



# ELLERSTON CAPITAL

18 December 2017

## Ellerston Global Macro Fund – Class A Units

### Product Disclosure Statement

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APIR Code: ECL6698AU

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## Important Information

Ellerston Capital Limited ABN 34 110 397 674, AFSL No. 283 000 (**Ellerston Capital, the Manager or we**) is the issuer of this product disclosure statement (**PDS**) dated 18 December 2017. Investments in Class A Units (**Units**) in the Ellerston Global Macro Fund ARSN 617 222 741 (**Fund**) are made available by Ellerston Capital as the responsible entity of the Fund.

Applications for Units under this PDS may only be made on the Application Form accompanying this PDS. The Application Form contains important terms relating to the Fund and should be read in full before deciding to invest. The Application Form does not form a part of this PDS.

The information in this PDS is general information only and does not take into account your individual objectives, financial situation or needs. It is important that you carefully read this PDS in full before deciding to invest in Units. In particular, you should carefully consider the risks associated with an investment in the Fund and whether the information in this PDS is appropriate for you in light of your objectives, financial situation and needs. To obtain advice or more information about the product offered in this PDS you should speak to your financial adviser or other professional adviser.

You should rely only on information in this PDS. No person is authorised to provide any information, or to make any representations, in connection with the issue of Units, which is not contained in this PDS. Any information or representations not contained in this PDS may not be relied upon as having been authorised by the Manager in connection with the issue of Units. This PDS supersedes and replaces all previous representations made in respect of the Manager and the Fund.

This PDS only constitutes an offer of, or invitation to apply for, financial products to persons within Australia or in places where it is lawful to make such an offer or invitation. Units in the Fund are not available for purchase within the United States or to US Persons.

This PDS is available electronically at [www.ellerstoncapital.com](http://www.ellerstoncapital.com). If you access an electronic copy of this PDS, then you should ensure that you download and read the entire PDS and the Application Form. If you are printing an electronic copy of this PDS, you must print all pages, including the Application Form. If you make this PDS available to another person, you must give them the entire electronic file or printout, including the Application Form. A paper copy of this PDS (including any supplementary document) can be obtained free of charge by calling Ellerston Capital on (02) 9021 7797 or by emailing [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com). You will be asked to provide personal information to us (directly or through the Registry) if you apply for Units. For information about how the Manager collects, holds and uses this personal information—see **Section 10.7**.

An investment in the Fund is subject to investment and other risks, including possible delays in repayment and loss of income and principal invested. Investments in the Fund are not deposits with, or other liabilities of Ellerston Capital, any member of the Manager's Group, Service Providers or related bodies corporate, affiliates, associates or officers of any of the above entities. None of these entities guarantees any particular rate of return or the performance of the Fund nor do they guarantee the repayment of capital from the Fund. There are no forecasts or prospective financial information relating to the Fund in this PDS. No person other than Ellerston Capital has caused or authorised the issue of this PDS nor do any of them take any responsibility for the preparation of this PDS or the establishment or performance of the Fund. ASIC takes no responsibility for the contents of this PDS.

All actions referred to in this PDS as being taken by the Fund are performed by Ellerston Capital as responsible entity of the Fund or its delegates, as the case may be, in respect of the Fund.

None of the Service Providers have or will undertake any due diligence inquiries with respect to investments of the Fund for the benefit of the Fund or its prospective investors.

To the full extent permitted by law no:

representation or warranty (express or implied) is given; and  
responsibility or liability (including in negligence) is accepted,

by any company or person, in the group of companies to which each Service Provider belongs, as to the truth, accuracy or completeness of any statement, opinion, forecast, information or other matter (whether expressed or implied) contained in this PDS or as to any other matter concerning it.

The Manager reserves the right to vary the Offer, including by closing the Offer at any time, accepting late applications, changing the timing of the Offer, either generally or in particular cases, without notifying any recipient of this PDS or any applicants. Prospective investors are encouraged to submit their applications as soon as possible.

Subject to the law and the Constitution, the Manager may change at any time the information, terms and conditions set out in this PDS and otherwise applying to Units. Where a person is a Unit holder, they will be provided with at least 30 days written notice of any such change which is materially detrimental to them as a Unit holder including any increase to fees. Unit holders who redeem their Units prior to the change will ordinarily not be bound by the change. Where a change is not materially adverse to Unit holders the information may be made available at: [www.ellerstoncapital.com](http://www.ellerstoncapital.com). Unit holders may obtain a paper copy of this information free of charge by contacting the Manager.

Certain capitalised expressions used in this PDS have defined meanings, which are explained in the Glossary – **Section 11**. References to \$ or A\$ are to Australian dollars.

Ellerston Global Macro Fund APIR Code: ECL6698AU

# 1. Key Features of the Ellerston Global Macro Fund

This table contains a summary of the key features of the Units. You should read the PDS in full before deciding whether to invest. See the Glossary for definitions of terms.

KEY FUND INFORMATION												
<b>INVESTMENT OBJECTIVE</b>	The Fund aims to provide an annualised return of 5% (after fees and expenses) above the RBA Cash Rate over rolling three year periods. The Fund's targeted volatility is 6% over rolling three year periods.	<b>Section 4.1</b>										
<b>INVESTMENT STRATEGY</b>	The Fund aims to generate positive returns over a range of market conditions. The Fund aims to achieve its objective by implementing a strategy which focuses on a number of fundamentally derived core themes optimised via trade execution and portfolio construction. The Fund invests in a portfolio of fixed interest, foreign exchange, equity and commodities.	<b>Section 4.1</b>										
<b>BENCHMARK</b>	RBA Cash Rate											
<b>INVESTMENT, GUIDELINES AND EXPOSURES</b>	<p>The Fund will invest in the following asset classes:</p> <ul style="list-style-type: none"> <li>• Fixed income; currencies; equity indices and sectors; and commodities through the use of Derivatives and exchange traded funds; and</li> <li>• Cash and Cash like Investments.</li> </ul> <p>The allocation by asset class<sup>1</sup> is:</p> <table border="0"> <tr> <td>Cash</td> <td>0 – 100%</td> </tr> <tr> <td>Fixed Income</td> <td>0 – 100%</td> </tr> <tr> <td>Currency</td> <td>0 – 100%</td> </tr> <tr> <td>Equity indices and sectors</td> <td>0 – 100%</td> </tr> <tr> <td>Commodities</td> <td>0 – 100%</td> </tr> </table> <p>The Manager has the following guidelines:</p> <ul style="list-style-type: none"> <li>• Target number of positions: typically, the Fund's portfolio seeks to embrace 2 -5 macro themes embodied in 20 - 50 positions. The Fund's portfolio will fall outside this from time to time (for example where the Manager does not see any opportunities).</li> <li>• Country exposure. Investment exposure is focused on countries within the OECD, FTSE developed markets or any Group of Twenty member country but may also invest in other countries and currencies on an opportunistic basis.</li> </ul>	Cash	0 – 100%	Fixed Income	0 – 100%	Currency	0 – 100%	Equity indices and sectors	0 – 100%	Commodities	0 – 100%	<b>Section 4.1 and 4.2</b>
Cash	0 – 100%											
Fixed Income	0 – 100%											
Currency	0 – 100%											
Equity indices and sectors	0 – 100%											
Commodities	0 – 100%											
<b>DERIVATIVES</b>	<p>Derivatives will be used extensively to achieve the Fund's investment exposure.</p> <p>The Fund may utilise any type of Derivative, including Exchange Traded Derivatives and OTC Derivatives.</p>	<b>Sections 4.2 and 5.1</b>										
<b>WITHDRAWALS/ REDEMPTION</b>	Unit holders can withdraw/redeem from the Fund daily by providing a redemption request to the Registry by 12:00pm (Sydney time) on a Business Day to be processed for that Business Day.	<b>Section 7.2</b>										
<b>KEY RISKS</b>	<p>There are a number of risks associated with investing in the Fund. The key risks include:</p> <ul style="list-style-type: none"> <li>• Manager risk. The success of the Fund is dependent on the ability of the Manager to identify investment opportunities that achieve the Fund's investment objective (for example times where</li> </ul>	<b>Section 5.1</b>										

## KEY FUND INFORMATION

the Fund's investment performance is influenced by the performance of financial markets as a whole and the market price of the investments will fluctuate);

- Leverage risk. The use of Leverage may magnify the potential gains and losses achieved by the Fund; and
- Derivatives risk. In addition to the Leverage risk above, the use of OTC Derivatives with counterparties who do not clear through the clearing house may involve counterparty risk.

This is not a comprehensive summary of all the risks of investing in the Fund. We recommend you obtain financial advice before investing.

<sup>1</sup> The reference to the Fund investing in an asset class includes all types of investments which give exposure to that asset, directly or indirectly, including through Derivatives and through any type of investment which would ordinarily be understood to be in that market. The ranges set out above relate to the proportion of the Fund that may be allocated to each asset class and is not indicative of the Fund's exposure to each of the underlying asset classes. Derivatives will be used to gain exposure to these asset classes which may result in the Fund's underlying exposure being outside these ranges. Leverage through the use of Derivatives will be managed in accordance with VAR 99 of 3.75%. Refer to the Leverage section for further information.

## KEY PRODUCT FEATURES

### Costs of Investing in the Fund

Management Costs	Management Fee of 1.00% pa* of the Net Asset Value (\$250 per \$25,000).	<b>Sections 6.1 and 6.2</b>
Performance Fee	15%* of the investment return over the Benchmark return, after recovering any underperformance in past periods	<b>Sections 6.1 and 6.2</b>
Buy/Sell Spread	0.25%	<b>Section 6.2</b>

### Investment Requirements

Minimum Initial Investment	Minimum initial investment – \$25,000 Minimum additional investment – \$10,000	<b>Section 7.1</b>
Applications	Daily. Complete Applications to be received by the Registry by 12:00pm (Sydney time) on a Business Day to be processed for that Business Day	<b>Section 7.1</b>

### Distributions

Frequency	Semi-annually.	<b>Section 7.4</b>
Payment Method	Reinvested in additional units or paid into your nominated bank account.	<b>Section 7.4</b>

\* All fees set out are inclusive of the net effect of Goods and Services Tax (GST) (i.e. includes GST net of input tax credits). The Fund may not be entitled to claim a reduced input tax credit in all instances.

REPORTING		
MONTHLY AND ANNUAL NEWSLETTER	A monthly and annual newsletter will be available on our website <a href="http://www.ellerstoncapital.com">www.ellerstoncapital.com</a>	<b>Section 10.1</b>
REGULAR REPORTING	Confirmation of all applications and redemptions. An annual periodic statement providing your account balance, transaction summary and distribution details (if any).	<b>Section 7.4</b>
ONLINE ACCESS	Investors are able to access their holdings, transaction history and other statements online through our secure web portal: <a href="https://secure-ellerstoncapital.com">https://secure-ellerstoncapital.com</a>	
UNIT PRICING	Unit prices are on our website <a href="http://www.ellerstoncapital.com">www.ellerstoncapital.com</a>	<b>Section 7.5</b>
ANNUAL AUDITED FINANCIAL REPORT	Annual audited financial report for the Fund.	<b>Section 10.1</b>
ANNUAL TAX REPORTING	Annual tax statement for the Fund. Exit statement if you have redeemed Units during the financial year.	

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## 2. About Ellerston Capital

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The Manager is a specialist investment manager and brings a strong record of accomplishment, a high conviction investment style and a benchmark independent philosophy managing funds.

As a firm majority owned by its principals and employees, our client's objectives are our objectives.

The Manager currently manages a number of strategies including market neutral, global Long only, global Long Short, large and small capitalisation Australian equity, Asian equities and private equity.

The Manager's investment products are designed to take advantage of the strengths and capabilities of our experienced investment team and also the opportunities which we feel exist in the market place overlaid with strong risk oversight and trade support.

### **Key Decision Maker, Brett Gillespie, Portfolio Manager**

Mr. Gillespie has responsibility for and plays a key role in the Fund's investment decisions. Mr. Gillespie devotes the majority of his time to the execution of the Fund's investment strategy.

Mr. Gillespie has worked in the funds management industry for over 25 years. Mr. Gillespie spent 10 years as Senior Portfolio Manager at Tudor Investment Corporation (London & Sydney); with 2 years managing capital for CBA and 13 years with BT Financial Group (4 years managing over \$AUD 5 billion, 9 years as Banker's Trust proprietary trader).

There have been no adverse regulatory findings against Mr. Gillespie or the Manager.

### **Tim Toohey, Chief Economist Global Macro Fund**

Tim joined Ellerston capital in March 2017 as Chief Economist with the Global Macro Team.

Tim joined from Goldman Sachs where he was Chief Economist and Head of Macro Strategy Australia and New Zealand. In 2002, Tim joined JBWere (who later merged with Goldman Sachs in 2003) as a Senior Economist in the research department and was named Managing Director in 2009.

Prior to this, Tim was Macroeconomist with the ANZ Banking Group for two years.

Tim began his career as a Senior Economist with the National Institute of Economic and Industry Research.

Tim has a Bachelor of Commerce degree from the University of Melbourne (Honours in Economics) and a Masters of Economics also from The University of Melbourne.

Tim has been voted in the Greenwich survey the number one Economist in Australia from 2003-2016.

### **Investment Team**

Mr. Gillespie is a member of and can draw on the expertise of the Manager's investment team, which are dedicated to the investment strategy.

Overall, the investment team are responsible for managing approximately \$5.1 billion (as at 28 February 2017) in Australian and global portfolios.

## 3. Disclosure Principles and Benchmarks

### Disclosure Principles

ASIC has required that funds such as this Fund disclose to Unit holders information against a number of stated disclosure principles. This table below contains a summary of the disclosure principles for the Units.

DISCLOSURE PRINCIPLES		FURTHER INFORMATION
<b>1. INVESTMENT STRATEGY</b>	<p>The Fund aims to provide an annualised return of 5% (after fees and expenses) above the RBA Cash Rate over rolling three year periods.</p> <p>The Fund is an Absolute Return fund and expects to generate positive returns in all market environments while focusing on capital preservation. The Fund aims to achieve its objective by implementing a strategy which focusses on a number of fundamentally derived core macro themes optimised via trade execution and portfolio construction. The Fund invests in a portfolio of fixed interest, foreign exchange, equity and commodities.</p> <p>The Manager will utilise Derivatives as part of its investment strategy with the aim of generating or protecting returns.</p> <p>The key dependency underpinning the investment strategy is the research, analysis, skill and experience of the Manager.</p> <p>There are a number of risks associated with investing in the Fund. The key risks include returns being subject to the skill of the Manager, and risk associated with the use of Leverage and Derivatives.</p> <p>The Manager's risk management strategy is set out in <b>Section 4.4</b>.</p> <p>The Manager may change the investment objective and strategy to meet current market conditions. Unit holders will be given 30 days prior notice if any of these changes are materially adverse, otherwise these changes will be available on the Manager's website.</p>	<p>Investment Objective and Strategy – see <b>Section 4.1</b></p> <p>Fund Investments – see <b>Sections 4.1 and 4.2</b></p> <p>Key Dependencies – see <b>Section 4.2</b></p> <p>Key Risks – see <b>Section 5.1</b></p> <p>Risk Management Strategy – see <b>Section 4.4</b></p> <p>Changes to the Investment Strategy – see <b>Section 4.5</b></p>
<b>2. INVESTMENT MANAGER</b>	<p>The responsible entity and investment manager is Ellerston Capital Limited.</p> <p>Brett Gillespie, has overall responsibility for the Fund's investment decisions and is supported by a team of investment professionals.</p>	<p><b>Section 2</b></p>
<b>3. FUND STRUCTURE</b>	<p>The Fund is an Australian unit trust registered as a managed investment scheme under the Corporations Act. The Fund invests directly in its investments. A structure diagram is set out in Section 4.6</p> <p>The key Service Providers are set out in Section 4.7. These Service Providers are regularly monitored by the Manager to ensure compliance with their service agreement obligations. All entities are Australian except for the Prime Broker and Custodian. Except as stated above, there are no related party relationships and all arrangements are on arm's length terms.</p> <p>There are various risks associated with this structure. While the Fund uses Derivatives extensively, the majority of OTC Derivative positions are cleared through recognised clearing houses which significantly reduces counterparty risk. The Fund may open OTC Derivative positions not cleared through recognised clearing houses which can expose the Fund to counterparty risk.</p>	<p><b>Section 4.6</b></p> <p>Service Providers – see <b>Section 4.7</b></p> <p>Prime Broker and Custodian – see <b>Section 9.2</b></p> <p>Key risks – see <b>Section 5.1</b></p>

<b>4. VALUATION, LOCATION AND CUSTODY OF ASSETS</b>	<p>The key aspects of the Fund's valuation policy are set out in Section 7.5.</p> <p>The Fund predominantly invests in Exchange Traded and OTC Derivatives, exchange traded funds, Cash and Cash-like Investments.</p> <p>The Prime Broker, ISDA Counterparties and Custodian holds the Fund's assets. Cash may also be held on deposit with one or more Australian banks.</p>	<p>Valuation policy – see <b>Section 7.5</b></p> <p>Asset allocation – see <b>Section 4.2</b></p> <p>Prime Broker and Custodian – see <b>Section 9.2</b></p>
<b>5. LIQUIDITY</b>	<p>The Manager expects to realise at least 80% of its assets, at the value ascribed to those assets in calculating the Fund's Net Asset Value, within 10 days.</p>	<p><b>Section 4.2</b></p>
<b>6. LEVERAGE</b>	<p>The Fund may be Leveraged through the use of Derivatives which will amplify the Fund's exposure to various investment themes.</p> <p>Leverage is obtained through Derivatives sourced from the Prime Brokers, investment banks and brokers. A worked example of the impact of Leverage is provided in Section 4.2.</p> <p>The Prime Broker has a security interest over the Fund as collateral. The assets of the Fund may also be transferred to the Prime Broker as collateral.</p>	<p><b>Section 4.2</b></p> <p>Prime Broker and Custodian – see <b>Section 9.2</b></p>
<b>7. DERIVATIVES</b>	<p>Derivatives may be used to achieve the Fund's fixed interest, foreign exchange, equity and commodity exposures.</p> <p>The Fund may utilise any type of Derivative, including Exchange Traded Derivatives and OTC Derivatives.</p> <p>The Manager engages reputable and regulated brokerage firms as Derivatives counterparties following due diligence.</p> <p>The use of Derivatives involves risk, which may include counterparty risk, and risks associated with Leverage.</p>	<p><b>Section 4.2</b></p> <p>Key risks – see <b>Section 5.1</b></p>
<b>8. SHORT SELLING</b>	<p>The Fund may have a Short exposure to asset classes through the use of Derivatives.</p>	<p><b>Section 4.2</b></p>
<b>9. WITHDRAWALS/ REDEMPTIONS</b>	<p>Unit holders can withdraw/redeem from the Fund daily by providing a redemption request to the Registry by 12:00pm (Sydney time) on a Business Day to be processed for that Business Day.</p> <p>Redemptions may be suspended in limited circumstances as set out in Section 7.2. Unit holders will be notified in writing of any material changes to their redemption rights.</p>	<p><b>Section 7.2</b></p>

## Disclosure Benchmarks

This PDS addresses the following two disclosure benchmarks:

- Valuation of assets: this benchmark addresses whether valuations of the Fund's non-exchange traded assets are provided by an independent administrator or an independent valuation service provider; and
- Periodic reporting: this benchmark addresses whether we provide periodic disclosure to our investors of certain key Fund information on an annual and monthly basis.

Each benchmark identifies a key area that ASIC considers investors should understand before making a decision to invest into the Fund.

Where a responsible entity does not meet a particular disclosure benchmark, ASIC requires that the responsible entity explain why the benchmark is not met and what alternative measures it has in place to mitigate the concern underlying the benchmark.

**Benchmark 1: Valuation of Assets**

The Fund meets this benchmark.

**Benchmark 2: Periodic Reporting**

The Fund meets this benchmark.

The following Fund information will be provided to Unit holders on a monthly basis:

- Net Asset Value of the Fund and Redemption Price of Units;
- Any changes to key Service Providers including any change in related party status;
- Net returns after fees, costs and relevant taxes;
- Any material changes to the Funds risk profile and strategy; and
- Any material changes related to the primary investment personnel responsible for managing the Fund.

The information will be reported in the monthly newsletter which will be available on our website at [www.ellerstoncapital.com](http://www.ellerstoncapital.com).

Annual reporting will include:

- Asset allocation to each asset type;
- Liquidity profile at the end of the relevant period;
- Maturity profile of Fund's liabilities at the end of the relevant period;
- The Fund's Gross Exposure as a measure of the leverage ratio at the end of the relevant period;
- Details on derivative counterparties engaged;
- Monthly return series; and
- Any changes to key Service Providers including any change in related party status.

This information will also be available on our website.

## 4. About the Ellerston Global Macro Fund

### 4.1. FUND OVERVIEW

<b>INVESTMENT OBJECTIVE</b>	<p>The Fund aims to provide an annualised return of 5% (after fees and expenses) above the RBA Cash Rate over rolling three year periods.</p>
<b>INVESTMENT STRATEGY</b>	<p>The Fund's investment philosophy is built around the assertion that markets deviate from core macro trends and markets also frequently under appreciate potential catalysts for recalibration of key macro themes.</p> <p>The Manager aims to exploit these opportunities by identifying value relative to both cyclical and secular trends, along with identifying potential catalysts to reprice the market.</p> <p>The Fund is an Absolute Return fund and expects to generate positive returns in all market environments while focusing on capital preservation. The Fund aims to achieve its objective by implementing a strategy which focusses on a number of fundamentally derived core themes optimised via trade execution and portfolio construction. The Fund invests in a portfolio of fixed interest, foreign exchange, equity and commodities.</p> <p>The Fund aims to invest primarily within OECD, FTSE developed markets or any Group of Twenty member states but may also invest in other countries and currencies on an opportunistic basis. The Fund predominately uses Derivatives (OTC Derivatives and Exchange Traded Derivatives).</p>
<b>HOW THE FUND IS MANAGED</b>	<p>The Fund is suitable for investors who want the potential for positive returns across a range of market conditions, with low correlation to any major asset class.</p> <p>The Fund starts with a number of macro themes, and then identifies the optimum country, asset class and trade structure to capture the theme while monitoring the risk environment to structure an optimum portfolio. The Fund has the advantage of being able to sell equity indices, bonds, commodities or currencies if that fits the fundamentally derived theme, allowing performance in all market environments.</p> <p><b>Portfolio Construction Summary</b></p> <p>To achieve the target return profile the Fund identifies key macro themes via thorough fundamental analysis. The focus of the investment process is on identification of uncorrelated themes that are internally consistent with the Fund's core macroeconomic views, which the Portfolio Manager can implement in the portfolio by systematically reviewing value and timing signals across all asset classes.</p> <p>The investment process is separated into 2 steps: identification and implementation.</p> <p>The identification phase is a 5 step process.</p> <ol style="list-style-type: none"> <li>1. Outline of the Fund's core macroeconomic view. Detailed internally consistent forecasts of the key macroeconomic variables for each of the major economies are generated by the Chief Economist using a combination of proprietary forecasting models and insights from external consultants. Forecasts are formally reviewed by the Fund at the start of each week.</li> <li>2. Identification of 'investable' themes. The core macroeconomic view is used in conjunction with fundamental research to compile a list of macroeconomic themes consistent with the Fund's macroeconomic forecast projections. Each member of the Fund has the ability to nominate investable themes.</li> <li>3. Ranking. Investable themes are then detailed and ranked on the basis of conviction and time horizon to determine suitability for the portfolio.</li> <li>4. Stress testing. Highly ranked themes are then stress tested by drawing upon the Fund's in house expertise, trusted external consultants and specialists to debate and further develop the theme and assess the risks and opportunities. Economic, political and market factors are allocated and tracked to each investable theme. Initial views on concentration risk, geographic risk and asset class risk of the investable theme relative to existing portfolio are noted.</li> <li>5. Decision. The Portfolio Manager and the Chief Economist jointly approve any investable theme before it proceeds to implementation phase.</li> </ol> <p>In the implementation phase the Portfolio Manager aims to build a portfolio that clearly captures identified themes, whilst minimising volatility and preserving capital.</p> <p>The implementation phase is also a 5 step process.</p>

	<ol style="list-style-type: none"> <li>1. Investment instrument. The ability of the Fund to invest globally and across asset classes enables the Fund to search for optimal expression of the investable theme across a wide range of investable securities. Proprietary fundamental models assess value across major asset classes, whilst a systematic review of market technicals assist in identifying the best expressions and timing of new investments.</li> <li>2. Theme targets. Proprietary models recommend the amount of capital to risk on each instrument and to the investable theme.</li> <li>3. Risk environment. The global risk environment is systematically reviewed. Theme expression is adjusted if the risk environment is assessed by the Portfolio Manager as inconsistent with the investable theme.</li> <li>4. Portfolio review. Portfolio performance is estimated using robust correlation analysis to achieve desired performance, and that exposure to the risk environment is appropriate. The Portfolio Manager may adjust positions and/or specific hedges to improve the thematic target performance of the Fund.</li> <li>5. Protection and flexibility. The Portfolio Manager retains the discretion to implement trades to adjust the portfolio against shifting event risks and market mispricing opportunities beyond the investable themes.</li> </ol> <p><b>Active Risk Management</b></p> <p>The Fund's investment positions are constantly monitored and re-evaluated based on market movements and economic developments. The Fund's active risk management seeks to minimise the impact of adverse effects from chosen investment themes by tightly controlling the Capital at Risk to any investment theme. The use of highly liquid Derivatives enables the Fund to reduce or exit investment exposures quickly. The Manager will use the strategy and its investment experience and skill to meet the Fund's return objective.</p> <p>The primary tool for the Fund's risk management approach is a 'value at risk' ('VAR') approach which monitors the total allowable risk of the Fund and measures the likelihood of the Fund losing value over a specified time period.</p> <p>The Fund's 'value at risk' model is based on historical market data and is set at VAR99 limit 3.75%. This means that 99% of the time, we do not expect a one day loss to be greater than 3.75%.</p> <p>Risk is systematically reduced when drawing down to preserve capital. Refer <a href="#">Sections 5.1</a> and <a href="#">8</a> for general and tax related risks associated with the Fund's investments.</p> <p>There is no guarantee that the investment objective will be achieved.</p>
<b>BENCHMARK</b>	RBA Cash Rate
<b>PORTFOLIO GUIDELINES</b>	<p>The Fund will invest in the following asset classes:</p> <ul style="list-style-type: none"> <li>• Fixed income; currencies; equity indices and sectors; and commodities through the use of Derivatives and exchange traded funds;</li> <li>• Cash and Cash like Investments; and</li> <li>• Sovereign bonds with a minimum investment grade rating.</li> </ul> <p><b>Target Number of Positions</b></p> <p>Typically the Fund's portfolio seeks to embraces 2 -5 macro themes embodied in 20 -50 positions. The Fund's portfolio may fall outside this from time to time (for example where the Manager does not see any opportunities).</p> <p><b>Maximum Gross Exposure</b></p> <p>We do not use gross Leverage or Gross Exposure as a tool for managing the Leverage risks within the Fund. The Manager considers the 'value at risk' model to be more appropriate than the Gross Leverage in assessing and managing the Fund's Leverage risk due to the nature of its investments.</p> <p>We also do not set an allocation range to investments and Derivatives or a maximum allowable level of exposure or gross Leverage for the Fund.</p>
<b>LOCATION AND CURRENCY</b>	The Fund will have exposure to other currencies to the extent investments are made in other jurisdictions as described above. See "Investment Strategy" above for information about the Fund's foreign currency exposures.
<b>FUND INFORMATION AND PERFORMANCE</b>	Performance information for the Fund will be displayed at <a href="http://www.ellerstoncapital.com">www.ellerstoncapital.com</a> . Prospective investors in the Fund can obtain performance information by telephoning (02) 9021 7797 or by emailing <a href="mailto:info@ellerstoncapital.com">info@ellerstoncapital.com</a> .

<b>CHANGES TO FUND TERMS</b>	Subject to the law and the Constitution, the Manager may change at any time the investment objective and strategy to meet current market conditions. Unit holders will be given 30 days prior notice if any of these changes are materially adverse changes otherwise these changes will be available on the Manager's website.
<b>LABOUR, ENVIRONMENTAL, SOCIAL AND ETHICAL CONSIDERATIONS</b>	The Manager does not take into account labour standards or social, environmental or ethical considerations when making investment decisions in respect of the Fund. Such issues may affect the financial performance of an investment and any such financial effect would influence our investments.

## 4.2. ASSET TYPES

The table below sets out a sample of the asset types the Fund may invest in and the overall allocation ranges.

ASSET TYPES	ALLOCATION RANGE
<b>Cash</b> <ul style="list-style-type: none"> <li>• Bank deposits</li> <li>• Short term money market securities (including bank bills, negotiable certificates of deposit, promissory notes)</li> </ul>	0-100%
<b>Fixed interest</b> <ul style="list-style-type: none"> <li>• Australian government bonds</li> <li>• International government bonds</li> <li>• Government issued indexed-linked securities</li> </ul>	0-100%
<b>Currency</b>	0-100%
<b>Equity indices and sectors</b>	0-100%
<b>Commodities</b>	0-100%

### Leverage

Leverage occurs when a fund has exposure to underlying assets which is more than the amount invested. This can be achieved by borrowing money to invest or through the use of Derivatives.

While the Fund is not permitted to borrow money to invest, it will be Leveraged through the use of Derivatives. Derivatives are used by the Fund to increase its exposure to investments. Leverage is possible with Derivatives because Derivatives require very little or no initial investment to gain exposure to certain asset classes. As a result Leveraging magnifies both potential investment gains and losses.

Derivatives vary in levels of risk depending on whether the price sensitivity of the underlying assets is large or small. Accordingly, the Fund will generally hold less exposure to Derivatives where the underlying assets are expected to have large price movements compared to Derivatives where the underlying assets are expected to have small price movements.

Gross Leverage is a risk measure that calculates the absolute value of a fund's Derivative exposures as if the fund had invested in the underlying assets directly, plus any other investments (excluding cash), and expressed as a multiple of the fund's value.

We do not use gross Leverage or Gross Exposure as a tool for managing the Leverage risks within the Fund. We also do not set an allocation range to investments in Derivatives or a maximum allowable level of exposure or gross Leverage for the Fund.

The Manager considers the 'value at risk' model to be more appropriate than the Gross Leverage in assessing and managing the Fund's Leverage risk due to the nature of its investments.

We use the 'value at risk' model as the primary tool to determine the total allowable risk of the Fund and measure the likelihood of the Fund losing value over a specified time period. Where the value at risk model estimates with 99% likelihood that the potential loss to the Fund over any 1-day time period is 3.75% or greater of the Fund's Net Asset Value, we will reduce or close out Derivative positions with the aim of reducing this risk, regardless of the amount of gross Leverage.

The Manager aims to ensure that Cash and Cash like Investments cover any total unrealized net losses on Derivative exposures.

## Worked Example

A worked example of the impact of Leverage on investment returns and losses is set out below.

This table gives an example of how gross Leverage is calculated and the impact on your investment amount of an adverse amount movement in the value of an underlying asset of a Derivative. This example assumes that the Fund buys five Futures contracts over an Australian ten year bond worth \$100,000. This example assumes no initial investment margin is required to purchase the Futures contracts.

In comparison, if your investment amount of \$100,000 had been used to buy the bond directly then a 1% drop in the value of the bond would have only resulted in a \$10,000 loss in portfolio value or an effective rate of loss of 1% instead of a 5% loss as per the below example.

Example – You make \$100,000 investment into the Fund	
Assets bought by the Fund	5 future contracts bought over a 10 year bond
Cost to purchase the future contracts	Nil
Cash (from your investment)	\$100,000
Exposure (measured as if the Fund has invested in the bond directly)	\$500,000
Portfolio Value	\$100,000 (value of cash)
Gross Leverage (Exposure/ Portfolio Value)	$= \$500,000 / \$100,000$ =5 times
Assume the bond declines in value by 1%	
Loss in value of future contracts	$1\% \times \$100,000 \times 5 \text{ contracts held} = \$5000$
Portfolio Value	$\$95,000 (= \$100,000 \text{ original value of your cash} - \$5000)$
Effective rate of loss (Loss in value on futures contract/Portfolio value)	5%

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

See [Section 5.1](#) for risks associated with the use of Leverage.

## Collateral

The Fund may use the assets of the Fund as security for any collateral for Derivatives.

The Fund's obligations to the Prime Brokers will be secured by way of a first fixed charge over the assets the Prime Broker has in its custody. In addition, the Fund's obligations to the Prime Broker in respect of any financing lines facilities will be secured by transferring to the Prime Broker all rights, title and interest in and to certain of the custodied assets identified for such purposes by the Prime Broker as collateral. See Section 9.2 for more details. With respect to Exchange Traded Derivatives, the exchange does not take similar security however the Fund is subject to initial and subsequent margin calls which are required to be paid by the Fund. See Section 5.1 for more detail regarding the risks associated with the above.

## Derivatives

The Fund will use Derivatives as part of its overall investment strategy, including but not limited to:

- more efficiently gain economic exposure to the underlying reference assets;
- achieving Leverage for the Fund's portfolio (see above);
- increase the liquidity of the portfolio as the underlying physical reference assets often have higher transaction costs and less liquidity;
- investing indirectly where the Manager determines that investing indirectly would, for example, be commercially advantageous, tax efficient or provide a more practicable means of access to the relevant investment; or

- short term portfolio management purposes, for example obtaining economic exposure to the market whilst physical exposures are being bought.
- Take advantage of price differences (known as arbitrage) between the underlying reference asset which the derivative value is based.

### Derivative Counterparties

The Manager engages reputable and regulated investment banks and brokerage firms as Derivative counterparties after conducting due diligence on factors such as their regulatory status, past disciplinary actions and compliance systems. Where possible, all OTC Derivative positions are cleared through recognized clearing houses, which significantly reduces counterparty risks associated with OTC Derivatives. Nevertheless, the Fund may open OTC Derivative positions that are not cleared through a recognized clearing house which will expose the Fund to counterparty risks. The Fund also conducts a detailed legal review of relevant agreements (including with a view to protecting against counterparty risk).

See **Section 5.1** for risks associated with Derivatives. Also see “Collateral” above for information regarding the risk of providing collateral.

### Liquidity

The Manager reasonably expects to realise at least 80% of its assets, at the value ascribed to those assets in calculating the Fund's Net Asset Value, within 10 days.

### Key Dependencies

The key dependency underpinning the investment strategy is the research, analysis, skill and experience of the Manager. With the investment techniques available to the Fund, the Fund aims to generate Alpha on each investment that is, generating a profit based on the skill of the Manager.

### Key Risks

See **Section 5** for key risks associated with the investment strategy.

## 4.3. RISK MANAGEMENT STRATEGY

The Manager has risk management processes in place including an investment methodology, actively monitoring the Fund's exposure (refer to active risk management in **section 4.1**) and liquidity see, undertaking due diligence where practicable on investments and obtaining expert external accounting, legal and tax advice. Refer **Sections 5.1** and **8** for general and tax related risks associated with the Fund's investments.

The Manager's risk management process also includes a comprehensive compliance framework. This framework includes compliance policies, training and monitoring. The Manager has a compliance team, the head of which reports directly to the Board. The Manager also segregates the Manager's staff that make investment decisions from those that are responsible for administering the Fund.

The Manager maintains business continuity and disaster recovery plans. The accounting role for the Fund is performed by the Administrator, an independent third party. The financial statements are audited annually.

## 4.4. CHANGES TO THE INVESTMENT OBJECTIVE AND STRATEGY

The Manager may change at any time the investment objective and strategy to meet current market conditions. Where a change is not materially adverse to Unit holders the information may be made available at: [www.ellerstoncapital.com](http://www.ellerstoncapital.com). Otherwise Unit holders will be given 30 days written notice.

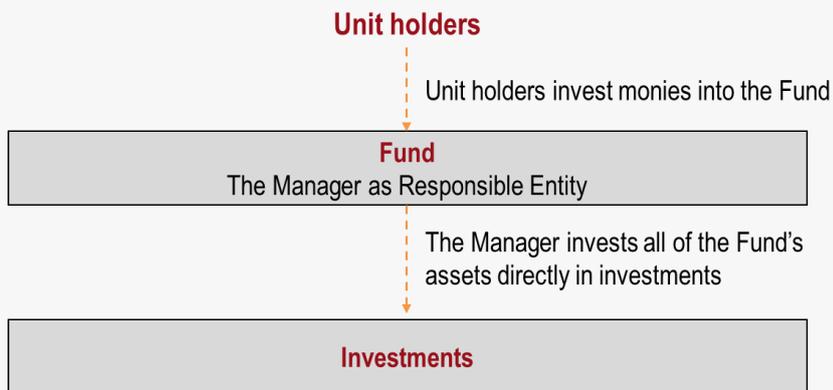
## 4.5. STRUCTURE

The Fund is a registered managed investment scheme structured as an Australian unit trust. The Fund invests directly.

The Fund may invest through other managed investment schemes (both registered as such under the Corporations Act and un-registered schemes) of which the Manager is responsible entity/trustee. To the extent that it does, the Manager will waive or set off additional management and performance fees payable to it in respect of such investments so that Unit holders only bear the fees set out in **Section 6**. The Manager does not anticipate investing through other schemes of which it is not responsible entity/trustee.

## Investment Structure

The diagram below indicates how the Fund invests in assets.



## 4.6. KEY SERVICE PROVIDERS TO THE FUND

ROLE	PROVIDER	KEY FUNCTIONS
<b>Responsible entity and Manager</b>	Ellerston Capital Limited	Responsible entity of the Fund. Managing the Fund's investments. See <b>Section 2</b> .
<b>Prime Broker and Custodian</b>	Morgan Stanley & Co International PLC  UBS AG	Holds custody of the Fund's assets. Clearing and settlement facilities. Provide margin financing, and foreign exchange facilities. Brokerage and dealing for the purposes of executing transactions. See <b>Section 9.2</b> .
<b>Administrator and Custodian</b>	State Street Australia Limited	Holds custody of the Fund's assets. Investment accounting, fund accounting and net asset value calculations.
<b>Registrar</b>	Link Market Services Limited	Investor services and fund registry.
<b>Auditor</b>	Ernst & Young	Auditing annual financial accounts and the Fund's compliance plan.

Cash may be held on deposit with one or more Australian banks.

Each key Service Provider has entered into a service agreement which sets out the service provider's obligations to the Fund. The Manager monitors the performance of the key service providers on an ongoing basis to determine their compliance with service agreement obligations (eg. receiving compliance attestations).

There are no related party relationships within the above structure. All arrangements are on an arms' length basis. All the entities described in this section are Australian, other than the Prime Broker and Custodian.

See **Section 5.1** for risks relating to the above. For more information regarding the Prime Broker see **Section 9.2**.

## 4.7. CLASSES OF UNITS IN THE FUND

The Fund has issued an additional Class of Units to known as Class M Units. Class M Units are not available for purchase under this PDS. Class A Units invest in the same portfolio of assets and rank equally with Class M Units with respect to redemptions, distributions and on winding up. Class M may have different arrangements with respect to fees, expenses and minimum holdings, to reflect the differing nature of investors in that Class.

The Fund may issue additional Classes in the future with the same or different terms to any of the existing Classes.

## 5. Risks

An investment in the Fund entails risks. 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. Unit holders in the Fund could lose some or all of their investment in the Fund.

Investors should consider the following risks in determining whether an investment in the Fund is suitable for them. They should seek professional advice before investing. The summary below is a guide only and not an exhaustive list of all the risks of investing in the Fund.

### 5.1. RISKS APPLICABLE TO THE FUND

#### Manager Risk

The success of the Fund depends upon the ability of the Manager to identify investment opportunities that achieve the Fund's Investment Objective. This is dependent on the quality and accuracy of the qualitative and Quantitative analysis and modelling prepared by the Manager. The success of the analysis is dependent on the identification of deviation by markets around core macro themes in a timely manner.

Specific environments that may cause the strategy to result in losses may be the strategies employed by the Fund that prove to be incorrect or ill-timed, low market volatility and a stable economic environment.

There is no guarantee that the Manager will be able to achieve a return that has a low correlation with traditional asset class returns or reduce the majority of market risk. The Manager may lose key personnel (see [Section 2](#)) which could impact on its ability to continue to implement the Fund's investment strategy.

#### Counterparty and Service Provider Risk

While the Fund will seek to open OTC Derivative positions with counterparties who clear through recognized clearing houses to avoid counterparty risk, there may be instances where this is not possible. Default by any of the Fund's Service Providers (e.g. Prime Broker and Custodian) may cause losses to the Fund. The Fund's investments may be used by the Fund's Prime Broker and Custodian. Any cash which a prime broker and custodian receives on the Fund's behalf will not typically be subject to the client protections conferred by relevant laws. The Fund will rank as an unsecured creditor to the Prime Broker and Custodian in case of its insolvency. Accordingly, the Fund may not be able to recover equivalent assets in full should the Prime Broker and Custodian become insolvent. Counterparties and Service Providers may also hold security over the Fund's assets so that they rank ahead of Unit holders in recovering the assets of the Fund. The Manager will seek counterparties and Service Providers which have a low risk of defaulting, although these risks cannot be eliminated entirely. See [Section 9.2](#) for further details regarding the Prime Broker and Custodian.

#### Derivatives

The Fund may invest in Derivatives which are sophisticated financial products. Derivatives may give rise to Leverage and hence have the potential to cause losses that are large in proportion to the money invested in them. Refer to [Section 4.2](#) for more details about how Derivatives are used and the risks set out in "Leverage and Borrowing" below. The use of Derivatives may also give rise to counterparty risks as set out above.

#### Past Performance and History

There can be no assurance that the Fund will achieve its Investment Objective. The Fund's past performance information should not be relied upon as (and is not) an indicator of future performance.

#### Derivatives Risks

There is a risk that the Fund makes substantial losses or has volatile returns through the use of Derivatives. The Fund will use Derivatives to gain its investment exposures. Derivatives are instruments whose value is derived from the value of an underlying asset (such as a market index) and can be highly volatile.

A Derivatives value can change in response to a range of unpredictable factors such as changes in interest rates, volatility of an underlying asset, foreign exchange rates or credit rating. Derivatives also involve a higher level of risk than buying an asset directly. This is because Derivatives require very little or no initial investment to gain exposure to markets. As a result, Derivatives magnify both potential investment gains and losses. Losses from Derivative transactions can be substantial and exceed the original amount invested.

## Leverage Risks

Leverage generally involves the use of borrowed money or Derivatives to increase the potential return from an investment. While the Fund is not permitted to borrow to invest, it will be Leveraged through the use of Derivatives. Leverage occurs when the level of exposure to investments exceeds the amount of cash invested. Leverage through the use of Derivatives for example involves a higher level of risk because Derivatives require very little to no initial investment gains and losses. Losses from leveraged investments such as Derivatives can be substantial and can exceed the original amount invested.

## Key Person Risk

The risk that the Fund's investment performance or ability to remain open to investor's is adversely impacted due to the loss of key individuals who are integral to the Fund's investment process, idea generation, investment selection and portfolio construction. To reduce the reliance on any particular individual, the Manager undertakes succession planning, and cross training of team members. Financial incentives are also offered to retain talent.

## Strategy Risk

The strategies employed by the Fund may prove to be incorrect or ill-timed resulting in losses in the Fund. Specific factors that may cause strategy risk are low market volatility in bond and currency markets, a stable economic environment and short term market mispricing that does not re-price.

## Regulation

Regulation of the Manager, the Fund and its investments may change which may impact on the investment returns and nature (e.g. ability to trade investments internationally, use of Leverage or prohibitions on Short Selling) of the Fund.

## Tax

The taxation of the Manager, the Fund and its investments is complex and dependent on the taxation laws and the manner in which these are interpreted and administered by the government agencies and courts. The relevant taxation laws and the manner in which they are interpreted and/or administered by the government agencies and courts may change. Such changes may impact on the investment returns and their character. See **Section 8** for further details.

## Redemption and Liquidity Risk

Redemptions from the Fund may be limited in the situations described in **Section 5**. The Fund may not be able to promptly liquidate some of its investments at an amount close to their fair value, or liquidate them at all. This would cause losses to the Fund or reduce the ability of Unit holders to redeem from the Fund.

## Distributions

The Fund is not designed for Unit holders seeking regular income payments. While the Fund must pay its distributable income each year, there is no guarantee that any income will be generated. In certain circumstances, Unit holders may be liable for tax on distributions even if they have not received any distribution in cash.

## 5.2. RISK MANAGEMENT

See **Section 4.4** above for information about the Manager's risk management strategies.

## 6. Fees and Other Costs

### Consumer Advisory Warning

The warning below is required by law.

#### Did you know?

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

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

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

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

#### To Find Out More

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

### 6.1. FEES AND OTHER COSTS

This document 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.

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

TYPE OF FEE AND COST	AMOUNT <sup>1</sup>	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>2</sup>:</b> The fee on each amount contributed to your investment	Nil	Not applicable
<b>Withdrawal fee<sup>2</sup>:</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>Management Costs<sup>3</sup>: The fees and costs for managing your investment payable to the manager</b>		
<b>Management Fee</b>	1.00% per year of the Net Asset Value.	Calculated and accrued daily and paid from the assets of the Fund monthly in arrears. The Management Fee is reflected in the Unit price. The amount of this fee may be negotiated with the Manager. Refer to <b>Section 6.3</b> for more details.

TYPE OF FEE AND COST	AMOUNT <sup>1</sup>	HOW AND WHEN PAID
<b>Performance Fee</b>	15% of the investment return over the Benchmark return, after recovering any underperformance in past periods.	Calculated and accrued daily and paid from the assets of the Fund after 30 June each year in arrears. The Performance Fee is reflected in the Unit price. Refer to <b>Section 6.3</b> for more details.
<b>Fees and costs for managing your investment not payable to the Manager<sup>4</sup></b>		
<b>Indirect Costs</b>	Estimated at 0.125% p.a. of the Net Asset Value	Indirect costs are variable and are deducted from the assets of the Fund when they are incurred. These costs are not charged separately and are not paid to the Manager.
<b>Service fee</b>		
<b>Switching fee:</b> The fee for changing investment options.	Nil	Not applicable

Notes:

- All fees set out in this **Section 6** are inclusive of the net effect of Goods and Services Tax (GST) (i.e. includes GST net of input tax credits). The Fund may not be entitled to claim a reduced input tax credit in all instances
- You may also incur the Buy/Sell Spread when your money moves in or out of the Fund. Please refer to **Section 6.3** "Buy/Sell Spread" for further details.
- Management costs do not include the Fund's transactional and operational costs. These amounts include any other indirect costs and may vary in future years Refer to **Section 6.3** for more details.

## 6.2. EXAMPLE OF ANNUAL FEES AND COSTS FOR THE FUND

The following table gives an example of how the fees and costs applicable to units in the Fund can affect your investment over a one (1) year period. You should use this table to compare this product with other managed investment products.

EXAMPLE	BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$50,000 DURING THE YEAR.	
<b>Contribution Fees</b>	Nil	For every additional \$50,000 you put in, you will be charged \$0.
<b>PLUS Management Costs</b>	1.00% p.a. management fee 15% p.a. estimated performance fee <sup>2</sup> 0% p.a. estimated expenses 0.125% p.a. estimated indirect costs	For every \$50,000, you have in the Fund you will be charged \$1003.90 (comprising \$500 management fee, \$441.40 estimated performance fee <sup>2</sup> , \$0 estimated expenses and \$62.50 estimated indirect costs) each year.
<b>EQUALS Cost of Fund</b>	2.007%	If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of \$1030.90 (comprising \$500 management fee, \$441.40 estimated performance fee <sup>2</sup> , \$0 estimated expenses and \$62.50 estimated indirect costs) <sup>3</sup> .  <b>What it costs you will depend on the investment option you choose and the fees you negotiate.</b>

- Please note the Fund has a minimum additional investment amount of \$10,000.
- Class A Units were first issued on 3 July 2017 and was first offered to the public by way of this PDS. The example includes the performance fee estimate of 15%, which is calculated on the assumption the Fund met its annualised investment return objective of 5% above the RBA Cash Rate after fees and expenses. Past performance is not a reliable indicator of future performance. In particular, the performance fee payable (if any) will depend on the performance of the Fund and any estimated or past performance fees may not be a reliable indicator of future performance fees of the Fund.

3. This example assumes the \$5,000 contribution occurs at the end of the year and therefore management costs are calculated using the \$50,000 balance only. The additional management costs would be \$100.40 (comprising \$50 of management fee, \$44.10 estimated performance fee<sup>2</sup>, \$0 estimated expenses and \$6.30 estimated indirect costs) if you had invested the \$5,000 for the full 12 months. Additional fees may apply, including a Buy/Sell Spread.

Please note that this is just an example. In practice, your investment balance will vary, as will related management costs. Fee rebates may be individually negotiated with wholesale clients (as defined in the Corporations Act).

## 6.3. ADDITIONAL EXPLANATION OF FEES AND COSTS

### GST

All fees set out in this Section 6 are inclusive of the net effect of Goods and Services Tax (GST) (i.e. includes GST net of input tax credits). The Fund may not be entitled to claim a reduced input tax credit in all instances.

### Management Costs

The management costs of the Fund as set out in the table in the previous page are composed of the Management Fee, the Performance Fee, expenses and indirect costs in relation to the Fund. The management costs in the table represent the indirect cost ratio of the Fund. This figure is an estimate as it includes an estimation of the Performance Fee, expenses and indirect costs.

The Management Fees and Performance Fees are based in part upon unrealised gains (as well as unrealised losses) and such unrealised gains and/or losses may never be realised.

### Management Fee

The Manager will be paid a Management Fee of 1.00% per year of the Net Asset Value. The Management Fee is calculated and accrued daily and paid from the Fund monthly in arrears. The Management Fee is reflected in the Unit price. The amount of this fee for wholesale clients (as defined in the Corporations Act) may be negotiated with the Manager (see “**Rebate for Wholesale Clients**” below).

### Performance Fee

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

The Performance Fee is equal to 15% of the amount by which the accumulated investment return exceeds the accumulated return of the Benchmark during each year to 30 June (**Calculation Period**).

If the Fund 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 be accrued or be paid.

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

The investment return is the positive or negative change in the Net Asset Value per Unit after deducting Management Fees but before any accrued Performance Fees and distributions (whether income or capital). 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.

The Manager 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 the Manager. If the Manager is 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 Units and not the performance of an individual Unit holder's investment. As a result, the actual Performance Fee payable on the Unit holder's investment may be affected by the timing of that person's applications and redemptions or by Unit holders as a whole.

The Manager 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 the Manager will be at the Application Price for those Units applicable at that time. No Buy/Sell Spread will be payable on the issue of these Units.

### 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 Fund 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 Fund has exceeded the return on the Benchmark. Note that the investment return of the Fund 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 \$106,500

The investment return for the Calculation Period is 7.38%, namely  $7.38\% \times \$100,000 = \$7,382$ . The return on the Benchmark is 1.5%, namely  $1.5\% \times \$100,000 = \$1,500$ .

The Performance Fee is  $15\% \times (\$7,382 - \$1,500) = \$882.40$ .

For each \$100,000 that you have invested in Units at the beginning of the Calculation Period, you would have earned \$6,500 and been charged \$882.4 in Performance Fees.

The above calculation is based on an annual return of 5% (after fees and expenses) above the RBA Cash Rate (as at the date of this PDS).

## Expenses

All costs or general expenses incurred (or that will be incurred) by the Manager in connection with the management of the Fund and the Offer are payable out of the Fund. The Manager is responsible for providing at its cost all office personnel, office space and office facilities required for the performance of its services. The Fund will pay all other expenses incidental to its operations, including, but not limited to, fees payable to the Fund's Service Providers (e.g. Administrator, Registry and Prime Broker and Custodian) and their out of pocket expenses incurred on behalf of the Fund, taxes imposed on the Fund or the Manager; governmental charges and duties; the Fund's advisers (e.g. legal, accounting and audit); printing and distributing the PDS, subscription materials, marketing materials and any reports and notices to Unit holders or prospective Unit holders. The Fund may also pay abnormal expenses arising from its business, such as litigation and indemnification expenses. The total of these ongoing expenses is currently estimated at 0% p.a. of the Net Asset Value. This estimate does not include any abnormal expenses and the ongoing expenses may be higher than this estimate.

## Indirect Costs

In general, indirect costs are any amounts that reduce the returns on the units that is paid from, or the amount or value of, the income or assets of the Fund (including an underlying investment of the Fund). Indirect costs are reflected in the unit price of your investment in the Fund.

The fee table shows the Manager's estimate of such costs.

## Transactional and Operational Costs

The Fund may incur transactional and operational costs such as brokerage, settlement, exchange fees and clearing costs. Transactional and operational 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. Transactional and operational costs may vary as the turnover in the underlying assets may change substantially as investment and market conditions change, which may affect the level of transactional and operational costs. Further, there are highly variable drivers upon which such transactional and operational costs are dependent.

The Manager estimates that the transactional and operational costs of the Fund to be 0.44% pa.

Separately, any additional transactional and operational costs incurred as a result of Unitholders coming into and out of the Fund may be accounted for in the buy/sell spread.

## Buy/Sell Spread

The buy/sell spread is an additional cost to you and is an adjustment to the Unit price. It represents a contribution to the estimated transactional and operational costs (such as brokerage) incurred when assets are bought and sold by the Fund. The current buy/sell spread is +/- 0.25% of the value of Units being bought and sold. This charge is levied as an additional cost to investors applying for Units or withdrawing Units and is retained in the Fund, not paid to the Manager. The application of a buy/sell spread means that transactional costs for investor-initiated transactions are allocated to the investor initiating the transaction, rather than being spread across the whole Fund.

The buy/sell spread is reviewed on a regular basis to ensure it reflects up-to date costs of acting on investor initiated transactions.

There is no buy/sell spread on distributions from the Fund that are re-invested.

We may vary the buy/sell spread from time to time and prior notice will not normally be provided to you. Updated information on the Unit prices will be posted on our website.

For example, an investment of \$50,000 would incur a buy spread of \$125, and a withdrawal of \$50,000 would incur a sell spread of \$125.

If buy and sell spreads are charged and represent only a portion of the Fund's transactional and operational costs incurred during a financial year, the balance of the Fund's transactional and operational costs will be borne by the Fund from the Fund's assets without any recovery from individual investors (see 'Transactional and Operational Costs' referred to above). If buy and sell spreads charged exceed the Fund's transactional and operational costs during a financial year, the balance of the buy and sell spreads will be retained by the Fund.

## Tax

See **Section 8** for information.

## Rebate for Wholesale Clients

We may rebate part of our Management Fee for the Units to Unit holders that are wholesale clients (as defined under the Corporations Act). Please contact the Manager for further details.

## Fees Waiver and Deferral

We may defer the receipt of any fees from time to time. If we do, this will not affect our right to receive the applicable fee. We may waive all or part of the Management Fee, Performance Fee or other fees for certain Unit holders or pay all or part of such fees or amounts out of our own resources to third parties (eg financial advisers, dealer groups) for services related to the placement of Units. It is not possible to estimate these amounts. If the law allows, we may charge fees on a different basis to our associates and Unit holders that are wholesale clients (as defined under the Corporations Act) and who make a substantial investment in the Fund or other of our investment products.

## Adviser Service Fee

You may agree to pay your adviser a fee for any financial advice that they provide to you. However, these are separate to any fees we charge in respect of your investment in the Fund, as set out in the table above.

## Fee Maximums and Changes to Fees

The Constitution sets out the maximum fees that we can charge. The maximum Management Fee is 2.05% of the gross value of the Fund assets per year and the maximum Performance Fee is 20.50%. We will not charge these maximums and instead will charge the fees shown in **Section 6.1**. We may elect to change these fees (e.g. due to changes in economic conditions and size of the Fund) but if we do we will provide you with at least 30 days' written notice of any increase.

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## 7. How the Fund Works

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### 7.1. HOW TO APPLY

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

If the Registry receives a completed Application Form, including all related documents and application monies, by 12:00pm (Sydney time) on a Business Day (or such other time as we may determine), we will process the application using that Business Day's Application Price. We may in our absolute discretion waive this notice requirement.

Application Forms received after the relevant cut-off time will generally be processed for the following Business Day. Incomplete applications will be processed once we have received correct documentation and application monies. We may from time to time allow additional dates for accepting applications.

#### **Minimum Investments**

The minimum initial investment amount is \$25,000 and the minimum additional investment amount is \$5,000. The Manager may in its absolute discretion waive or vary these minimum requirements.

#### **Application Price**

The Application Price will be the Net Asset Value per Unit as at the relevant Business Day, plus the Buy/Sell Spread.

#### **Application Acceptance and Interest**

To ensure the Fund remains efficient and competitive, the Manager may in its absolute discretion reject or decline to accept applications (in part or in full) and may close the Fund to further investment at any time.

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

#### **Issue of Units**

The number of Units issued to an applicant will be equal to the application amount divided by the Application Price.

### 7.2. HOW TO REDEEM

You can redeem some or all of your investment by giving the Registry written notice prior by 12:00pm (Sydney time) on a Business Day (or such other time as we may determine).

Redemptions of Units will be processed using the Redemption Price at that Business Day provided the request is received before the relevant redemption cut-off time for that Business Day.

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

Incomplete redemption requests will be processed once we have received correct documentation. We may from time to time allow additional dates for accepting redemptions.

Redemption request forms are available from the Registry (see Corporate Directory for contact details).

#### **Minimum Redemption Amount**

The minimum redemption amount is \$5,000 unless otherwise approved by the Manager. Redemption requests may be restricted or a Unit holder's Units may be redeemed in its entirety if the processing of a redemption request would result in the Unit holder holding less than \$5,000 of Units.

#### **Redemption Price**

The redemption price for a Unit will be its Net Asset Value per Unit as at the relevant Business Day, less the Buy/Sell Spread.

The Manager expects that redemptions will be processed and typically paid within five Business Days however the Fund's Constitution provides that it may take up to 21 days from the relevant transaction day until you receive your redemption proceeds. This is because

the ability to fund a redemption is generally dependent on the ability of the Fund to realise its investments. In some circumstances, redemptions may also be suspended as set out below.

### Restrictions on Redemptions

If the Fund is “liquid” (as defined in the Corporations Act), no redemptions, or payment of redemption proceeds are permitted where the calculation of the Net Asset Value or redemptions are suspended. Suspensions may occur for up to 120 days including where:

- it is impracticable or impossible for the Manager to calculate the Net Asset Value of the Fund, for example because of financial market disruptions or closures;
- the Manager reasonably considers that if the redemption requests were met immediately, Unit holders who continue to hold Units may bear or suffer a material disadvantage including, but not limited to, bearing a disproportionate burden of tax or other expenses or bearing a material diminution in the value of the Fund;
- the Manager reasonably considers it to be in the interests of Unit holders, or it is otherwise permitted by law; or
- it is otherwise legally permitted.

Unit holders will be notified in writing of any material changes to their redemption rights.

### 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’ (as defined in the Corporations Act). If the Fund is no longer liquid, Units may only be redeemed under a redemption offer made to all Unit holders in the Fund, in accordance with the Constitution and the Corporations Act (as applicable). Unit holders will be notified in writing of any material changes to their redemption rights.

## 7.3. TRANSFERS

You may not sell or transfer (or agree to do so) any Units to another person without our prior written consent. We may impose certain terms and conditions or delay or withhold our consent.

To apply, complete and send to the Registry the transfer document. This is available from the Registry. If you do not obtain our consent, we may forfeit the relevant Units.

The sale or transfer of Units will have tax consequences. Stamp duty may also be payable unless an exemption applies. You should obtain tax and stamp duty advice before requesting a transfer.

## 7.4. DISTRIBUTIONS

The distribution policy of the Fund is to distribute (when available) as soon as practicable after each 30 June (or otherwise as determined by the Manager) the net income of the Fund. Distributions from the Fund may comprise income and/or capital as determined by the Manager under the Fund’s Constitution. We may also distribute additional amounts at other times. There is no guarantee that any income will be generated.

Distributions are calculated based on the number of Units held as at the end of the distribution date (e.g. 30 June). Your distribution entitlement is not pro-rated for the duration of your investment during the year.

Distributions will be automatically reinvested in Units unless the investor notifies the Manager otherwise. Reinvestments will be at the Net Asset Value per Unit (with no Buy/Sell Spread).

## 7.5. NET ASSET VALUE OF UNITS

The Net Asset Value for a Unit is the total value of trust property less the trust liabilities (calculated in accordance with the Constitution), divided by the number of Units on issue. The key aspects of the valuation policy applied in valuing the Fund’s assets are set out below. We may rely upon the valuations or prices supplied by third parties and/or industry standard pricing models for which we will not or are not able to verify the accuracy. The Manager has appointed the Administrator to calculate the net asset valuations of the Fund.

The Manager may establish separate class accounts for each class of Units in the Fund. Amounts which are referable to a class (as determined by the Manager in accordance with the Constitution) will be allocated to the relevant class. The Net Asset Value will be calculated on the basis of each class. Each class of Units will be invested in the same portfolio of assets.

Units will typically be priced each Business Day except where the calculation of the Net Asset Value of the Fund is suspended (refer **Section 7.2** for further details).

Unit prices will be displayed at [www.ellerstoncapital.com](http://www.ellerstoncapital.com) or can be obtained by telephoning (02) 9021 7797.

The Manager has documented how it intends to exercise unit pricing discretions in a policy document. If a discretion is exercised in a way that departs from the documented policy, a record of this will be kept in an exceptions register. The policy document and any exceptions register will be available to Unit holders free of charge by contacting the Manager.

### Valuation

The key aspects of the Fund's valuation policy are:

<b>EXCHANGE TRADED ASSETS</b>	Exchange traded assets that are regularly traded are valued at their last traded price. Other investments traded through a clearing firm or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution.
<b>OTC DERIVATIVES</b>	We may rely upon the valuations or prices supplied by third parties and/or industry standard pricing models for which we will not or are not able to verify the accuracy.
<b>CURRENCIES</b>	Any non-Australian Dollar value will be converted into Australian Dollars at the rate reasonably determined by the Manager.

The Manager may utilise an alternative valuation methodology or principle to those described above if it considers that such valuation would better reflect the fair value of the asset.

## 7.6. INDIRECT INVESTORS

You may invest indirectly in the Fund through certain investor directed portfolio services, master funds or other portfolio administration services (**IDPS**). The PDS may be used as disclosure to clients and prospective clients of the IDPS.

An Indirect Investor does not become a Unit holder in the Fund. Accordingly, an Indirect Investor does not acquire the rights of a Unit holder 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 them, or decline to exercise them, on behalf of the person according to the arrangements governing the IDPS. However, Indirect Investors will have access to Ellerston Capital's complaint resolution procedures to the same extent as if they were a Direct Investor (see **section 10.5** for further details).

A person who invests in the Fund through an IDPS should ignore information in this PDS that is relevant only for direct investors. This includes to the following:

### Applications Form

A person investing in the Fund through an IDPS should not complete the Application Form attached to, or accompanied by, this PDS. 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 the Manager. 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.

### 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 this PDS.

### Tax

Taxation consequences of investing in the Fund outlined in **Section 8** do not consider 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.

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## 8. Tax Considerations

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### 8.1. GENERAL OVERVIEW

The taxation environment applying to the investments is currently undergoing substantial reform and may change. Any gains from the Fund's investments and from your investment in the Fund may be treated on revenue or capital account depending on the particular circumstances of the Fund and each investor. This may impact the Fund's and an investor's ability to obtain a discount on the capital gains tax applied on any gains. Under Australian tax law, a holding of Units may give rise to taxable distributions even though investors may not receive distributions in cash to fund the tax liability. The transfer or redemption of Units involves a disposal, which may have tax implications. Stamp duty may also be payable on the transfer unless an exemption applies. You are not required by law to quote your TFN. However, without your TFN or appropriate exemption information, we are required to withhold tax at the highest marginal tax rate (plus Medicare levy) from income distributions and interest payments made to you.

Investors should obtain independent professional advice in relation to their particular circumstances regarding the taxation consequences of an investment in the Fund before investing.

### 8.2. INDIRECT INVESTMENT IN THE FUND

A Unit holder may invest indirectly in the Fund through an IDPS. In this case, it is the IDPS and not the investor that will be the Unit holder in the Fund.

The nature of the relationship between investors and an IDPS and of the indirect interest held by investors may differ between IDPS depending on the arrangements and terms governing the IDPS.

Investors should seek their own independent advice regarding the effect that holding their investment in the Fund via a particular IDPS has on the applicable income tax (including capital gains tax) treatment.

### 8.3. REPORTING

For investors that are considered to be residents of certain countries for tax purposes, we may also be required to obtain additional information and report to the ATO or overseas tax authority each year relevant details relating to their investment, including balance and income received, under rules designed to combat tax evasion in their country of residence for tax purposes

### 8.4. FOREIGN ACCOUNT TAX COMPLIANCE ACT FATCA

The Fund is required to comply with FATCA. FATCA enables the U.S Internal Revenue Service (IRS) to identify and collect tax from US residents that invest in non-US entities. To comply with these requirements, we will collect and disclose information about certain investors such as your US Taxpayer Identification Number to the ATO or IRS. If you do not provide this information, we may be required to withhold tax on any payments made to you.

If the Fund suffers any amount of FATCA tax, neither the Responsible Entity nor the Fund will be required to compensate you for any such tax, and the effects of these amounts will be reflected in the returns of the Fund. A credit for such foreign taxes may be available in your jurisdiction of residence. You should seek your own advice in this regard.

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## 9. Material Documents

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### 9.1. CONSTITUTION

The Fund is a registered managed investment scheme structured as an Australian unit trust. The operation of the Fund is governed under the law and its Constitution which addresses matters such as Unit pricing and redemptions and applications; the issue and transfer of Units; Unit holder meetings; Unit holders' rights to income of the Fund; the Manager's powers, fee entitlement and right to be indemnified from the Fund's assets; and how the Responsible Entity of the Fund may be changed. The life of the Fund is 80 years less one day, unless the Manager exercises its right to terminate the Fund earlier. The following are some key terms of the Fund's Constitution not explained elsewhere in this PDS.

#### Compulsory Redemption

The Manager may in its absolute discretion, upon a minimum of three days' notice to a Unit holder, redeem all or a portion of Units held by such Unit holder in its absolute discretion if the Manager believes:

- the Units are held in breach of prohibitions contained in the Constitution;
- the Units are held in circumstances which might result in a violation (including by the Manager) of an applicable law or regulation, or subject the Fund to taxation or otherwise adversely affect the Fund in any material respect;
- the Manager determines that the Fund is uneconomical to operate;
- a Unit holder made a misrepresentation in acquiring its Units;
- a Unit holder is a registered holder of less than \$25,000 of Units; or
- the Manager determines that the continued participation of a Unit holder might cause the Manager or any Unit holder to violate any law or if any litigation is commenced or threatened against the Manager or any Unit holder arising out of the participation by the Unit holder in the Fund.

#### The Manager's Indemnity and Liability

The Manager is indemnified under the Constitution for all amounts incurred by it in the proper performance of its duties. The Manager's liability to Unit holders is limited to the Manager's ability to be indemnified from the Fund subject to the law and the Manager acting without breach of trust, fraud or gross negligence involving a failure to show the degree of care and diligence required of it.

#### Unit Holder Liability

The liability of a Unit holder 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 Unit holding. The effectiveness of these provisions has not yet been determined by an Australian court.

#### Amending the Constitution

The Constitution may be changed by the Manager where it reasonably considers that the change will not adversely affect Unit holders' rights or if the change is approved by Unit holders.

### 9.2. PRIME BROKER AND CUSTODIAN

#### Morgan Stanley & Co International PLC

Morgan Stanley & Co. International PLC (**Morgan Stanley**), a member of the Morgan Stanley Group of companies, based in London, has been engaged to act as a prime broker and custodian to the Fund under the terms of the International Prime Brokerage Agreement (**Morgan Stanley Agreement**) between the Fund and Morgan Stanley, for itself and as agent for certain other members of the Morgan Stanley Group of companies (**Morgan Stanley Companies**). These services may include the provision to the Fund of margin financing, clearing, settlement, stock borrowing and foreign exchange facilities. The Fund may also authorise Morgan Stanley, other members of the Morgan Stanley group of companies and other brokers and dealers for the purposes of executing transactions for the Fund.

Morgan Stanley will also provide a custody service for the Fund's investments, including documents of title or certificates evidencing title to investments, held on the books of Morgan Stanley as part of its prime brokerage function in accordance with the terms of the

Morgan Stanley Agreement and the rules of the Financial Conduct Authority (**FCA**) of the United Kingdom. Morgan Stanley is authorized and regulated by the FCA. Morgan Stanley may appoint sub-custodians, including the Morgan Stanley Companies, of such investments.

Assets held by Morgan Stanley may be borrowed, lent, charged or otherwise used by the Morgan Stanley for its own purposes, whereupon such assets will become the property of Morgan Stanley or become subject to a charge in favour of Morgan Stanley. The Fund will have a right against Morgan Stanley for the return of equivalent assets and will rank as an unsecured creditor in relation thereto. In the event of the insolvency of Morgan Stanley, the Fund may not be able to recover such equivalent assets in full.

Neither Morgan Stanley nor any Morgan Stanley Company will be liable for any loss to the Fund resulting from any act or omission in relation to the services provided under the terms of the Morgan Stanley Agreement unless such loss results directly from the negligence, willful default or fraud of Morgan Stanley or any Morgan Stanley Company. Morgan Stanley will not be liable for the solvency, acts or omissions of any sub-custodians or other third party (other than nominees) by whom or in whose control any of the Fund's investments or cash may be held.

The Fund has agreed to indemnify Morgan Stanley and the Morgan Stanley Companies against any loss suffered by, and any claims made against, them arising out of the Morgan Stanley Agreement, save where such loss or claims arises directly from the negligence, willful default, fraud or breach of applicable law or regulation of the indemnified person.

Morgan Stanley is a service provider to the Fund and is not responsible for the preparation of this document or the activities of the Fund. Morgan Stanley will not participate in the investment decision-making process.

The Fund reserves the right to change the prime brokerage and custodian arrangements described above by agreement with the Prime Broker and/or, in its discretion, by a resolution to appoint additional or alternative prime broker(s) and custodian(s) without prior notice to Unit holders. Unit holders will be notified in due course of any appointment of additional or alternative prime broker(s) and custodian(s). The Fund may appoint custodians and sub-custodians in order to hold the Fund's assets.

## **UBS AG**

UBS AG is a Swiss entity incorporated in Zurich. UBS AG has also been engaged to act as prime broker for FX and Prime Brokerage Services under the terms of an FX and Bullion Prime Brokerage Agreement. These services allow the Fund to use Derivatives to achieve the Fund's fixed interest, foreign exchange, equity and commodity exposures.

The Fund has agreed to indemnify UBS AG against any loss suffered by, and any claims made against, them arising out of the FX and Bullion Agreement, save where such loss or claims arises directly from the negligence, willful default, fraud or breach of applicable law or regulation of the indemnified person.

UBS AG is a service provider to the Fund and is not responsible for the preparation of this document or the activities of the Fund. UBS AG will not participate in the investment decision-making process.

## **9.3. SERVICE PROVIDERS**

The Fund may from time to time change or appoint additional Service Providers and enter into agreements with those providers where the Fund indemnifies the Service Provider and limits their liability to the Fund similar to that described above in respect of the Manager's indemnity and liability.

## 10. Additional Information

### 10.1. COMMUNICATION AND REPORTING

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

STATEMENT	TIMING
Redemption Price	Daily
Fund newsletter	Monthly and annually
Periodic statements	Annually
Income distribution statement (including details of income entitlements)	Half yearly (if distributions are made)
Tax statement	Annually
Annual report (including the Fund's audited accounts)	Annually

We will not mail a hard copy of the annual report to you unless you elect to receive it in hard copy by completing the relevant part of the Application Form. You can elect to receive the annual report by email. The annual report will be available at [www.ellerstoncapital.com](http://www.ellerstoncapital.com). Other information relating to the Units you hold will be provided in hard copy unless you elect to receive it by email by completing the relevant part of the Application Form. If you hold other Classes of Units in the Fund, any election you make with respect to Units will apply to all classes of Units you hold.

Fund related information will be provided through our website at [www.ellerstoncapital.com](http://www.ellerstoncapital.com).

### 10.2. 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 this PDS. For further information about the Fund contact your financial adviser. The Constitution may be viewed between 9:00 am and 5:00 pm, Sydney time, on weekdays by contacting the Manager on [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com) or (02) 9021 7797.

### 10.3. OFFER CHANGES

The Manager reserves the right to cancel the Offer, reject an application (in full or in part) and return application monies for whatever reason.

### 10.4. DISCLOSING ENTITY

At the date of this PDS, the Fund is not currently a disclosing entity under the Corporations Act. If this changes, the Fund will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, any ASIC office.

If and when the Fund becomes a disclosing entity, you may obtain a copy of:

- the Fund's annual financial report most recently lodged with ASIC;
- any half-year financial reports lodged with ASIC by the Fund after lodgement of that annual report and before the date of this PDS ; and
- any continuous disclosure notices given by the Fund after that date of lodgement of that annual report and before the date of this PDS;

or on request from us free of charge.

## 10.5. COMPLAINTS RESOLUTION

The Manager has a formal policy in place for dealing with complaints. In the first instance, complaints should be in writing to Ellerston Capital Limited, Level 11, 179 Elizabeth Street, Sydney NSW 2000. The Manager will acknowledge Unit holder complaints immediately, and will investigate complaints and provide a final response to the complaint within 45 days of receipt of the complaint.

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: +61 3 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

## 10.6. ANTI-MONEY LAUNDERING

The Manager is required to comply with the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Cth) (**AML/CTF Law**). The Manager may require you to provide personal information and documentation in relation to your identity when you purchase Units in the Fund. The Manager may need to obtain additional information and documentation from you when undertaking transactions in relation to your investment. The Manager may need to identify:

- a Unit holder (including all investor types noted on the Application Form) prior to purchasing Units in the Fund. The Manager 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, the Manager may need to identify your legal personal representative prior to redeeming Units or transferring ownership; and
- anyone acting on your behalf, including your power of attorney.

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

By applying to invest in the Fund, you also acknowledge that the Manager 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 in an offence under, any AML/CTF Law, and the Manager will incur no liability to you if it does so.

## 10.7. PRIVACY

The Application Form accompanying this PDS requires you to provide personal information. The Manager and each Service Provider to the Manager or Fund may collect, hold and use your personal information in order to assess your application, service your needs as a client or Unit holder, provide facilities and services to you, the Manager or the Fund and for other purposes permitted under the Privacy Act 1998 (Cth). Tax and company law 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 the Manager's Group, the Registry, and the Administrator and to their affiliates, delegates, agents and Service Providers on the basis that they deal with such information in accordance with any agreement entered into with the Manager or the Manager's privacy policy. The Manager 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 the Manager's Group thinks may be of interest to you. Contact the Manager using its contact details in the Corporate Directory 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 the Manager (or the Registry). See the Registry's privacy policy at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) for information regarding how the Registry protects the confidentiality of Unit holder's personal information.

## 10.8. KEY CORPORATE GOVERNANCE POLICIES

### Related Party Transactions

Ellerston Capital has a related party transactions policy which sets out the requirement that related party dealings be on not less than "arm's length terms" or that an exemption applies to the transaction or that the dealings be approved by the members of the entity giving the benefit to the related party or otherwise comply with Corporations Act requirements.

## Conflicts of Interest

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 Unit holders we will seek to implement adequate arrangements to mitigate and prevent (where practicable) these adverse effects on Unit holders. In certain cases, we may disclose the conflict of interest to Unit holders and obtain their consent for us (and other persons if relevant) to proceed in the context of that conflict of interest.

## Group Activities

Subject to the Corporations Act and the Manager's compliance policies, each of the Manager and other members of the Manager's Group and their associates may from time to time:

- invest in the Fund, any such investment will be on the same terms as other Unit holders. The Manager's Group reserves the right to add to or withdraw its investment without further notice;
- act in various capacities (such as manager and responsible entity ) in relation to, or be otherwise involved in (such as by way of investment), other business activities that may be in competition with the interests of Unit holders;
- deal with each other in relation to the Fund (such as the Fund acquiring investments from the Manager's Group) in which case the dealing will generally be on arm's length terms or approved by Unit holders;
- invest in and deal in any capacity, with the same investments as that of the Fund, on similar or different terms; and/or
- recommend that investments be purchased or sold, on behalf of the Fund, regardless of whether at the same time it may buy, sell or recommend, in the same or in a contrary manner, the purchase or sale of identical investments in relation to itself or other clients.

## Commission Sharing

The Manager may execute transactions or arrange for the execution of transactions through brokers and other counterparties to the Fund with whom they have "commission sharing" arrangements. The benefits provided under such arrangements will generally assist the Manager in the provision of investment services to the Fund. Specifically, the Manager may receive a benefit based on certain metrics such as the number of positions executed or Leverage obtained through the respective broker or counterparty. Benefits received by the Manager may take the form of, among other things, research services, quotation services, news wire services, portfolio and trade analysis software systems, special execution and clearance capabilities, which are used by the Manager in connection with the Fund and its other activities and clients.

## 10.9. SERVICE PROVIDER APPOINTMENTS

The Manager has appointed:

- Link Market Services Limited to provide registry services for the Fund;
- State Street Australia Limited to provide accounting services for the Fund;
- Ernst & Young as auditors of the Fund; and
- Morgan Stanley and UBS AG as the Prime Brokers and Custodian.

The Manager may, subject to the law, change these or engage replacement or additional service providers at any time.

## 10.10. CONSENTS

Each of the key Service Providers:

- has not authorized or caused the issue of this PDS; and
- does not make or purport to make any statement in this PDS.

## 11. Glossary

A\$ OR \$	Australian dollars.	Fundamental	Analysing macroeconomic financial factors that can affect the financial instrument's value, including factors (for example, the overall economy and industry conditions)
ABOSLUTE RETURN	Absolute return funds aim to deliver positive returns in both rising and falling markets.	FUTURES	An agreement under which the holder of the futures contract is under an obligation to deliver or take delivery of a particular asset (e.g. gold and currency) for a particular price and at a particular time.
ADMINISTRATOR	State Street Australia Limited as a provider of accounting services to the Fund.	IDPS	Has the meaning provided in <a href="#">Section 7.6</a> .
AFSL	Australian Financial Services Licence.	INDIRECT INVESTOR	Has the meaning provided in <a href="#">Section 7.6</a> .
ALPHA	The excess return of the Fund relative to the return of the Benchmark.	LEVERAGE	Borrowing money or securities to invest or investing through Derivatives in order to increase the monies available for investment.
APPLICATION FORM	The application form accompanying this PDS.	LONG	The exposure increases in value when instrument increases in price.
APPLICATION PRICE	Has the meaning provided in <a href="#">Section 7.1</a>	MANAGER	Ellerston Capital as responsible entity and investment manager of the Fund.
ASIC	Australian Securities and Investments Commission.	MANAGER'S GROUP	The Manager and each of its related bodies corporate, and each of their associates.
AUDITOR	Ernst & Young as auditor of the Fund's annual financial accounts and compliance plan.	NET ASSET VALUE	The net asset value of the relevant class or the Fund, as appropriate, as determined under the Constitution. Refer also <a href="#">Section 7.5</a>
BENCHMARK	The RBA Cash Rate. If the RBA Cash Rate ceases to be published, the Manager will nominate the closest equivalent index and notify Unit holders of the change.	OFFER	The invitation to subscribe for Units set out in this PDS.
BUSINESS DAY	Any day that is not a Saturday, Sunday or public holiday in New South Wales, Australia.	OPTION	An agreement under which the holder has the right but not the obligation to purchase or sell an asset (e.g. a share) at a particular price at or by a particular time.
BUY/SELL SPREAD	Has the meaning provided in <a href="#">Section 6.3</a> .	OTC DERIVATIVE	A Derivative that is not an Exchange Traded Derivative.
CALCULATION PERIOD	Has the meaning provided in <a href="#">Section 6.3</a> .	PRIME BROKER OR PRIME BROKER AND CUSTODIAN	Morgan Stanley & Co PLC and UBS AG and any additional or replacement Prime Broker and Custodian appointed by the Fund from time to time.
CASH-LIKE INVESTMENTS	Investments in cash deposits held at four major Australian banks, negotiable certificates of deposit with maturity less than 180 days.	PERFORMANCE FEE	Has the meaning provided in <a href="#">Section 6.3</a> .
CLASS	Each Class of units in the Fund.	REGISTRY OR REGISTRAR	Link Market Services Limited as a provider of registry services to the Fund.
CONSTITUTION	The constitution of the Fund dated 2 February 2017 as amended from time to time.	SERVICE PROVIDERS	The entities named in <a href="#">Section 4.6</a> as such and any additional or replacement service providers to the Fund from time to time.
DERIVATIVE	A financial instrument where the value depends on, or is derived from, the value of an underlying designated asset or market index.	SHORT	The exposure obtained through Short Selling. Short exposure also includes achieving this outcome through the use of Derivatives.
ELLERSTON CAPITAL	Ellerston Capital Limited ACN 110 397 674.	UNITS	Class A Units representing a beneficial interest in the Fund issued pursuant to this PDS.
EXCHANGE TRADED DERIVATIVE	A Derivative that is traded through a public exchange or market. Exchange Traded Derivatives are characterised by standard terms and conditions.	US PERSONS	Has the meaning given to the term in Regulation S of the U.S. Securities Act 1933 (as amended).
FUND	Ellerston Global Macro Fund ARSN 617 222 741: an Australian domiciled unit trust, constituted by and under its Constitution.		

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## 12. Corporate Directory

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MANAGER	REGISTRY
<b>Ellerston Capital Limited</b> Level 11, 179 Elizabeth Street Sydney NSW 2000	<b>Link Market Services Limited</b> 1A Homebush Bay Drive Rhodes NSW 2138 Telephone (Toll Free within Australia): +61 1800 992 149 Email: <a href="mailto:Ellerston@linkmarketservices.com.au">Ellerston@linkmarketservices.com.au</a>
AUDITORS	ADMINISTRATOR AND CUSTODIAN
<b>Ernst &amp; Young</b> 680 George Street Sydney NSW 2000	<b>State Street Australia Limited</b> Level 14, 420 George Street Sydney NSW 2000



ELLERSTON CAPITAL

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