

# Ellerston Australian Small Companies Fund

Additional Information to the Information Memorandum –  
2 October 2013

## Important Information

The information in this document forms part of the Information Memorandum (IM) for Units in the Ellerston Australian Small Companies Fund (Fund) dated 2 October 2013. This document provides additional information about topics under the prescribed sections of the IM. This document and the IM contain important information you should consider before making an investment decision in relation to the Fund. We may update this document from time to time in accordance with the Fund Constitution and the law. The updated document will be available by contacting us, and you can also obtain a copy free of charge upon request. You should keep a copy of this document and any updates to it for your reference.

The information provided in this document and the IM is general information only and does not take into account your personal financial situation or needs. Ellerston Capital is the issuer of this document and the IM. You should consider whether the information in this document and the IM is appropriate for you in light of your objectives, financial situation and needs. To obtain advice or more information about the product offered in the IM you should speak to an Australian Financial Services Licensee or an authorised representative.

Except as otherwise stated, defined terms in this document have the same meaning as set out in the IM.

## Section 1: Fund Investments

The following text contains further information on the Fund's investments and should be read in conjunction with the IM.

### Investment Universe

The investment universe of the Fund includes all Australian listed securities (including dual listed securities) outside the S&P/ASX 100 Index, however the Fund may invest up to 25% of its Net Asset Value in securities of companies included in the S&P/ASX MidCap 50 Index. The Fund may also invest in securities that are expected to list on a recognised Australian exchange within 12 months of the Fund's investment. Additionally, the Fund may invest in Australian listed securities through American Depositary Receipts or similar instruments. The Fund may also invest in

Cash and gain or reduce its investment exposure through the use of Derivatives.

Derivatives such as futures and exchange traded options may be used, on a temporary basis, with the dominant purpose of efficiently gaining an economic exposure, through the use of exchange traded Derivatives, to the underlying Australian listed securities. Within this framework, Derivatives may be used broadly:

- to gain or decrease short-term exposure to the market, for example, when managing cash inflows or outflows.
- as an alternative to buying or selling a physical security.
- to offer downside market protection.

The Fund will only invest in Australian listed Derivatives. The Fund's net exposure to Derivatives will be limited to 15% (Delta Exposed) of the Net Asset Value. However, this limit may be exceeded over a short term for portfolio management purposes. In particular, this limit may be exceeded where the Fund receives a large cash inflow or may be required to pay

The following text contains further information about how Indirect Investors acquire and dispose of Units in the Fund and should be read in conjunction with the IM. For information on how Direct Investors acquire and dispose of Units in the Fund, see Section 3 of this document.

a large redemption. With large cash inflows, Derivatives may assist in ensuring the Fund is not overweight in Cash. With large redemptions, Derivatives may assist in the process of selling down the Fund's holdings of securities in an orderly manner. Derivatives will not be used for gearing purposes.

## Section 2: Indirect Investors

### Indirect Investors

As an Indirect Investor, you may rely on and are authorised to use the information in this IM to direct the operator of the IDPS to invest in the Fund on your behalf. An Indirect Investor does not become a Unitholder in the Fund. Accordingly, an Indirect Investor does not acquire the rights of a Unitholder or acquire any direct interest in the Fund. The operator or manager of the IDPS acquires these rights (including the right to vote at meetings) and can exercise, or decline to exercise them, on behalf of the person according to the arrangements governing the IDPS. A person who invests in the Fund through an IDPS should ignore information in this IM that is relevant only for Direct Investors. This includes information relating to the following:

### **Application Form**

A person investing in the Fund through an IDPS should not complete the Application Form accompanying the IM. An Indirect Investor should complete the application form supplied by the operator of the IDPS. Refer to your IDPS operator for the minimum investment amount that may apply to an investment in the Fund through an IDPS.

### **Information**

An Indirect Investor will not receive statements, tax information or other information directly from us. An Indirect Investor should receive equivalent information from the operator of the IDPS.

### **Redemptions**

Provisions which relate to redemptions from the Fund will apply to the operator of the IDPS and not the Indirect Investor. Refer to your IDPS operator for the information regarding redemptions.

### **Fees and Expenses**

Fees and expenses applicable to the IDPS (and set out in the IDPS offer document or client agreement) are payable in addition to the fees and expenses stated in the IM.

### **Tax**

Taxation consequences of investing in the Fund outlined in the IM does not address the treatment of Indirect Investors. You should consult your tax adviser in relation to investing through an IDPS.

### **Cooling off**

Indirect Investors should consult their IDPS operator about what cooling off rights (if any) may apply.

### **Complaints Handling and Privacy**

As an Indirect Investor, your first point of contact for any complaints in relation to an investment in the Fund or any issues regarding your personal information will be your IDPS operator.

## **Section 3: Applications and Redemptions**

**The following text contains further information on how Direct Investors acquire and dispose of Units in the Fund and should be read in conjunction with the IM. For information on how Indirect Investors acquire and dispose of Units in the Fund, see Section 2 of this document.**

### **How to Apply for Units**

Units in the Fund are available for issue under the IM. To invest in the Fund you must complete the Application Form accompanying the IM.

Subject to the Fund remaining open, applicants may apply for Units and Unitholders may apply for additional Units in the Fund.

The minimum initial investment amount is \$100,000 and the minimum additional investment amount is \$10,000. Ellerston Capital may in its absolute discretion waive or vary these minimum requirements.

If the Administrator receives a completed Application Form, including all related documents and application monies, by 2:00pm (Sydney time) on a Transaction Day (or such other time as we may determine), we will process the application

using that Transaction Day's Application Price. We may in our absolute discretion waive this notice requirement. A Transaction Day occurs each Business Day.

Application Forms received after the relevant cut-off time will generally be processed for the following Transaction Day. Incomplete Application Forms will be processed once we have received correct documentation.

### **Application Acceptance and Interest**

To ensure the Fund remains efficient and competitive, we may in our absolute discretion reject or decline to accept applications (in part or in full) and may close the Fund to further investment where it believes the Fund has reached capacity.

Any interest payable on application amounts will accrue to the benefit of the Fund. Application amounts paid in respect of rejected or the scaled back portion of applications will be returned to investors without interest.

### **How to Redeem your Units**

You can redeem some or all of your investment by giving the Administrator written notice prior by 2:00pm (Sydney time) on a Transaction Day (or such other time as we may determine). A Transaction Day occurs each Business Day.

The minimum redemption amount is \$10,000 unless otherwise approved by us. Redemption requests may be restricted or a Unitholder's Units may be redeemed in its entirety if the processing of a redemption request would result in the Unitholder holding less than \$100,000 of Units.

Redemption requests received after the relevant cut-off time will generally be processed for the following Transaction Day.

Incomplete redemption requests will be processed once we have received correct documentation.

Redemptions will generally be paid to you within 5 Business Days from the transaction day however the Fund's Constitution provides that it may take up to 90 days from the Transaction Day until you receive your redemption proceeds.

### **Restrictions on Redemptions**

Provided the Fund is "liquid" (within the meaning given to that term in the Corporations Act), no redemptions, or payment of redemption proceeds, shall be permitted where redemptions are suspended. Redemptions may be suspended for up to 120 days including where:

- it is impracticable or impossible to calculate the Net Asset Value of the Fund, for example, because of financial market disruptions or closures.
- the payment of redemption proceeds involves realising a significant portion of Fund assets which would, in the opinion of Ellerston Capital, result in remaining Unitholders bearing a disproportionate amount of tax or expenses, or suffering any other disadvantage or diminution of the value of Units held.
- Ellerston Capital reasonably considers it to be in the interests of Unitholders, or it is otherwise permitted by law.
- the Fund is being wound up.

## Where the Fund is not Liquid

The redemption process, including the calculation of the Redemption Price, described above applies only when the Fund is “liquid”. Where the Fund ceases to be liquid, Units may only be redeemed pursuant to a withdrawal offer made to all Unitholders in the Fund.

## Section 4: Additional Explanation of Fees and Costs

The following text contains further information about the fees and costs that you may be charged for investing in the Fund along with further information about the additional fees and costs that could apply to your investment. This information should be read in conjunction with the IM.

*The fees and costs outlined in the IM and this document are for the Fund only.*

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 fund assets as a whole.

Taxes are set out in the IM.

Type of Fee or Cost	Amount	How and When Paid
<b>Fees 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<sup>1</sup></b> The fee on each amount contributed to your investment.	Nil	Not applicable.
<b>Withdrawal Fee<sup>1</sup></b> The fee on each amount you take out of your investment.	Nil	Not applicable.
<b>Termination Fee</b> The fee to close your investment.	Nil	Not applicable.
<b>Management Costs</b>		
The fees and costs for managing your investment.	<b>Management Fee</b> 1.25% p.a. of the Gross Asset Value of the relevant class (\$1,250 per \$100,000)	Calculated and accrued daily and paid from the assets of the relevant class monthly in arrears. The Management Fee is reflected in the Unit price. Refer below for more details.
	<b>Expenses</b> Estimated at 0.25% p.a. of the Gross Asset Value of the relevant class (\$250 per \$100,000)	Calculated and accrued daily and paid from the assets of the relevant class when the amounts are due. These expenses are reflected in the Unit price. Refer below for more details.
	<b>Performance Fee</b> 20.5% of the relevant class's investment return over the Benchmark return It is not possible to estimate the Performance Fee as we cannot accurately forecast what the performance of the relevant class or the Benchmark will be.	Calculated and accrued daily and deducted from the assets of the relevant class after 30 June in each year in arrears. The Performance Fee is reflected in the Unit price. Refer to <b>Page 4</b> and <b>5</b> for more details.
<b>Service Fees</b>		
<b>Investment Switching Fee</b> The fee for changing investment options	Nil	Not applicable

<sup>1</sup> Unitholders may also incur a Buy/Sell Spread when their money moves in or out of the Fund. Please refer to “Buy/Sell Spread” below.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

If you are investing indirectly through an IDPS, you will need to consider the fees and other costs of the IDPS when calculating the total cost of your investment. If you consult a financial adviser you may also pay an additional fee that will be set out in the statement of advice between you and your adviser.

### **Additional Explanation of Fees and Costs**

#### **GST**

All fees set out in this **Section 4** are inclusive of any applicable Goods and Services Tax (**GST**) and net of input tax credits (unless otherwise stated). The Fund may not be entitled to claim an input tax credit in all instances.

#### **Management Costs**

The Management Costs, which are estimated to be 1.50% of the Gross Asset Value of the relevant class of Units (\$1,500 per \$100,000), comprise the ongoing Management Fee and expenses but do not include an estimate of the Performance Fee. It is not possible to estimate the actual Performance Fee payable in any given period as we cannot accurately forecast what the performance of the relevant class of Units or the Benchmark will be. Accordingly, in preparing the above estimate of Management Costs, we have assumed that no Performance Fees would be payable.

Management Costs are deducted from the Units (i.e. they are not charged directly to the Unitholder's account). The Management Costs do not include the Buy/Sell Spread.

#### **Management Fee**

The Management Fee is 1.25% p.a. of the Gross Asset Value of the relevant class of Units (\$1,250 per \$100,000). The Management Fee is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. The Management Fee is payable monthly in arrears. The Management Fee is reflected in the Unit price.

#### **Expenses**

All costs or general expenses reasonably and properly incurred in the proper performance of its duties by us in connection with the management of the Fund are payable out of the Fund. We are responsible for providing all office personnel, office space and office facilities required for the performance of its services. The Fund bears all other expenses incidental to its operations, including, but not limited to, fees payable to the Fund's service providers (e.g. administrator and custodian); taxes imposed on the Fund or us (in our capacity as responsible entity of the Fund); governmental charges and duties; the Fund's advisers (e.g. legal, accounting and audit); and printing and distributing the PDS, subscription materials, marketing materials and any reports and notices to Unitholders or prospective Unitholders. The total of these ongoing expenses is estimated at 0.25% p.a. of the Fund's Gross Asset Value of the relevant class of Units (\$250 per \$100,000). However, the actual ongoing expenses may be higher than this estimate. The Fund may also incur unanticipated expenses arising from its business, such as litigation and indemnification expenses. Government fees, duties and bank charges may also apply to investments and redemptions and be deducted from application monies or redemption proceeds.

All costs or expenses incurred (or that will be incurred) by us in connection with the offer of Units are payable out of the Fund and we may choose to include in the assets of the Fund deferred establishment costs for Unit pricing purposes.

These costs have been included in the above estimate of expenses.

#### **Performance Fee**

Ellerston Capital is entitled to a Performance Fee for outperforming the Benchmark. The Performance Fee is a way of providing an incentive for us to strive to continually produce returns above the Benchmark.

The Performance Fee is equal to 20.5% of the amount by which the accumulated investment return of the relevant class of Units exceeds the accumulated return of the Benchmark during each year to 30 June (**Calculation Period**).

If the relevant class of Units underperforms against the Benchmark during a Calculation Period, a Performance Fee will not be paid. Any underperformance will be carried forward to the following Calculation Period and must be recouped before any Performance Fees can commence to accrue or be paid.

The Performance Fee is accrued in the Unit price. The Performance Fee is payable at the end of each Calculation Period. Ellerston Capital may alter the Calculation Period. We will notify you of any change to the Calculation Period.

The investment return is based on the positive or negative change in the Net Asset Value of the relevant class of Units. The investment return is calculated after deducting Management Fees but before any accrued Performance Fees and income and capital distributions. Further adjustments may be made for subscriptions and redemptions and capital restructures.

The investment return and the Benchmark return are calculated at the end of each Business Day and are accumulated.

Ellerston Capital has no obligation to restore to the Fund Performance Fees previously earned and paid, notwithstanding a loss in a subsequent Calculation Period. Where Units are redeemed during a Calculation Period, any accrued Performance Fees in respect of those Units may become due and payable to us. If we are removed as responsible entity of the Fund before the end of a Calculation Period, then the Performance Fee will be calculated and paid as though the date of removal were the end of the Calculation Period.

The Performance Fee is calculated on the performance of the relevant class of Units and not the performance of an individual Unitholder's investment. As a result, the actual Performance Fee payable on the Unitholder's investment in the relevant class of Units may be affected by the timing of that person's applications and redemptions or by Unitholders as a whole. The Performance Fee can be individually negotiated if you are a 'wholesale client' under the Corporations Act by contacting Ellerston Capital on (02) 9021 7797 or your financial adviser.

The Benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

#### **Worked example of Performance Fee**

The example that follows is for the purpose of illustrating how Performance Fees may be calculated only.

The example assumes that the investment return of the relevant class of Units and the Benchmark is steady during the course of the Calculation Period. In reality, the investment return of the Fund and the Benchmark will vary during the course of the Calculation Period. The example also assumes

that no subscriptions or redemptions are made during the Calculation Period.

Importantly, the example assumes the investment return of the relevant class of Units has exceeded the return on the Benchmark. Note that the investment return of the relevant class of Units and the Benchmark is for illustrative purposes only and is not an indication of future performance. Future performance may differ from that used in this example.

*The value of your Units at the beginning of a Calculation Period is \$100,000 and at the end of the Calculation Period is \$110,000.*

*The Unit's investment return for the Calculation Period is 10%, namely  $10\% \times \$100,000 = \$10,000$ . The return on the Benchmark is 8%, namely  $8\% \times \$100,000 = \$8,000$ .*

*The Performance Fee is  $20.5\% \times (\$10,000 - \$8,000) = \$410$*

*For each \$100,000 that you have invested in Units at the beginning of the Calculation Period, you would have earned \$10,000 and been charged \$410 in Performance Fees.*

### **Buy/Sell Spread**

An amount equal to 0.25% is effectively deducted from the Unitholder's application and redemption monies. For example, if you invested \$100,000 in the Fund, the cost of your Buy/Sell Spread would be \$250. This amount is paid to the Fund on account of our estimate of costs associated with buying and selling assets represented by the relevant application or redemption and is not paid to us. Such costs are, however, an additional cost to you and will impact on the return on your investment. Such costs could include estimated brokerage and stamp duties, taxes and other charges and expenses from buying or selling Fund investments. The amount is paid so as to mitigate any unfairness from an application or redemption affecting other Unitholders. No buy spread is payable on the initial issue of Units. Management Costs do not include the Buy/Sell Spread. We may vary the Buy/Sell Spread from time to time and prior notice will not ordinarily be provided. Any changes to the Buy/Sell Spread will be posted on our website [www.ellerstoncapital.com](http://www.ellerstoncapital.com).

### **Fee Waiver or Deferral and Issue of Units**

Ellerston Capital, in its sole discretion, may waive or defer the payment of all or part of its Management Fee and/or Performance Fee either generally or for certain Unitholders. Ellerston Capital may, where permitted under the law, charge fees on a different basis to certain associates of us and Unitholders that are wholesale clients (as defined under the Corporations Act) or who make a substantial investment in the Fund or other of the Manager's investment products. We may elect to receive part of its Management Fee and/or Performance Fee in the form of Units in the Fund. Any Units issued to us will be at the Application Price for those Units applicable at that time.

### **Fee Maximums and Changes to Fees**

Ellerston Capital is entitled under the Constitution to charge a Contribution Fee and a Withdrawal Fee of 5%, a Management Fee of 2.5% per annum and a Performance Fee of 20% per annum (each exclusive of GST). Ellerston Capital has elected to waive or reduce these fees for the Units to the levels shown on page 3 of this document. The Constitution does not provide for Ellerston Capital to charge a Switching Fee or Termination Fee. Ellerston Capital may, however, within the bounds of the Constitution, elect to change these fees (e.g. due to changes in economic conditions and size of the Fund) without the Unitholder's

consent and Unitholders will be provided at least 30 days written notice of any change in these or other fees.

### **Distributor Remuneration**

The Fund's distributors may receive a commission from the Management Costs. Commissions are incorporated into the Management Costs and are paid by us and are not an extra amount paid from the Fund nor are they an amount the Unitholder pays.

We may provide additional remuneration and other benefits to distributors indirectly by paying them additional amounts (such as marketing support payments) and/or non-monetary benefits (such as business and technical support, professional development services and conferences). If these amounts or benefits are provided, they are payable out of the fees and costs we are entitled to receive and are not an additional cost to you.

## **Section 5: Risks**

**The following text contains further information on the significant risks of investing in the Fund and should be read in conjunction with the IM.**

An investment in the Fund involves risk, including the risk that the value of the Fund's investment could fall and that distributions could be lower than expected or not paid at all. No guarantee or representation is made that the Fund will be successful, that the capital value will grow or be maintained, or that there will be any distributions.

Please be aware that the investment program is Benchmark unaware and concentrated and hence may result in volatile returns. There can be no assurance that the Fund's investment objective will be achieved. Investors should consider any investment in the Fund as a supplement to an overall investment portfolio and should invest only if they are willing to undertake the risks involved.

Prospective investors should consider and understand the risks in determining whether an investment in the Fund is suitable for them. While it is not possible to identify every risk relevant to investing in the Fund, the summary below lists some of the significant risks associated with investing in the Fund. Investors should read this IM in full and consult their financial adviser or other professional adviser before deciding whether to invest in Units.

### **Significant Risks Applicable to the Fund**

#### **Investment Risk**

Like most investments, the investment returns of the Fund may be subject to economic variables (including interest rates, unemployment, inflation and economic growth), market conditions, factors impacting particular investments and government policy. These factors are generally beyond the control of Ellerston Capital.

Investments made by the Fund in securities can fall in value due to the operational and financial circumstances of the issuer of those securities such as the state of their underlying businesses (including the level of debt they carry, the availability of debt financing and level of interest rates), their profits, earnings and cash flows.

The vast majority of listed entities have certain levels of debt to carry out and expand their operations. The level of interest rates payable on that debt, and the availability of debt financing (including to refinance existing borrowings), can have a significant effect on the returns those entities provide

to their investors and even on their solvency. In particular, entities could be adversely affected by the lack of availability of debt financing.

#### **Diversification**

The Fund is not subject to strict parameters with respect to diversification of its investments. The Fund may be concentrated across a narrow list of securities, industries and geographies than the Benchmark and therefore the return of the Fund may display higher volatility or be adversely affected by the unfavourable performance of any of those individual securities. The Fund's returns may be volatile compared to the Benchmark return given the concentrated nature of the portfolio.

#### **Manager Risk**

The success of the Fund depends upon the ability of Ellerston Capital to develop and implement its investment strategy and identify investment opportunities that achieve the Fund's investment objective. The investment performance of the Fund is dependent on the talents, contacts and efforts of a number of key personnel within Ellerston Capital. There is a risk that one or more of these key personnel may depart and cannot be appropriately replaced and this could adversely affect the ability of Ellerston Capital to achieve the investment objective of the Fund.

#### **Distributions**

As a Unitholder you may not receive distributions when you expect them or in the way you have asked for them to be paid. The Fund is not designed for investors seeking regular income payments. There is no guarantee that any distributable income will be generated. In certain circumstances, Unitholders may be liable for tax on distributions even if they have not received any distribution in cash.

#### **Derivatives Risk**

Derivatives have the potential to cause losses that are large in proportion to the money invested in them. The Fund could suffer significant losses where it has a short position and the value of the underlying asset increases. In addition, the Fund will be exposed to the risk that the other party to the Derivatives instrument may not be able to fulfil their obligations to the Fund (e.g. due to insolvency). The Fund's net exposure to Derivatives will generally be limited to 15% (Delta Exposed) of Net Asset Value.

#### **Risk Management**

Ellerston Capital has risk management processes in place including:

- undertaking research on individual investments to the best of our ability.
- actively monitoring the Fund's exposure.
- the use of portfolio guidelines, compliance policy and procedures.
- obtaining accounting, legal and tax advice in conducting the affairs of the Fund and completing our reporting obligations.

## **Section 6: Additional Information**

**The following text contains further information on the significant risks of investing in the Fund and should be read in conjunction with the IM.**

#### **Transfers**

If you invest in the Fund via an IDPS, you should contact your IDPS to find out how you can transfer your investment.

For Direct Investors, Units may not be sold, transferred or otherwise disposed, directly or indirectly, without our prior written consent (which may be granted, on certain terms and conditions, or delayed or withheld in our sole and absolute discretion). Transfer requests should be made in writing to the Fund's administrator. Ellerston Capital may require prescribed transfer documentation to be completed by the transferor including without limitation the completion of an Application Form. Any Units sold or transferred without such consent may be compulsorily redeemed by us in its absolute discretion. A transfer of Units involves a disposal of Units, which may have tax implications. Stamp duty may also be payable on the transfer unless an exemption applies. You should obtain tax and stamp duty advice before requesting a transfer.

#### **Valuations**

The Net Asset Value is the total value of trust property of a class less the trust liabilities for that class. The Net Asset Value per Unit of a class is the Net Asset Value for that class divided by the number of Units in issue in that class. This is used to determine the Application Price and Redemption Price for Units of the Fund. The Application Price and Redemption Price of Units will be adjusted for the Buy/Sell Spread. We may from time to time issue additional classes of Units.

We delegated to the Fund's administrator the determination of the Net Asset Value and the Net Asset Value per Unit for each class. In determining the Net Asset Value and the Net Asset Value per Unit, the Fund's administrator will follow the valuation policies and procedures adopted by the Fund as set out in the Constitution.

Units will typically be priced daily except where the calculation of the Net Asset Value of the Fund is suspended.

Unit prices will be available by contacting us on (02) 9021 7797.

#### **Material Documents**

##### **Constitution**

The operation of the Fund is governed by law and the Constitution of the Fund. The Constitution is available free of charge by contacting us.

The Constitution contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both Unitholders and Ellerston Capital.

A number of provisions in the Constitution are discussed elsewhere in the IM. The following are some key matters covered by the Fund's Constitution:

- the nature of Units and the rights which attach to those Units.
- how we or a custodian will hold the assets of the Fund.
- our powers.
- our entitlement to be paid fees.
- how the Net Asset Value of the Fund will be calculated.

- how the Manager will treat applications for Units, including our discretion to refuse applications for Units in whole or in part at its discretion.
- our ability to refuse transfers of Units or switching between classes in certain circumstances.
- the procedure, for and the timing of, the issue of Units.
- our ability to accumulate part or all of the income in the Fund in a financial year and our ability to allocate income, deductions and credits to particular classes of Unitholders.
- the reinvestment of distributions of income by the Fund.
- Unitholders' rights in relation to distributions (and how we determine the distribution amount).
- the convening of, and attending and voting at, any Unitholder meetings and the binding nature of resolutions on all Unitholders.
- our retirement as responsible entity and the appointment of a new responsible entity of the Fund.
- how we will deal with Unitholder complaints.
- the termination of the Fund. The trust terminates at the earlier of 80 years less one day and Ellerston Capital determining to terminate the trust by written notice to Unitholders. The Constitution governs the procedure to be followed by us on the termination of the Fund.

The Constitution also includes specific provisions covering the following matters which are not explained elsewhere in this IM:

#### **Compulsory Redemption**

Ellerston Capital may, in its absolute discretion, upon a minimum of three days notice to a Unitholder, redeem all or a portion of Units held by such Unitholder in its absolute discretion if we believe:

- the Units are held in breach of prohibitions contained in the Constitution.
- the Units are held in circumstances which might result in a violation of an applicable law or regulation (including by us), or subject the Fund to taxation or otherwise adversely affect the Fund in any material respect.
- a Unitholder made a misrepresentation in acquiring its Units.
- a Unitholder is a registered holder of Units having a Net Asset Value of less than \$100,000.
- the continued participation of a Unitholder might cause us or any Unitholder to violate any law or if any litigation is commenced or threatened against us or any Unitholder arising out of the participation by the Unitholder in the Fund.

#### **Ellerston Capital's Indemnity and Liability**

Ellerston Capital is entitled to be indemnified under the Constitution, subject to the law, for all amounts incurred by it in the proper performance of its duties. Ellerston Capital's liability to Unitholders is limited to Ellerston Capital's ability to be indemnified from the Fund subject to the law and Ellerston Capital acting without fraud, gross negligence or breach of trust involving a failure to show the required degree of care and diligence. Ellerston Capital has the ability to make deductions from payments to satisfy liabilities owing to us.

#### **Investor Liability**

The liability of a Unitholder to the Fund is generally limited to the amount subscribed, or agreed to be subscribed, for Units and any tax payable in respect of their Unitholding. The

effectiveness of these provisions has not yet been determined by an Australian court.

#### **Amending the Constitution**

Ellerston Capital may amend the Constitution. If the Fund is a registered managed investment scheme, any amendment must be approved at a meeting of Unitholders (if required by the Corporations Act).

#### **Communication and Reporting**

If you invest in the Fund via an IDPS, you should contact your IDPS to find out the information you will receive regarding your investment.

Direct Investors will be provided with the communications set out in the table below. Direct Investors will also receive confirmations of their applications, redemptions and distributions. Direct Investors may ask us for additional information as reasonably required, although we may not always be able to satisfy such requests.

Communication	Timing
Performance report	Monthly
Tax statement	Annually

Information relating to the Unitholder will be provided, via email.

#### **Further Information**

A non-exhaustive summary of some of the key terms of the offer and Constitution of the Fund has been set out in the IM and this document. The Constitution may be viewed between 9:00am and 5:00pm, Sydney time, on weekdays by contacting us on [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com) or 02 9021 7797.

#### **Complaints Resolution**

If you invest in the Fund via an IDPS, you should contact your IDPS to find out how your complaints are dealt with.

For Direct Investors, we have a formal policy in place for dealing with complaints. In the first instance, complaints should be in writing to the Company Secretary, Ellerston Capital Limited, Level 11, 179 Elizabeth Street, Sydney NSW 2000. We will acknowledge Unitholder complaints within 30 days of receipt by the Company Secretary, and will generally investigate complaints and aim to provide a response (if not resolve the complaint) within 60 days of receipt of the complaint although some complaints may take significantly longer to deal with. If you are ultimately dissatisfied with the outcome of your complaint you may refer the matter, free of charge, to the Financial Ombudsman Service which is an external dispute resolution scheme:

Phone: 1300 780 808  
 Fax: (03) 9613 6399  
 Email: [info@fos.org.au](mailto:info@fos.org.au)  
 Website: [www.fos.org.au](http://www.fos.org.au)  
 Mail: GPO Box 3  
 Melbourne VIC 3001

#### **Anti-Money Laundering**

Ellerston Capital is required to comply with the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth) (AML/CTF Law). We may require you to provide personal information and documentation in relation to your identity when you purchase Units in the Fund. We may need to

obtain additional information and documentation from you when undertaking transactions in relation to your investment. We may need to identify:

- an investor (including all investor types noted on the Application Form) prior to purchasing Units in the Fund. We will not issue Units until all relevant information has been received and your identity has been satisfactorily verified.
- your estate – if you die while you are the owner of Units in the Fund, we may need to identify your legal personal representative prior to redeeming Units or transferring ownership.
- anyone acting on your behalf, including your power of attorney.

In some circumstances, we may need to re-verify this information.

By applying to invest in the Fund, you also acknowledge that we may decide to delay or refuse any request or transaction, including by suspending the issue or redemption of Units in the Fund, if it is concerned that the request or transaction may breach any obligation of, or cause us to commit or participate on an offence under, any AML/CTF Law, and we will incur no liability to you if it does so.

### **Privacy**

If you invest in the Fund via an IDPS, you should contact your IDPS to find out how your personal information is dealt with.

The Application Form accompanying this IM requires you to provide personal information. Ellerston Capital and each service provider to us or Fund may collect, hold and use your personal information in order to assess your application, service your needs as a client or investor, provide facilities and services to you, us or the Fund and for other purposes permitted under the *Privacy Act 1998* (Cth). Tax and company laws also require some of the information to be collected in connection with your application. If you do not provide the information requested, your application may not be able to be processed efficiently, or at all. Your information may also be disclosed to members of our corporate group and to their agents and service providers on the basis that they deal with such information in accordance with our privacy policy. We may need to disclose information about you to government entities and regulators as required by law.

Your information may also be used to inform you about investment opportunities or other matters that we think may be of interest to you. Contact us if you do not want your personal information to be used for this purpose or to request a copy of your personal information held by us (or its registry provider).

### **Key Corporate Governance Policies**

#### ***Related Party Transactions and Conflicts of Interests***

Ellerston Capital has a related party transactions policy which acknowledges the requirement that related party dealings be on “arm’s length terms”, be approved by the members of the entity giving the benefit to the related party, or that an exemption applies to the transaction. The related party transactions policy sets out procedures designed to protect Unitholders’ interests and ensure that related party transactions are on “arm’s length” terms or otherwise comply with Corporations Act requirements. The Fund may acquire exposure to assets from other Ellerston Capital managed funds and, where it does so, this will be on an arm’s length basis.

Ellerston Capital has established internal policies and procedures to ensure that any conflicts of interest arising in relation to the Fund are adequately identified and appropriately managed. Where we consider that a particular conflict of interest is likely to have a materially adverse effect on Unitholders, we will seek to implement adequate arrangements to mitigate and prevent (where practicable) these adverse effects on Unitholders. We will resolve such conflicts of interest fairly and reasonably in accordance with the law, ASIC policy and our own procedures.

#### ***Deal Allocation Policy***

Investment opportunities will generally be allocated to the Fund along with other funds and client accounts operated by Ellerston Capital having regard to factors that may include: investment objectives, investment strategy, portfolio guidelines, particular mandate requirements, risk profile and any other factors that we consider relevant.