPS.

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*

<b>Auscap Long Short Australian Equities Fund</b>		
<b>Type of fee or cost</b>	<b>Amount</b>	<b>How and when paid</b>
<b>Ongoing annual fees and costs</b>		
<i>Management fees and costs</i> The fees and costs for managing your investment	For each Class, 1.69% per annum of the NAV <sup>1</sup>	This amount is charged as follows: <ul style="list-style-type: none"> <li>• for the Monthly Class, accrues and is payable monthly; and</li> <li>• for the Daily Platform Class, accrues and is payable daily and reflected in the daily Unit Price.</li> </ul>

Type of fee or cost	Amount	How and when paid
<b>Ongoing annual fees and costs</b>		
<i>Performance fees</i> Amounts deducted from your investment in relation to the performance of the Fund	1.22% per annum of the Fund's NAV <sup>1</sup>	The Performance Fee is 15.375% of Outperformance. <sup>2</sup> For the Monthly Class, accrues and is payable monthly. For the Daily Platform Class, accrues and is payable daily. For further information refer to 'Additional explanation of fees and costs' at section 7.2.
<i>Transaction costs</i> The costs incurred by the Fund when buying or selling assets	For each Class, 0.07% per annum of the NAV <sup>1</sup>	Deducted from the assets of the Class as incurred and reflected in the Unit Price.
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the Fund)</b>		
<b>Establishment fee</b> The fee to open your investment	Nil	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment	Nil	Not applicable
<b>Buy-sell spread</b> An amount deducted from your investment representing costs incurred in transactions by the scheme	0.2%/0.2% (Monthly Class) and 0.3%/0.3% (Daily Platform Class) of the investment or redemption amount	Incurred at the time of transaction and incorporated into the Issue Price and the Redemption Price. Paid into or retained by the Fund for the benefit of other Unitholders.
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Exit fee</b> The fee to close your investment	Nil	Not applicable
<b>Switching fee</b> The fee for changing investment options	Nil	Not applicable

<sup>1</sup> Unless otherwise stated, all fees and costs in this PDS are quoted inclusive of GST and net of any reduced input tax credits (RITC) that are expected to be available to the Fund.

<sup>2</sup> The Performance Fee is referable to the Class you have invested in. Refer below for more detail

### Example of annual fees and costs for the Auscap Fund

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

EXAMPLE – Auscap Fund		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
<b>PLUS</b> Management fees and costs	1.69% p.a. of the NAV <sup>1</sup>	<b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment \$843 each year
<b>PLUS</b> Performance fees	1.22% p.a. of the Fund's NAV	<b>And</b> , you will be charged or have deducted from your investment \$612 in performance fees each year
<b>PLUS</b> Transaction costs	0.07% p.a. of the NAV <sup>1</sup>	<b>And</b> , you will be charged or have deducted from your investment \$36 in transaction costs.
<b>EQUALS</b> Cost of Fund <sup>2</sup>		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 \$1,491 <sup>3</sup> <b>What it costs you will depend on the investment option you choose and the fees you negotiate<sup>4</sup></b>

<sup>1</sup> The figure in this table is based on the Monthly Class of Units in the Fund which, as at the date of this PDS, was the investment option under which the largest proportion of the assets of the Fund were invested.

<sup>2</sup> Additional fees and costs may also apply. Indirect Investors may also incur additional fees and costs charged by their IDPS operator.

<sup>3</sup> This example assumes the additional \$5,000 was invested at the end of the first year, therefore the management fees and costs are calculated on the \$50,000 balance only.

<sup>4</sup> There are no differential fees for Retail Investors.

## 7.2 Additional explanation of fees and costs

### Management fees and costs

The management fees and costs are comprised of the Management Fee and recoverable expenses in relation to the Fund. The Fund's management fees and costs are payable, or can be recovered, from the Fund's assets.

The Management Fee includes Auscap's fees as the Responsible Entity and Investment Manager of the Fund, for overseeing the operations of the Fund and managing its assets. The Management Fee of 1.5375% pa (including GST net of RITC) of the NAV of the Fund accrues and is payable by the Fund to Auscap monthly in arrears for the Monthly Class. For the Daily Platform Class, the Management Fee is accrued and payable daily and is reflected in the daily Unit Price of the Daily Platform Class. The NAV of the Fund is the value of all of its assets less all of its liabilities.

### Fund expenses

Auscap also has a right to recover or pay out of the Fund's assets costs incurred in managing the Fund, including expenses such as custodial, administrative, accounting, registry, legal, banking and audit expenses incurred in respect of the Fund. This also includes expenses such as those incurred in holding a Unitholder meeting or defending a third party claim made against the Fund. Auscap recovers expenses from the Fund's assets. For FY22, for each Class, expenses were 0.15% of the average NAV, but these expenses may vary from year to year.

## Performance Fee

In addition to the management fees and costs, Auscap is also entitled to a Performance Fee of 15.375% (including GST net of RITC) of Outperformance, which is payable out of the assets of the Fund.

The Performance Fee is referable to the Class invested in. Outperformance for a Performance Period is calculated as the amount by which the NAV per Unit of the relevant Class at the end of the relevant Performance Period plus any relevant distributions exceeds the High Water Mark adjusted by the Hurdle Rate. The High Water Mark means, until a Performance Fee in respect of the Class is payable, the issue price of the relevant Class, or otherwise, the NAV per Unit immediately following the most recent Performance Period in respect of which a Performance Fee was payable for the relevant Class. The Hurdle Rate is the percentage rate of return of the All Ordinaries Accumulation Index (which can be positive or negative). Performance fees will only be payable on Outperformance when the NAV per Unit at the end of a Performance Period plus any relevant distributions also exceeds the High Water Mark increased by the Reserve Bank of Australia Cash Rate.

There may be a scenario where an investor is issued Units in the Fund after the Fund has outperformed the Hurdle Rate but the performance of the Fund as against the Reserve Bank of Australia Cash Rate is such that a Performance Fee is not yet payable. If this is the case, when the Fund subsequently outperforms the Hurdle Rate and the Reserve Bank of Australia Cash Rate, this investor may have a Performance Fee deducted in respect of their investment that represents Outperformance over a period of time for which they were not in the Fund (i.e. the period of time between when the Hurdle Rate has been exceeded in respect of a Performance Period and when they invested in the Fund).

For the Monthly Class, the Performance Fee accrues and is payable monthly as at the end of each Performance Period. For the Daily Platform Class, the Performance Fee accrues and is payable daily at the end of each Performance Period and reflected in the daily Unit Price of the Daily Platform Class.

The performance fee of 1.22% p.a. of the Fund's NAV displayed in the 'Fees and costs summary' is calculated by taking the average of the performance fees that accrued in relation to the Fund in each of the previous five Financial Years. To undertake this calculation, the Responsible Entity has used the average NAV of the Fund over the relevant Financial Year. On 1 January 2021, Auscap changed the benchmark from the Reserve Bank of Australia Cash Rate to the Benchmark, i.e. the All Ordinaries Accumulation Index, and from that date the payment of the Performance Fee also became subject to the Fund's performance being above the return of the Reserve Bank of Australia Cash Rate. Auscap notes that if this approach was in place prior to 1 January 2021, the average performance fee in the 'Fees and costs summary' would be lower.

Worked Performance Fee examples are set out below.

*The examples below are provided for illustrative purposes only in respect of the calculation of the Performance Fee, and do not represent actual or prospective performance of the Fund. These examples show the dollar effect for a hypothetical investor. Investor A has \$50,000 invested in the Fund on the first day of the period where a performance fee was calculated, has made no transactions and was fully invested during that period. Please note, the Fund's returns in these examples exclude the impact of the Performance Fee.*

**Performance Fee Worked examples**

Scenario	Performance Fee*
<b>Scenario 1</b>	
<ul style="list-style-type: none"> <li>Fund's return is 5%</li> <li>Benchmark return is 5%</li> <li>RBA Cash Rate return is 1%</li> <li>The Fund return in excess of the Benchmark is 0%</li> </ul>	No performance fee is charged
<b>Scenario 2</b>	
<ul style="list-style-type: none"> <li>Fund's return is 3%</li> <li>Benchmark return is -2%</li> <li>RBA Cash Rate return is 1%</li> <li>The Fund return in excess of the Benchmark is 5%</li> </ul>	A performance fee of \$375 is charged (\$50,000 x 5% x 15% = \$375)
<b>Scenario 3</b>	
This is a two period example, the hypothetical investor is invested throughout	No performance fee is charged in Period 1
<b>Period 1</b> <ul style="list-style-type: none"> <li>Fund's return is 0%</li> <li>Benchmark return is -5%</li> <li>RBA Cash Rate return is 1%</li> <li>The Fund return in excess of the Benchmark is 5%</li> </ul>	The Fund's performance is below that of the RBA Cash Rate
<b>Period 2</b> <ul style="list-style-type: none"> <li>Fund's return is 5%, two period return now 5%</li> <li>Benchmark return is 7.37%, two period return now 2%</li> <li>RBA Cash Rate return is 1%, two period return is 2%</li> <li>The Fund return in excess of the Benchmark since the last High Water Mark is 3%</li> </ul>	A performance fee of \$225 is charged in Period 2 (\$50,000 x 3% x 15% = \$225)

*\* For ease of illustration, the figure of 15% used in these examples for the Performance Fee is based on outperformance and quoted exclusive of GST net of RITC (but it is subject to GST net of RITC).*

**Transaction costs**

In addition to the expenses discussed above, the Fund may incur transaction costs associated with the buying and selling of the Fund's assets, including brokerage, the "buy/sell spread", settlement costs (including custody costs), clearing costs and stamp duty.

Transaction costs incurred as a result of Unitholders coming into and out of the Fund may be accounted for in the "buy/sell spread". Other transaction costs are additional costs to Unitholders that are deducted from the assets of the Fund. Such costs are recovered as they are incurred and reflected in the Unit Price.

The transaction costs disclosed in the 'Fees and costs summary' are shown net of any amounts recovered through the "buy/sell spread". For example, the total transaction costs for the Monthly Class during FY22 were 0.15% of the average NAV. Approximately 0.08% of this amount was recovered through the "buy/sell spread" charged to Unitholders (discussed in more detail below), resulting in estimated net transaction costs for FY22 of 0.07% of the average NAV. For clarity, this amount represents the total gross transaction costs minus the total amount recovered through the "buy/sell spread".

Transaction costs may vary. The turnover in the underlying assets may change substantially as investment and market conditions change, which may affect the level of transaction costs not covered in the “buy/sell spread”. Further, there are highly variable drivers upon which such transaction costs are dependent.

#### ***Buy/Sell spread***

A buy/sell spread of 0.2%/0.2% is charged on all applications and redemptions for the costs of acquiring and selling assets of the Fund to issue and redeem Units in the Monthly Class, and a buy/sell spread of 0.3%/0.3% is charged on all applications and redemptions for the costs of acquiring and selling assets of the Fund to issue and redeem Units in the Daily Platform Class. This is an additional cost to the investor but is incorporated into the Unit Price, and is incurred when an investor invests in or redeems Units from the Fund, and is not separately charged to the investor. This is paid into the Fund for the benefit of other Unitholders. This amount represents a contribution to the estimated transaction costs incurred by the Fund to accommodate the issue and redemption of Units in the Fund.

There is no “buy/sell spread” on distributions from the Fund that are re-invested. The “buy/sell spread” may be altered by Auscap at its discretion.

If the “buy/sell spread” charged represents only a portion of the Fund’s transaction costs incurred during a Financial Year, the balance of the Fund’s transaction costs will be borne by the Fund from the Fund’s assets without any recovery from individual Unitholders (see the explanation of transaction costs above). If the “buy/sell spread” charged exceeds the Fund’s transaction costs during a Financial Year, the balance of the “buy/sell spread” will be retained by the Fund and not paid to Auscap.

#### **Soft commissions**

Auscap may have soft commission arrangements in place with brokers and counterparties it uses to execute transactions. Auscap may receive a benefit based on certain metrics, such as value of trades executed through the respective broker or counterparty. Benefits received may include, among other things: research and information services, portfolio risk and trade analysis or particular trade execution capabilities. Auscap may choose to use soft commissions to pay for other direct expenses properly incurred in managing the Fund. While the benefits of such arrangements are generally used to assist Auscap in managing the Fund, Auscap is entitled to retain, and is not accountable in any way, to the Fund nor to any Unitholders, for soft commissions.

#### **Fees waiver, deferral or reduction**

Auscap retains the sole discretion to elect to waive, defer or reduce any fees from time to time. Any such waiver, deferral or reduction will in no way affect the right to receive any fees payable. Subject to the Corporations Act, Auscap retains the absolute discretion to rebate, waive, defer or reduce all or any part of any fees applicable to the Units for certain Unitholders and/or pay all or part of such fees to third parties for services related to the placement of Units.

#### **Differential fees and rebates**

Auscap may, in its sole discretion and in accordance with relevant ASIC policy and the Corporations Act, negotiate a rebate or waiver of the Management Fee and/or Performance Fee with wholesale clients, as defined by the Corporations Act, including IDPS operators. Any fee rebate or waiver is subject to Auscap determining that the giving of the rebate or waiver satisfies the requirements of ASIC policy and the Corporations Act. Reduced fees do not adversely affect the fees paid or to be paid by Unitholders who are not entitled to the fee arrangements.

#### **Additional fees may apply**

Additional fees may be payable by you to a financial adviser if you have consulted a financial advice provider. You should refer to the Statement of Advice or Financial Services Guide provided by your financial advice provider for details of these fees. Indirect Investors accessing the Fund through an IDPS may incur fees and costs applicable to the IDPS through which they invest in the Fund, separate to the Fund’s fees and

expenses. As well as reading this PDS, Indirect Investors should read their IDPS operator's offer document, which explains the fees and costs payable by the Indirect Investor to the IDPS operator.

#### **Increases to fees and other costs**

The Fund's Constitution permits higher fees to be charged as well as other fees which are not currently levied. Accordingly, Auscap may increase or commence charging the fees set out below without the consent of Unitholders up to the maximum amount. Under the Fund's Constitution, the maximum fees are a maximum management fee of 4% of the gross value of the Fund's assets, a maximum performance fee of 30% of outperformance (as defined in the Constitution), a maximum application fee of 5% of the application monies received and a maximum redemption fee of 2% of the amount payable for the redemption of Units. Currently, Auscap does not have an intention to change the fee structure outlined elsewhere in this document. Auscap will give 30 days' written notice in advance of any increase in fees and costs charged by the Fund.

Refer to section 9.1 of this PDS for more information regarding the Fund's Constitution.

#### **Tax**

Refer to section 8 of this PDS for information on tax.

## 8. TAXATION CONSIDERATIONS

There are taxation implications when investing, withdrawing and receiving income from the Auscap Fund. The following summary of taxation matters is a general guide only and does not constitute tax advice. In particular, it applies where investors are residents of Australia for income tax purposes and hold their investment in the Fund on capital account for income tax purposes. This summary does not apply where investors are not resident of Australia for income tax purposes or where any gain in respect of the disposal of Units would be regarded as ordinary income or otherwise taxed on revenue account.

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

### 8.1 Taxation of the Auscap Fund and Australian resident investors

The Fund should be treated as an Australian resident for income tax purposes. Auscap, as the Responsible Entity of the Fund, has made an irrevocable election to apply the Attribution Managed Investment Trust (**AMIT**) regime to the Fund. This regime will continue to apply, subject to the Fund continuing to satisfy the relevant eligibility requirements.

The Fund has made an irrevocable election to treat gains and losses on the sale of eligible assets as capital gains and losses (the **MIT CGT election**). This election will continue to apply for all years where the Fund qualifies as a Managed Investment Trust (**MIT**). By making the election, the gains and losses from certain eligible assets will be taxed under the capital gains tax (**CGT**) regime. Eligible assets include shares and non-share equity interests, units in unit trusts, and land or interests in land, and options over these assets.

Where the Fund meets the AMIT requirements for a particular income year, it should generally not be liable to pay income tax where the Responsible Entity properly attributes all of the Fund's taxable income and tax offsets (described in the AMIT regime as **Trust Components**) on a fair and reasonable basis.

Australian resident investors will be subject to tax on the Trust Components of the Fund which are attributed to them. This may be comprised of dividend income, franking credits, foreign income, foreign income tax offsets, interest income and revenue and capital gains on the sale of investments. The tax payable (if any) depends on the investor's individual tax profile and applicable tax rate. The amount attributed to investors will be advised in an AMIT Member Annual Statement (**AMMA Statement**). The AMMA Statement will set out the amount which has been attributed to an investor (and where relevant, its components) and other relevant tax information.

If an investor disagrees with Auscap's attribution of income, the investor can challenge the attribution amount by notifying the Commissioner of Taxation. If, as an investor, you decide to take this course, it is important that you obtain professional tax and legal advice. You must contact Auscap before notifying the Commissioner.

The cost base of a Unitholder's holdings may be increased or decreased in certain situations such as where the distribution is less than or more than certain components attributed to investors. The amount of any increase or decrease will be provided to Unitholders on their AMMA Statement.

It is noted that under the AMIT regime, cash does not need to be paid to investors equal to amounts attributed. Where the Fund attributes taxable amounts to investors that are not paid in cash an upwards cost base adjustment can arise.

### ***Where the Fund is not an AMIT***

Where the Fund does not satisfy the AMIT eligibility requirements the Fund itself should not be liable to pay Australian income tax in relation to its taxable income (net income) where the Fund's investors are presently entitled to the Fund's net income each year. Rather, each investor should include their share of the Fund's net income in their assessable income irrespective of the amount of cash distributed to them or whether it is reinvested or actually paid in a subsequent year. The Fund's net income may be comprised of dividend income, franking credits, foreign income, foreign income tax offsets, interest income and revenue and capital gains on the sale of investments.

In calculating the Fund's net income, the cash component of any franked dividend income should be grossed up to include franking credits relating to that dividend income and the cash component of any foreign income that has been subject to tax in another jurisdiction should be grossed up to include foreign income tax offsets relating to that foreign income. Finally, the Fund's taxable net income should be determined after having taken into account any tax deductible expenditure incurred by the Fund.

The Fund will provide an annual distribution statement to investors each year to inform them of their share of the net income of the Fund, including the components that make up that share.

### ***Public trading trust rules***

The Fund does not intend to derive income other than from an "eligible investment business". Accordingly, it should not be subject to tax as a public trading trust.

### ***Losses***

Where the Fund is in a net capital loss or tax loss position in any income year, these losses are quarantined at the level of the Fund and may not be passed on to investors.

However, the Fund may be able to utilise those losses to reduce its capital gains (in the case of carried forward capital losses) or taxable income (in the case of carried forward tax losses) in subsequent income years. Note however that the ability to use tax losses requires certain conditions to be satisfied.

### ***Franked dividends and franking credits***

Generally, an investor's share of the Fund's Trust Components may include franked dividend income. Investors should include the franked dividend income in their assessable income.

Where franking credits are attached to dividends received by the Fund, these should flow indirectly to an investor, provided the investor is attributed franked distributions that form part of the Fund's Trust Components and Auscap satisfies the "qualified person" test in relation to the dividend.

Where the Fund is not an AMIT, where franking credits are attached to dividends received by the Fund, these should flow indirectly to an investor, provided the investor is presently entitled to franked distributions that form part of the distributable income of the Fund and:

- Auscap satisfies the "qualified person" test in relation to the dividend;
- the Fund is a fixed trust; and
- the Australian resident investor satisfies the "qualified person" test in relation to their units in the Fund.

### ***Foreign income and foreign income tax offsets***

Generally, an investor's share of the Fund's Trust Components may include foreign income (which will generally represent foreign dividends for Australian tax purposes paid to the Fund as well as foreign sourced revenue gains). Investors should include the foreign income, including any foreign income tax offsets attached to that income, in their assessable income and may be entitled to reduce the tax that they have to pay by some or all of their share of the foreign income tax offset, subject to certain limits.

### ***Capital gains***

If an investor's share of the Trust Components of the Fund includes an amount that consists of discounted capital gains derived by the Fund, the investor needs to first 'gross up' the discounted capital gain (by multiplying it by 2). However, after grossing up any discounted capital gains, investors may be able to reduce the capital gains distributed by the Fund by any capital losses which are available to them. Furthermore, after applying any loss, individual, trust and complying superannuation fund investors may then be entitled, in determining the net capital gain that is to be included in their assessable income, to discount that capital gain by 50% for individuals and trusts (subject to certain conditions) and 33.3% for complying superannuation funds.

To the extent that the investor's share of the Fund's distributable income includes an AMIT CGT gross up amount (or CGT concession component), no adjustment to the cost base or reduced cost base of the underlying Units in the Fund should be required.

### ***Non-assessable distribution payments***

Distributions of non-assessable amounts (typically referred to as "Other Non-Attributable Amounts" or "Tax Deferred" amounts) are generally not subject to tax. Although the receipt of non-assessable amounts are generally not subject to tax, the receipt of certain non-assessable amounts may have CGT consequences. Broadly, the receipt of certain non-assessable amounts may reduce the cost base of the investor's investment in the Fund. If the cost base reduces to zero, any additional non-assessable receipts may give rise to an immediately taxable capital gain. If the cost base is not reduced to zero, the reduction to the cost base and reduced cost base may result in either an increased capital gain or a reduced capital loss on the subsequent disposal of the Units in the Fund.

### ***Disposal of Units by Australian resident investors***

Where a Unitholder redeems its Units, Auscap may determine after year end the amount of the Fund's Trust Components or net income that is referable to those redeemed Units. The redemption proceeds may include and comprise capital and income in proportions determined by Auscap.

Any taxable capital gain arising from the disposal (including redemption) of an investment in the Fund may form part of the exiting Australian resident investor's assessable income. To the extent the disposal gives rise to a capital gain, investors that are individuals, trusts and complying superannuation funds may be eligible for the capital gains tax discount if their investment (i.e. their Units) has been held for at least 12 months and the investor holds their Units on capital account. Any capital losses arising from the disposal of the investment may be used to offset other capital gains the investor may have derived.

## **8.2 Goods and Services Tax ("GST")**

References to GST in this PDS are to GST payable in Australia.

The Fund is registered for GST. The acquisition and disposal of Units in the Fund by investors should not be subject to GST. Similarly, the distributions paid by the Fund should not be subject to GST. GST is payable on some ongoing expenses, however the Fund may be able to claim a reduced input tax credit (RITC) of at least 55% of the GST paid, depending on the precise nature of the expenses. All fees and expenses are quoted inclusive of GST.

## **8.3 Duty**

The issue or redemption of Units should not attract any duty. Duty may be payable on the transfer of Units. Investors should confirm the duty consequences of transferring Units with their taxation adviser.

## 8.4 Tax File Numbers (TFNs) and Australian Business Numbers (ABNs)

It is not compulsory for an investor to quote their TFN or ABN. However, unless exempted, failure by an investor to quote an ABN or TFN will result in tax being withheld by Auscap at the top marginal tax rate plus the Medicare levy and other levies as applicable, on gross payments including distributions of income to the investor or on amounts attributed to investors (deemed payments). The investor may be able to claim a credit in the investor's tax return for any TFN/ABN tax withheld. By quoting their TFN or ABN on their Application Form for the Fund, the investor authorises Auscap to apply it in respect of all the investor's investments in the Fund.

## 8.5 Taxation of non-resident investors

The tax rules applying to a non-resident investor differ to those applying to a resident investor. Non-resident investors may also be subject to tax in the country in which they reside, but may be entitled to a credit for some or all of the tax deducted in Australia.

Appropriate deductions of Australian withholding taxes will be made from attributions of Australian sourced taxable income for non-resident Unitholders. The rate of withholding tax will depend on the composition of the distribution and on whether the non-resident Unitholder is a resident of a country with which Australia has a Double Tax Agreement or has an address which is in an exchange of information country. Distributions to non-resident Unitholders from sources wholly outside Australia will generally be exempt from Australian withholding tax.

You may be subject to the tax laws in the country in which you are tax resident but may be entitled to credits for tax deducted in Australia. You should consult a taxation adviser before investing.

Non-residents seeking to invest in the Fund should obtain tax advice in relation to their specific circumstances.

## 9. ADDITIONAL INFORMATION

### 9.1 How the Auscap Fund is governed

The Auscap Fund is governed by its Constitution, the Corporations Act, relevant ASIC policy and general law. In particular, the Constitution provides an operational framework for the ongoing management of the Fund. It also provides for Auscap's powers, duties and obligations as the Responsible Entity of the Fund and the limits of Auscap's liability and right to be indemnified for the proper administration of the Fund.

#### ***The Fund's Constitution***

The Constitution contains rules relating to a number of issues including:

- the rights of Unitholders;
- the process by which Units are issued and redeemed (including Fund liquidity rules, and the Responsible Entity's discretion to compulsorily redeem Units);
- the investment parameters of the Responsible Entity;
- the Responsible Entity's right to claim an indemnity from the Fund and charge fees and expenses to the Fund; and
- the termination of the Fund.

The Constitution also contains provisions designed to limit an investor's liability to the amount they have invested in the Fund. However, you should be aware that the effectiveness of such a limitation is yet to be conclusively determined by the courts. The Responsible Entity is entitled to be indemnified by a Unitholder to the extent the Responsible Entity incurs any liability for tax as a result of the Unitholder's action or inaction.

The Constitution allows the Responsible Entity to transfer Fund assets to a Unitholder instead of a cash payment to satisfy part or all of a redemption, a distribution or on winding up of the Fund and the transfer costs may be deducted from the amount due to the Unitholder.

The Constitution also provides a process for the Fund to merge with another fund if approved by a special resolution of Unitholders.

A copy of the Constitution, which has been lodged with ASIC, is available free of charge by contacting Auscap.

#### ***Termination***

The Constitution, together with the Corporations Act, governs how and when the Fund may be terminated. Auscap, as the Responsible Entity of the Fund, may terminate the Fund at any time by giving written notice to Unitholders. On termination, subject to the terms of issue of any Class as set out in the Constitution, a Unitholder is entitled to a share of the net proceeds of the realisation of the assets of the Fund in proportion to the number of Units they hold.

#### ***Unitholder meetings***

The conduct of Unitholder meetings and Unitholders' rights to requisition, attend and vote at those meetings are subject to the Corporations Act and the Constitution.

#### ***Compliance Plan and Compliance Committee***

The Fund has a Compliance Plan which has been lodged with ASIC and sets out the measures that Auscap is to apply in operating the Fund as the Responsible Entity to ensure compliance with the Constitution, Corporations Act and relevant ASIC policy. A Compliance Committee has been appointed to monitor compliance by Auscap with the Fund's Constitution and the Compliance Plan.

## 9.2 Anti-money laundering and counter-terrorism financing laws

The *Anti Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and other applicable anti-money laundering and counter terrorism laws, regulations, rules and policies which apply to Auscap (**AML Requirements**) regulate financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing.

Under the AML Requirements, Auscap is required to:

- verify your identity before providing services and to re-identify a Unitholder if we consider it necessary to do so; and
- keep a record of any documentation Unitholders supply relating to the verification of their identity for 7 years.

Auscap and any representative or agent acting on its behalf, such as the Administrator, reserve the right to request such information as is necessary to verify your identity, and you may also be asked for the source of your application monies. In the event of delay or failure by you to produce this information, Auscap may refuse to accept an application and the application monies relating to such application or may suspend the payment of withdrawal proceeds if necessary to comply with the AML Requirements applicable to it. Neither Auscap nor its representatives or agents shall be liable to you for any loss suffered by you (including consequential loss) as a result of the rejection or delay of any subscription or payment of any withdrawal proceeds.

Auscap has implemented a number of measures and controls to comply with AML Requirements, including carefully identifying and monitoring Unitholders. As a result of the implementation of these measures and controls:

- transactions may be delayed, blocked, frozen or refused where Auscap has reasonable grounds to believe that the transaction breaches AML Requirements or sanctions of Australia or any other country. Applications cannot be processed unless all necessary information is provided;
- where transactions are delayed, blocked, frozen or refused, Auscap is not liable for any loss Unitholders suffer (including consequential loss) as a result of its compliance with the AML Requirements as they apply to Auscap; and
- Auscap may at times require additional information from you to assist in this process.

Auscap has certain reporting obligations under the AML Requirements and is not permitted to inform Unitholders that any such reporting has taken place.

## 9.3 Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (**FATCA**) is a US tax law which was enacted in 2010 for the purpose of improving tax information reporting regarding US persons in respect of their offshore investments to the United States Internal Revenue Service (**IRS**). In 2014, an Inter-Governmental Agreement (**IGA**) was signed between Australia and the US to facilitate the implementation of FATCA by Australian financial institutions.

In order to comply with FATCA requirements, Auscap:

- may require investors to provide certain information regarding their identification and tax residence and will undertake certain due diligence procedures with respect to investors in the Fund to determine their status for FATCA reporting purposes. This information may be required at the time an application is made for the issue of Units in the Fund or at any time after the Units have been issued; and
- will report annually to the IRS, via the Australian Taxation Office (**ATO**), in relation to relevant investors' financial information required by the ATO (if any) in respect of any investment in the Fund.

Accordingly, by making an application to invest in the Fund, prospective investors agree to provide Auscap with certain identification and related information in order to enable it to comply with its obligations in connection with FATCA.

## 9.4 OECD Common Reporting Standard

Australia is a party to the OECD Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information. This agreement enables information under the Common Reporting Standard (**CRS**) regime to be exchanged between tax authorities of jurisdictions who are signatories to the agreement. Auscap (as an Australian financial institution) is required to collect certain information about Unitholders and may be required to provide it to the ATO. The ATO may pass this information onto tax authorities in other jurisdictions who have adopted the CRS.

The requirements are similar to those which exist under FATCA. Under CRS, however, there are a larger number of countries in respect of which the ATO may provide information to the respective tax authorities.

Accordingly, by making an application to invest in the Fund, prospective investors agree to provide Auscap with certain identification and related information in order to enable it to comply with its obligations in connection with the CRS.

## 9.5 Complaints

Auscap, in its capacity as the Responsible Entity of the Fund, has a formal complaints handling procedure in place. You can request a copy of our complaints handling procedure. For any concerns or complaints, or if you are otherwise dissatisfied with Auscap or the Fund, please contact Auscap by phone, by mail or by email using the details shown in section 1 of this PDS under 'Contact details', 'Responsible Entity and Investment Manager'. Auscap will acknowledge receipt of the complaint as soon as practicable and in any event within 24 hours (or 1 Business Day) of receipt and take necessary steps to address it. Auscap will provide a response to your complaint as soon as practicable and in any event within 30 calendar days.

If you have made a complaint and you are not satisfied with how your complaint has been handled or a response was not provided to you within 30 calendar days, you can lodge a complaint with the Australian Financial Complaints Authority (**AFCA**).

AFCA is the external dispute resolution scheme which provides fair and independent financial services complaint resolution that is free to consumers. AFCA has authority to hear certain complaints. Contact AFCA to confirm if they can assist you. You can contact AFCA on the below details.

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

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

Telephone: 1800 931 678 (free call)

Mail: Australian Financial Complaints Authority  
GPO Box 3, Melbourne VIC 3001

## 9.6 Conflicts of interest

Auscap has established internal policies and procedures to ensure that any conflicts of interest in relation to the Fund are adequately identified and appropriately managed. Where Auscap considers that a particular conflict of interest is likely to have a materially adverse effect on Unitholders, it will seek to implement adequate arrangements to mitigate, prevent and/or minimise (where practicable) the conflict of interest. A copy of the conflicts of interest policy is available free of charge by contacting Auscap.

## 9.7 Privacy policy

Privacy laws apply to the handling of personal information by Auscap. Auscap may collect personal information from investors to support the ongoing administration and legal compliance of their investment in the Fund. The Corporations Act and AML Requirements also require Auscap to collect some personal information about Unitholders. Personal information may be used to advise Unitholders of new developments relevant to their investment in the Fund and for the general purposes of facilitating your participation and investment in the Fund and performing related administrative and organisational functions and tasks. If we are not able to collect all the personal information required, we may not be able to assess your application for the Fund or administer your investment.

Auscap may disclose a Unitholder's personal information to external parties who provide services to Auscap in relation to the Fund. For example, this may include the Administrator or its associates, subcontractors, related group entities or related bodies corporate to the extent that any of these are involved with the Fund, or other parties such as providers of printing or postal services. This may involve your personal information being provided to such external parties in overseas locations such as India. Auscap will not otherwise disclose your personal information to any other external party unless authorised or required by law, with your consent or where we are satisfied that you would reasonably expect us to use or disclose your personal information in relation to any of the general purposes referred to above.

Any personal information provided to the Administrator will be collected and handled in accordance with Link Fund Solutions' privacy policy, a copy of which can be found at [www.linkfundsolutions.com](http://www.linkfundsolutions.com) or posted/ emailed to you if you contact Link Fund Solutions on +61 2 8767 1114 or [Auscap@linkmarketservices.com.au](mailto:Auscap@linkmarketservices.com.au).

By submitting paperwork relating to your investment, you consent to your personal information being collected and handled by Auscap in accordance with this PDS and its privacy policy, and by the Administrator in accordance with its policy.

Unitholders may be entitled to gain access to their personal information. Unitholders have the right to ask Auscap or the Administrator to correct information about them which is inaccurate, incomplete, out of date, irrelevant or misleading. Auscap's privacy policy contains information about how Unitholders may access their personal information and seek correction of such information, how to complain about a breach of privacy laws and how Auscap will deal with such a complaint. A copy of Auscap's privacy policy can be found at [www.auscapam.com/privacy-policy/](http://www.auscapam.com/privacy-policy/) or posted/emailed to you if you contact Auscap on +61 2 8378 0800 or [info@auscapam.com](mailto:info@auscapam.com)

## 9.8 Authorised representatives

### ***Appointment of authorised representative to operate account***

Unitholders may elect to appoint an authorised representative to operate their account in a manner as directed by Auscap. Only Unitholders can appoint authorised representatives.

In appointing an authorised representative, a Unitholder releases, discharges, and agrees to indemnify Auscap from and against any and all losses, liabilities, actions, proceedings, account claims and demands arising from Auscap acting on the instructions of the Unitholder's authorised representative.

### ***Powers of an authorised representative***

An authorised representative can, among other things:

- apply for additional Units;
- redeem all or part of a Unitholder's investment; and
- enquire as to the status of a Unitholder's investment and obtain copies of any statements to which they are entitled.

Redemption payments will only be made to Unitholders. No redemption payments will be paid to third parties including authorised representatives. If a company is appointed as an authorised representative, the powers will extend to any director and authorised officer of the company. If a partnership is appointed as an authorised representative, the powers will extend to all partners. Neither the Administrator nor Auscap accept any responsibility or liability for any loss caused as a result of non-receipt or ineligibility of any appointment of an authorised representative or for any loss caused in respect of any action taken as a consequence of an instruction from an authorised representative or believed in good faith to have originated from the authorised representative.

## 9.9 Key agreements with service providers

### *Administration*

Auscap has appointed Link Fund Solutions to provide fund administration and unit registry services. Link Fund Solutions is a specialist provider of outsourced middle and back office administration and accounting services. Link Fund Solutions provides administration services including:

- fund accounting services, including trade confirmation and reconciliation;
- regulatory and administrative services;
- mandate compliance, performance and analytical services; and
- unit pricing and registry services.

As the Administrator, Link Fund Solutions is contactable for all application and redemption forms.

### *Custody and prime brokerage*

Auscap has appointed CGML as a prime broker under the terms of the Prime Broker Agreement and CGMA as a cash lender under the terms of the Cash Loan Agreement. Each of CGML and CGMA are wholly owned indirect subsidiaries of Citigroup Inc. The services which CGML will provide under the Prime Broker Agreement include various custodial services, securities lending and the clearance and settlement of securities transactions. The services which CGMA will provide under the Cash Loan Agreement include cash financing in connection with transactions under the Prime Broker Agreement. CGML and CGMA, in their capacities as prime broker and cash lender, as applicable, will have no decision-making discretion relating to the investment of the assets of the Fund and will not provide any investment advice in relation to the assets of the Fund.

Under the terms of the Prime Broker Agreement, subject to CGML's right to utilise the same described below, CGML will identify, record on its books and hold all investments (and collect any dividends and other payments in respect thereto) and other assets of the Fund excluding cash (collectively, the **Assets**) in such manner that the identity and location of the Assets can be readily identified at any time as the property of a customer of CGML and separate from CGML's own property. Accordingly, such Assets which have not been utilised as described below should be unavailable to the creditors of CGML. Certain Assets may be co-mingled with similar assets of other customers of CGML. Accordingly, the Fund may not have the right to the return of specific assets but to their equivalent.

CGML's role as custodian is to hold the Assets. As custodian, CGML has no supervisory role in relation to the operation of the Fund and is not responsible for any investment decisions or protecting your interests.

CGML may hold Assets with a sub-custodian. CGML will identify on its books and records all Assets held as being held for the Fund. CGML has undertaken to exercise reasonable care in the selection of any sub-custodian.

The Fund acknowledges that cash received by CGML for credit to the prime brokerage Cash Account either from the Fund or on the Fund's behalf will be collateral for the purpose of securing or otherwise covering the secured liabilities under the Cash Loan Agreement and full ownership in such cash will be absolutely

transferred to CGML, and all right, title and interest in and to such cash will pass to CGML outright and absolutely for the purposes of covering those secured liabilities. Upon such transfer CGML will become obliged, subject to and in accordance with the provisions of the Prime Broker Agreement to re-transfer to the Fund an equivalent amount of cash. CGML's obligation will be reduced to the extent that such cash is applied in accordance with the security and/or close-out arrangements provided in the Prime Broker Agreement.

The Fund's obligations to CGMA under and in connection with the Cash Loan Agreement will be secured by a security interest over the Fund's right, title and interest in connection with the Cash Account and the Custody Account and over certain other assets (together the "Secured Property"). CGML will be entitled to sell, loan or otherwise use any and all Secured Property in the form of securities (securities so used being referred to herein as "Utilised Securities"). CGML shall use reasonable efforts to ensure that the value of the Utilised Securities shall not exceed 140 per cent of certain of the Fund's liabilities under the Prime Broker Agreement. The Fund will have a contractual right against CGML for the return of assets equivalent to the Utilised Securities. Utilised Securities may not, therefore, be recoverable in full in the event of CGML's insolvency.

The Prime Broker Agreement and Cash Loan Agreement provide that CGML and CGMA will not be liable for any loss, liability or cost incurred by the Fund as a result of any act or omission of CGML or CGMA unless such loss, liability or cost is caused by CGML's or CGMA's, as applicable, own fraud, gross negligence, wilful misconduct or wilful default. Neither CGML nor CGMA shall be responsible for the loss, liability or cost which the Fund may suffer or incur arising from the negligence, wilful default, wilful misconduct or fraud of any third party (including any executing broker, bank, agent, custodian, investment exchange, depository or clearing house, but subject to the obligations concerning the selection of such sub-custodian described above). Neither CGML, CGMA nor any third party which acts on their behalf, whether an affiliate of CGML or CGMA or not, nor its directors, officers, servants, agents or representatives, will be liable to the Fund, except in the case of fraud, for any consequential loss, liability or cost which the Fund may suffer or incur arising out of their acts or omissions, howsoever the loss, liability or cost is caused and regardless of whether it was foreseeable or not.

The Fund has agreed to indemnify and hold harmless CGML, CGMA and any sub-custodian, nominee or agent appointed by it against any loss, liability and cost arising out of or in connection with the Prime Broker Agreement or Cash Loan Agreement except where arising primarily out of its or, as the case may be, such sub-custodians', nominees' or agents' own gross negligence, bad faith, wilful misconduct, wilful default or fraud, all as more fully detailed in the Prime Broker Agreement and Cash Loan Agreement.

The Prime Broker Agreement and Cash Loan Agreement will remain in full force and effect until terminated at any time by either of the parties upon 3 Business Days' written notice to the other.

The Responsible Entity has a custody account with Citibank NA Hong Kong Branch, an affiliate of CGML and a wholly-owned indirect subsidiary of Citigroup Inc. The custody account is subject to the terms of a Global Custodial Services Agreement and may be closed by either party with 60 days' notice.

CGML and CGMA are paid service providers to the Fund and are not responsible for the preparation of this document or the activities of the Fund and therefore accept no responsibility for any information in this document. The Fund reserves the right to change the prime brokerage, cash loan and custodial arrangements described above by agreement with CGML and CGMA and/or, in its discretion, to appoint additional or alternative prime broker(s), cash lender(s) and custodian(s). The Fund may also utilise Citi and/or other brokers and dealers for the purposes of executing transactions for the Fund.

## 9.10 'Important additional information for New Zealand investors'

### Warning statement for New Zealand Investors

If you are a New Zealand investor we are required to provide the following warning statement to you under New Zealand law.

#### General

- 1 This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
- 2 This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.
- 3 There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
- 4 The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
- 5 Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.
- 6 The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
- 7 If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

#### Currency exchange risk

- 1 The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.
- 2 If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

#### Dispute resolution process

The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

## 10. GLOSSARY

### **Administrator**

The administrator of the Auscap Fund which is responsible for providing fund administration and unit registry services and at the date of this PDS is Link Fund Solutions.

### **AFSL**

Australian Financial Services Licence

### **Additional Application Form**

The additional application form available at [www.auscapam.com/investor-forms/](http://www.auscapam.com/investor-forms/) or on request relating to the purchase of additional Units in the Auscap Fund.

### **All Ordinaries Accumulation Index**

The All Ordinaries Accumulation Index (ASX:XAOAI) (sometimes referred to as the All Ordinaries Total Return Index) is Australia's stock market index comprising the largest 500 companies according to their market capitalisation, which takes into account all cash dividends reinvested on the ex-dividend date (excluding franking credits).

### **Application Form**

The paper-based application form available at [www.auscapam.com/investor-forms/](http://www.auscapam.com/investor-forms/) or on request and / or the online application form available through Auscap's website at [www.auscapam.com](http://www.auscapam.com), relating to the purchase of Units in the Monthly Class. Platform and IDPS operators must contact Auscap for a specific application form for the Daily Platform Class.

### **ASIC**

Australian Securities & Investments Commission

### **ASX**

Australian Securities Exchange

### **Auscap Board**

The board of directors of Auscap.

### **Auscap Newsletter**

The monthly newsletter published by Auscap for Unitholders and potential investors which discloses key information about the Auscap Fund and is available on Auscap's website at [www.auscapam.com](http://www.auscapam.com).

### **Benchmark**

As at the date of this PDS, the All Ordinaries Accumulation Index.

### **Business Day**

A day (other than a Saturday, Sunday, public holiday or bank holiday) on which banks are open for general banking business in Sydney.

### **Cash Lender**

CGMA, the current Cash Lender to the Fund.

### **CGMA**

Citigroup Global Markets Australia Pty Limited.

### **CGML**

Citigroup Global Markets Limited, the Prime Broker and Custodian of the Auscap Fund.

### **Class**

A class of Units in the Auscap Fund.

### **Collateral**

Certain investments, cash or other assets of the Fund transferred to the Prime Broker in order to secure the obligations of Auscap to the Prime Broker in respect of certain transactions.

### **Constitution**

The constitution of the Auscap Fund, as amended from time to time.

### **Corporations Act**

*Corporations Act 2001* (Cth)

### **Custodian**

CGML, the current Prime Broker and Custodian of the Auscap Fund.

### **Daily Platform Class**

A Class of Units where valuations are calculated daily and for which applications and redemptions can be made on a daily basis, issued to IDPS operators investing in the Fund on behalf of Indirect Investors, unless otherwise determined by Auscap. Platform and IDPS operators must contact Auscap for a specific application form for the Daily Platform Class.

### **Double Tax Agreement**

A formal bilateral agreement between Australia and another jurisdiction to prevent double taxation and fiscal evasion, and to foster cooperation between Australia and the other jurisdiction's tax authorities by enforcing their respective laws.

### **Financial Year or FY**

A year ending 30 June.

### **Half Year**

A six-month period ending on either 30 June or 31 December.

### High Water Mark

Until a Performance Fee in respect of the Class is payable, the issue price of the relevant Class; or otherwise, the NAV per Unit immediately following the most recent Performance Period in respect of which a Performance Fee was payable for the relevant Class.

### Hurdle Rate

The percentage rate of return of the All Ordinaries Accumulation Index (which can be positive or negative).

### IDPS

Investor Directed Portfolio Service. References to IDPS include IDPS-like facilities including platforms, master funds and wrap services.

### Management Fee

1.5375% per annum of the NAV of the Fund (GST inclusive net of RITC).

### Monthly Class

A Class of Units where valuations are calculated monthly and for which applications and redemptions can be made on a monthly basis, issued to investors directly through this PDS and IDPS operators investing in the Fund on behalf of Indirect Investors, unless otherwise determined by Auscap.

### NAV

Net asset value, being the total asset value less liabilities including accruals for all fees and expenses of the Auscap Fund or Class (as the case may be).

### Outperformance

Outperformance is calculated as the amount by which the NAV per Unit of the relevant Class at the end of the relevant Performance Period plus any relevant distributions exceeds the High Water Mark adjusted by the Hurdle Rate.

### Performance Fee

15.375% of Outperformance (including GST net of RITC) as described in section 7.2.

### Performance Period

For a Unit in the Monthly Class, means

- (a) for the first Performance Period, the period commencing on the issue of the Unit; and
- (b) subsequently, the period commencing after the end of the previous Performance Period, and ending on the earlier of:
  - (i) the end of the month in which the Unit was issued or otherwise that end of that month; or
  - (ii) the end of the day on which the Unit is redeemed or the final distribution is made in respect of the Unit.

For a Unit in the Daily Platform Class, the period commencing after the end of a Business Day and ending at the end of the next Business Day.

### Prime Broker

CGML, the current Prime Broker and Custodian of the Auscap Fund.

### Privacy laws

The *Privacy Act 1988* (Cth), including the Australian Privacy Principles.

### Redemption Day

For the Monthly Class, the first day of the month where Unitholders are able to redeem Units based on the preceding Valuation Day. For the Daily Platform Class, the Business Day following a valid redemption request where Unitholders are able to redeem Units based on the preceding Valuation Day.

### Redemption Request Form

The redemption request form available at [www.auscapam.com/investor-forms/](http://www.auscapam.com/investor-forms/) or on request relating to the redemption of Units in the Auscap Fund.

### Retail Investor

A person or entity which is a retail client as defined under section 761G of the Corporations Act.

### Reserve Bank of Australia Cash Rate

The interest rate which banks pay to borrow funds from other banks in the money market on an overnight basis. The cash rate is calculated as the weighted average interest rate on overnight unsecured loans between banks settled in the Reserve Bank Information and Transfer System (RITS).

### RITC

Reduced input tax credits which are available on certain services acquired from financial supply facilitators.

### Unit(s)

A unit or units in the Fund including units offered under this PDS.

### Unitholder(s)

Persons who are indicated on the register of holders as a holder of a Unit or Units in the Fund.

### Valuation Day

The last day of each calendar month on which NAV is calculated in the case of the Monthly Class, and each Business Day on which NAV is calculated in the case of the Daily Platform Class.