



Ellerston Equity Income KIS Fund

Information Memorandum

Table of contents

1. Key Features	03
2. Ellerston Equity Income KIS Fund	04
3. Risks	06
4. Fees And Other Costs	07
5. Applications And Dealing With Your Investment	09
6. Tax Considerations	11
7. Material Documents	14
8. Additional Information	15
9. Glossary	17

Important Information

Ellerston Capital Limited ABN 34 110 397 674, AFSL 283 000 (Ellerston Capital, the Manager, we, us or our) is the issuer of this Information Memorandum (IM) dated 1 April 2022. Investments in the Ellerston Equity Income KIS Fund (Fund) are made available by Ellerston Capital as the trustee of the Fund. Units in the Fund are available for issue under this IM.

An application for Units under this IM may only be made on the Application Form accompanying this IM. 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 IM. A person may not pass on the Application Form onto another person unless it is accompanied by a printed copy of this IM or a complete and unaltered version of this IM.

The information in this IM 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 IM 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 IM is appropriate for you in light of your objectives, financial situation and needs. To obtain advice or more information about the product offered in this IM you should speak to your financial adviser or other professional adviser.

You should rely only on information in this IM. 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 IM. Any information or representations not contained in this IM may not be relied upon as having been authorised by the Manager in connection with the issue of Units. This IM supersedes and replaces all previous representations made in respect of the Manager, the Fund and the issue of Units.

This IM 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 by US Persons (refer Glossary – **Section 9**).

If you access an electronic copy of this IM, then you should ensure that you download and read the entire IM and the Application Form. A paper copy of this IM (including any supplementary document) can be obtained free of charge by calling Ellerston Capital on (02) 9021 7701 or by emailing 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 8.7**.

An investment in the Fund is subject to investment and other risks, including possible delays in repayment, loss of income and loss of principal invested. Investments in the Fund are not deposits with or other liabilities of Ellerston Capital, any member of the Ellerston Capital Group or related bodies corporate, affiliates, associates or officers of any of the above entities. None of these entities guarantee 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 IM.

No person other than Ellerston Capital has caused or authorised the issue of this IM nor do any of them take any responsibility for the preparation of this IM or the establishment or performance of the Fund. All actions referred to in this IM as being taken by the Fund are performed by Ellerston Capital as trustee of the Fund or its delegates, as the case may be, in respect of the Fund.

The Manager reserves the right to vary the Offer, including 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 IM or any applicants.

Subject to the law and the Constitution, the Manager may change at any time the information, terms and conditions set out in this IM and otherwise applying to Units. Where a person is a Unitholder, they will be provided with at least 30 days' written notice of any such change which is materially adverse to them as a Unitholder including any change to fees. Unitholders who redeem their Units prior to the change will ordinarily not be bound by the change. Where a change is not materially adverse to investors, the information may be made available at: www.ellerstoncapital.com. Investors may obtain a paper copy of this information free of charge by contacting the Manager using the details in the Corporate Directory.

Certain capitalised expressions used in this IM have defined meanings, which are explained in the Glossary of this document. References to \$ or A\$ are to Australian dollars.

1. Key Features

This Information Memorandum (IM) contains an invitation to invest in Units in the Fund. This table contains a summary of the key features of the Fund. You should read the IM in full before deciding whether to invest.

Feature	Overview	
Investment Objective	The investment objective of the Ellerston Equity Income KIS Fund ("the Fund") is to provide investors with returns and income growth greater than the S&P/ASX 200 Accumulation Index over rolling 5 year periods.	Section 2.2
Investment Philosophy	<p>The key belief underpinning the Manager's investment philosophy is that the historical approach taken by many income-oriented investors is outdated in today's markets. Long-term structural changes in markets mean that the traditional "income sectors" (e.g. Banks and Telecoms) typically pursued for income, may no longer offer sustainability of dividends and earnings. At the same time, more the traditional "cyclical sectors" are experiencing a structural shift towards companies providing more reliable income.</p> <p>Based on this market evolution, the Manager recognises the need to take a different approach to harnessing income: an approach focused on dividend growth and sustainability across broader sectors.</p>	Section 2.3
Investments of the Fund	<p>The Fund aims to achieve its Investment Objective by investing in a concentrated portfolio of 30 – 40 Australian Listed Securities that display stable and growing dividend streams. The Fund will seek to remain fully invested at any given time but will hold Cash and Cash-Like Securities as is required for sufficient liquidity and operational purposes.</p> <p>The permitted asset classes and ranges as a percentage of Net Asset Value of the Fund are:</p> <ul style="list-style-type: none">• 80 – 100% Australian Listed Securities;• 0 – 20% Cash and Cash-Like Securities; and• 0 – 20% Australian exchange traded Derivatives (futures). <p>Thresholds incorporate the Delta Exposure gained through Derivatives.</p>	Sections 2.4 and 2.5
Fund Structure	The Fund is an Australian domiciled unit trust and is not registered with ASIC as a managed investment scheme. The Fund may be registered as a managed investment scheme in the future at the discretion of the Manager.	
Preferred Investment Horizon	At least five years.	
Risks	<p>There are a number of risks associated with investing in the Fund. The key risks include:</p> <ul style="list-style-type: none">• Market Risk: The risk that the value of the Fund's investments will fluctuate as a result of factors such as economic variables (including interest rates, unemployment, inflation and economic growth), market conditions and sentiment. Changes in government regulations (e.g. tax), local and international political events and environmental and technological issues may impact on the Fund's ability to implement its strategy. Market risk may have different impacts on each type of asset, investment style and investor.• Security Specific Risk: The risk that the price of shares in a particular company may be affected by the operational and financial circumstances of the issuer of those securities such as the state of their underlying businesses (including the level of debt they carry, the availability of debt financing and level of interest rates), their profits, earnings and cash flows, and their dividends,• Portfolio Risk: The Fund may be relatively concentrated across a narrower list of Australian securities, sectors and industries than the Benchmark and therefore may display higher volatility or be adversely affected by the unfavourable performance of any of those individual Australian securities.• Fund Risk: The success of the Fund depends upon our ability to develop and implement the Fund's investment strategy and identify investment opportunities that achieve the Fund's Investment Objective. <p>This is not a comprehensive summary of all the risks of investing in the Fund. See Sections 3 and 6 for more information.</p> <p>Before investing in the Fund, investors should obtain financial advice on whether an investment in the Fund is suitable for their objectives, financial situation and needs.</p>	Sections 3 and 6

Manager Fees	The fees include a Management Fee of 0.70% p.a. of the Net Asset Value and an Outperformance Fee of 10% of the Fund's investment return over the Benchmark return, after recovering any underperformance in past periods. Refer to Section 4 for further information about fees and other costs payable in respect of the Fund.	Section 4
Applications	Daily – with a minimum initial investment amount of \$50,000 and a minimum additional investment amount of \$10,000. Units will be issued on a daily basis (subject to our ability to suspend or reject applications) provided the Application and the Application Amounts are received by the Registry prior to 2:00pm (Sydney time) on a Transaction Day (or such other time as we may determine). A Transaction Day occurs each Business Day.	Sections 5.1 and 5.2
Redemptions	Daily – Unitholders may redeem their Units on a daily basis by giving the Registry notice by 2:00pm (Sydney time) on a Transaction Day (or such other time as we may determine). A Transaction Day occurs each Business Day. The minimum redemption amount is \$10,000 unless otherwise approved by us.	Section 5.3
Distributions	Where distributable income is available, distributions will be made quarterly for each period ending 31 March, 30 June, 30 September and 31 December in each year. There is no guarantee that any income will be generated.	Section 5.5

2. Ellerston Equity Income KIS Fund

2.1. Background

Ellerston Capital is a specialist investment manager providing a range of innovative Australian and international investment strategies. As a firm majority owned by its principals and employees, our clients' objectives are our objectives.

As a dedicated investment manager, we aim to do one thing exceptionally well: grow and protect our clients' wealth through investing. We are passionate about creating value for our clients by identifying outstanding investment ideas and designing portfolios that perform over the long term. Our funds target a diverse range of strategies including, but not limited to, Long only Australian, global and Asian equities, Australian and global Long-Short equity and private equity.

Ellerston Capital has been managing money since 2002. Our clients include sovereign wealth, industry and corporate superannuation funds, international funds, family offices and high net worth investors.

Ellerston Capital's family office heritage means there is an absolute return mindset with a strong emphasis on risk management.

2.2. Investment Objective

The investment objective of the Fund is to provide investors with returns and income growth greater than the S&P/ASX 200 Accumulation Index over rolling 5 year periods (Investment Objective).

2.3. Investment Philosophy and Strategy

The Fund is a fundamental, bottom-up, concentrated Australian equities strategy with a clear focus on delivering sustainable dividend income for investors through an actively managed portfolio of stocks throughout the market cycle. Accordingly, the Fund invests in a high conviction portfolio of 30-40 Australian Listed Securities that pay, or are expected to pay, dividends in the next 12 months. At the portfolio level, the strategy aims to display both stable and growing dividend streams.

The key belief underlying the Manager's investment philosophy is that:

- Within traditional "income sectors" (e.g. Banks and Telecoms), disruption to business models from technology, competition, regulation and structural decline in ROE, may erode sustainability of dividends and earnings; and
- Within traditional "cyclical sectors" (e.g. Diversified Financials, Consumer Discretionary and Materials), improving industry structure, regulation, business models, balance sheets, and focus on profitability potentially means a structural shift towards these companies, which could provide more reliable future income streams.

The final result that the Manager is seeking to deliver is a portfolio with a higher dividend growth rate than the broader market.

2.4. Investment Universe

The investment universe of the Fund includes all Australian Listed Securities and will focus primarily on the mid to large-cap segment of the market. Australian Listed Securities include dual listed securities, securities expected to list on a recognised Australian exchange within three months, or through American Depositary Receipts or similar instruments or Derivatives. Australian Listed Securities with a market capitalisation at the time of investment of less than \$500 million will be excluded from the investment selection process. The Fund may also invest in Cash and Cash-Like Securities.

2.5. Derivatives

Australian exchange traded Derivatives may be used up to a maximum of 20% of the Net Asset Value of the Fund (Delta Exposed). This limit may be exceeded on a temporary basis with the dominant purpose of managing financial risk arising from deferring a proposed dealing in another financial product that is not a Derivative (for example managing cash flows that result from applications or redemptions).

2.6. Portfolio Parameters

Benchmark	S&P/ASX 200 Accumulation Index
Portfolio Characteristics And Limits	<p>The portfolio will be comprised primarily of Australian Listed Securities that pay a dividend, or are expected to pay dividends in the next 12 months (IPOs etc.) and which display both stable and growing dividend streams. The permitted asset parameters of the portfolio are:</p> <ul style="list-style-type: none">• 80 – 100% of the Fund's Net Asset Value must be invested in Australian Listed Securities;• 30 – 40 Australian Listed Securities with a:<ul style="list-style-type: none">• Maximum exposure of 10% of the Fund's Net Asset Value in any single Australian Listed Security at the time of investment;• Minimum \$500 million market cap at the time of investment; and• Maximum of 4.9% of issued capital at the time of investment.• 0 – 20% of the Fund's Net Asset Value in Cash and Cash-Like Securities¹;• 0 – 20% of the Fund's Net Asset Value in Australian exchange traded Derivatives; and• Short selling of physical Australian Listed Securities or borrowing of Australian Listed Securities are not permitted.

¹Cash-like Securities includes effective Cash from the use of Derivatives.

Thresholds incorporate the Delta Exposure gained through Derivatives.

Save where specified to the contrary, the above thresholds apply as at the time of the relevant investment. Where a threshold would be breached merely because of any appreciation in value (e.g. as a result of strong outperformance), depreciation in value, capital restructure, managing cash flows that result from applications or redemptions corporate action or similar event, the Fund will be rebalanced or reduced back to below that threshold within a reasonable timeframe.

2.7. Performance

Performance information for the Fund can be obtained by telephoning (02) 9021 7701 or by emailing info@ellerstoncapital.com.

2.8. Registration as a Managed Investment Scheme

The Fund is not registered as a managed investment scheme. Ellerston Capital may, at its discretion, choose to register the Fund as a managed investment scheme at some point in the future. We will notify you before registration takes place.

3. Risks

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

Please be aware that the investment program is speculative, that is, we undertake a process of selecting investments with higher risk in order to profit from a higher return over the long term. There can be no assurance, however, that the Fund's Investment Objective will be achieved. Investors should consider any investment in the Fund as a supplement to an overall investment portfolio and should invest only if they are willing to undertake the risks involved.

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

3.1. Risks Applicable to the Fund

All investments carry risk. The likely investment return and the risk of losing money is different for each managed investment scheme as different strategies carry different levels of risk depending on the underlying mix of assets that make up each fund. Those assets with potentially the highest long term return (such as shares) may also have the highest risk of losing money in the shorter term. The significant risks of the Fund are:

- **Market Risk:** The risk that the value of the Fund's investments will fluctuate as a result of factors such as economic variables (including interest rates, unemployment, inflation and economic growth), market conditions and sentiment. Changes in government regulations (e.g. tax), local and international political events and environmental and technological issues may impact on the Fund's ability to implement its strategy. Market risk may have different impacts on each type of asset, investment style and investor.
 - **Security Specific Risk:** The risk that the price of shares in a particular company may be affected by the operational and financial circumstances of the issuer of those securities such as the state of their underlying businesses (including the level of debt they carry, the availability of debt financing and level of interest rates), their profits, earnings and cash flows, and their dividends.
 - **Portfolio Risk:** The Fund may be relatively concentrated across a narrower list of Australian securities, sectors and industries than the Benchmark and therefore may display higher volatility or be adversely affected by the unfavourable performance of any of those individual securities.
 - **Fund Risk:** The success of the Fund depends upon our ability to develop and implement the Fund's investment strategy and identify investment opportunities that achieve the Fund's Investment Objective.
 - **Derivatives Risk:** Derivatives have the potential to cause losses that are large in proportion to the money invested in them. The Fund's exposure to Derivatives will generally be limited to 20% of Net Asset Value.
 - **Past performance:** There can be no assurance that the Fund will achieve its Investment Objective and there is no operating history by which to evaluate the Fund's likely future performance.
 - **Outperformance Fees:** Outperformance Fees are paid on the performance of the Fund as a whole against the Benchmark. Unitholders who acquire Units may incur an Outperformance Fee even where the performance of that Unitholder's Units does not reflect the performance of the Fund as a whole.
 - **Taxation risks:** See **Section 6** for details regarding taxation risks.
 - **Distributions:** As a Unitholder you may not receive distributions when you expect them or in the way you have asked for them to be paid. There is no guarantee that any distributable income will be generated. In certain circumstances, Unitholders may be liable for tax on distributions even if they have not received any distribution in cash.
 - **Pandemic Risk:** The impact of pandemics may have adverse implications on the Fund's ability to achieve its Investment Objectives.
-

3.2. Risk Management

The Manager has risk management processes in place including:

- Undertaking research on individual investments to the best of our ability;
 - Actively monitoring the Fund's exposure;
 - The use of portfolio guidelines (**Section 2.6**), compliance policies and procedures; and
 - Obtaining accounting, legal and tax advice in conducting the affairs of the Fund and completing our reporting obligations.
-

4. Fees and Other Costs

4.1. Summary of Fees and Other Costs

This section shows fees and other costs that you may be charged.

Type of Fee or Cost	Amount	How and when fee is paid
<i>Fees when your money moves in or out of the Fund</i>		
Establishment Fee The fee to open your investment.	Nil	Not applicable
Contribution Fee The fee on each amount contributed to your investment.	Nil	Not applicable
Withdrawal Fee The fee on each amount you take out of your investment.	Nil	Not applicable
Termination Fee The fee to close your investment.	Nil	Not applicable
Management Costs		
The fees and costs for managing your investment.	Management Fee 0.70% p.a. of the Net Asset Value of the relevant class.	Calculated and accrued daily and paid from the assets of the relevant class monthly in arrears. Refer to Section 4.2 for more details.
	Expenses Estimated at 0.20% p.a. of the Net Asset Value, however, the actual ongoing expenses may be higher than this estimate.	The expense recovery amount is calculated and accrued daily and paid from the assets of the Fund when the amounts are due. Refer to Section 4.2 for more details.
	Outperformance Fee 10% of the investment return of the relevant class over the Benchmark return, after recovering any underperformance in past periods.	Calculated and accrued daily and paid from the assets of the relevant class after 30 June each year in arrears. Refer to Section 4.2 for more details.
Service Fees		
Investment Switching Fee The fee for changing investment options.	Nil	Not applicable

Notes:

1. All fees set out in this **Section 4** 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.
 2. Unitholders may also incur a Buy/Sell Spread when their money moves in or out of the Fund. Please refer to **Section 4.2** "Buy/Sell Spread" for further details.
-

4.2. Additional Explanation of Fees and Costs

GST

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

Management Fee

As provided in the table above, the Management Fee will be 0.70% p.a. of the Net Asset Value of the relevant class. The Management Fee is accrued in the Unit price and payable from the assets of the relevant class monthly in arrears. The Management Fee is reflected in the Unit price.

Expenses

All costs or general expenses reasonably incurred in the proper performance of its duties 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 all office personnel, office space and office facilities required for the performance of its services. The Fund bears all other expenses incidental to its operations, including, but not limited to, fees payable to the Fund's service providers (e.g. administrator and custodian); taxes imposed on the Fund or the Manager (in its capacity as trustee of the Fund); governmental charges and duties; the Fund's advisers (e.g. legal, accounting and audit); and printing and distributing the IM, subscription materials, marketing materials and any reports and notices to Unitholders or prospective Unitholders. Over time, as the Fund grows in size, the total of these ongoing expenses is estimated at 0.20% p.a. of the Fund's Net Asset Value. However, the actual ongoing expenses may be higher than this estimate. The Fund may also incur unanticipated expenses arising from its business, such as litigation and indemnification expenses.

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

Outperformance Fee

The Manager is entitled to an Outperformance Fee for outperforming the Benchmark as described in the management costs section of the table set out in **Section 4.1**. The Outperformance Fee is a way of providing an incentive for the Manager to strive to continually produce returns above the Benchmark.

The Outperformance Fee is equal to 10% of the amount by which the accumulated investment return of the relevant class exceeds the accumulated return of the Benchmark during each year to 30 June (Calculation Period).

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

The Outperformance Fee is accrued in the Unit price. The Outperformance 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 of the relevant class after deducting management fees but before any accrued Outperformance 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 daily and each daily Outperformance Fee (positive and negative) is accumulated.

The Manager has no obligation to restore to a class Outperformance Fees previously earned and paid, notwithstanding a loss in a subsequent Calculation Period. Where Units are redeemed during a Calculation Period, any accrued Outperformance Fees in respect of those Units may become due and payable to the Manager. If the Manager is removed as trustee of the Fund before the end of a Calculation Period, then the Outperformance Fee will be calculated and paid as though the date of removal were the end of the Calculation Period.

The Outperformance Fee is calculated on the performance of the relevant class and not the performance of an individual Unitholder's investment. As a result, the actual Outperformance Fee payable on the Unitholder's investment may be affected by the timing of that person's applications and redemptions or by Unitholders as a whole.

Worked example of Outperformance Fee

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

The example assumes that the investment return of the relevant class and the Benchmark is steady during the course of the Calculation Period. In reality, the investment return of the relevant class and the Benchmark will vary during the course of the Calculation Period. The example also assumes that no subscriptions or redemptions are made during the Calculation Period.

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

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

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

The Outperformance Fee is $10\% \times (\$10,000 - \$8,000) = \$200$

For each \$100,000 that you have invested in Units at the beginning of the Calculation Period, you would have earned \$10,000 and been charged \$200 in Outperformance Fees.

Tax

Prospective investors should obtain independent professional advice in relation to their particular circumstances regarding the taxation consequences of an investment in the Fund before investing. See **Section 6**.

Buy/Sell Spread

An amount equal to 0.25% is effectively deducted from the Unitholder's application and redemption monies. This amount may change at any time. This amount is paid to the Fund on account of the Manager's estimate of costs associated with buying and selling assets represented by the relevant application or redemption and is not paid to the Manager. Such costs are, however, an additional cost to you and will impact on the return on your investment. Such costs could include estimated brokerage and stamp duties, taxes and other charges and expenses from buying or selling Fund investments. The amount is paid so as to mitigate any unfairness from an application or redemption affecting other Unitholders.

Fee waiver or deferral and issue of Units

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

Fee maximums and changes to fees

The Manager is entitled under the Constitution to charge a contribution fee and a withdrawal fee of 5%, a Management Fee of 2.5% per annum and an Outperformance Fee of 20% per annum (each exclusive of GST). The Manager has elected to waive or reduce these fees to the levels shown in **Section 4.1**. The Constitution does not provide for the Manager to charge a Switching Fee or termination fee. The Manager may, however, within the bounds of the Constitution, elect to change these fees (e.g. due to changes in economic conditions and size of the Fund) and Unitholders will be provided at least 30 days written notice of any change in these or other fees.

5. Applications and Dealing with Your Investment

5.1. Applying

Units in the Fund are available for issue under this IM.

To invest in the Fund you must complete the Application Form accompanying this IM and provide the proof of identity documents set out in the Application Form.

Applications

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

Generally, if the Registry receives a completed Application Form, including all related documents and application monies, by 2:00pm (Sydney time) on a Transaction Day (or such other time as we may determine), we will process the application using that Transaction Day's Application Price. Application Forms received after the relevant cut-off time will generally be processed for the following Transaction Day. Additional Application Forms may be obtained from the Registry or by telephoning the Manager on (02) 9021 7701 or emailing info@ellerstoncapital.com.

Minimum investments

The minimum initial investment amount is \$50,000 and the minimum additional investment amount is \$10,000. Ellerston Capital may in its absolute discretion waive or vary these minimum requirements.

5.2. 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 where it believes the Fund has reached capacity.

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

5.3. Redemptions

Unitholders may make a request to redeem their Units by giving written notice to the Registry. Redemption requests must be received by the Registry prior to 2:00pm (Sydney time) on a Transaction Day (or such other time as we may determine). A Transaction Day occurs each Business Day. Although the Constitution grants the Manager the discretion to refuse redemption requests, unless redemptions are suspended or where the Fund is registered as a managed investment scheme or it is not liquid (see below), the Manager will process all redemption requests in the manner set out in this IM.

If the Registry receives a redemption request by 2:00pm (Sydney time) on a Transaction Day (or such other time as we may determine), we will process the redemption using that Transaction Day's Redemption Price. Redemption requests received after the relevant cut-off time will generally be processed for the following Transaction Day. The Manager may from time to time allow additional dates for accepting redemptions.

Minimum redemption amounts

The minimum redemption amount is \$10,000 unless otherwise approved by the Manager. Redemption requests may be refused or a Unitholder's Units may be redeemed in its entirety if the processing of a redemption request would result in the Unitholder holding less than \$50,000 of Units.

Redemption price and payment of redemption proceeds

The redemption price for a Unit will be the Net Asset Value per Unit on the Transaction Day less the Buy/Sell Spread.

The Constitution provides that it may take up to 90 days from the Transaction Day, when your redemption price is calculated, until you receive your redemption proceeds. The Manager expects that this will usually take five Business Days; however, in unusual circumstances, it may take longer 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 certain circumstances redemptions may be suspended, as set out below.

Suspension of redemptions

The Manager may suspend redemptions for up to 120 days including where:

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

5.4. Transfers

Units may not be sold, transferred or otherwise disposed, directly or indirectly, without the prior written consent of the Manager (which may be granted, on certain terms and conditions, or delayed or withheld in its sole and absolute discretion). Transfer requests should be made in writing to the Registry. The Manager may require prescribed transfer documentation to be completed by the transferor including without limitation the completion of an Application Form. Any Units sold or transferred without such consent may

be compulsorily redeemed by the Manager in its absolute discretion. A transfer of Units involves a disposal of Units, which may have tax implications. Stamp duty may also be payable on the transfer unless an exemption applies. You should obtain tax and stamp duty advice before requesting a transfer.

5.5. Distributions

The distribution policy of the Fund is to distribute (when available) as soon as practicable after each quarterly period ending 31 March, 30 June, 30 September and 31 December (or otherwise as determined by the Manager) the income of the Fund less expenses. Distributions from the Fund may comprise income and/or capital as determined by the Manager under the Constitution. Unitholders may elect to reinvest distributions from the Fund (refer to the Application Form). If you do not make a choice, your distributions will be automatically reinvested. Units issued on reinvestment of distributions will generally be issued at the Net Asset Value per Unit (with no Buy/Sell Spread). The Manager may, from time to time, distribute additional amounts where the Manager believes it is appropriate.

5.6. Valuations

The Net Asset Value is the total value of the Fund (or the relevant class) less the relevant trust liabilities. The Net Asset Value per Unit is the Net Asset Value of the relevant class divided by the number of Units in issue in the relevant class. This is used to determine the issue price and redemption price (refer to **Section 5.3**) for Units of the Fund. The issue price and redemption price of Units will be adjusted for the Buy/Sell Spread (refer to **Section 4.2** "Buy/Sell Spread"). The Manager may from time to time issue additional classes of Units.

The Manager has delegated to the Administrator the determination of the Net Asset Value and the Net Asset Value per Unit. In determining the Net Asset Value and the Net Asset Value per Unit, the Administrator will follow the valuation policies and procedures adopted by the Fund as set out in the Constitution.

Units will typically be priced daily by the Administrator except where the calculation of the Net Asset Value is suspended (refer to **Section 5.3** "Suspension of redemptions").

Unit prices will be available by contacting the Manager on (02) 9021 7701.

6. Tax Considerations

6.1. General Considerations

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 Tax File Number (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.

6.2. Summary of Tax Implications

A summary of the general Australian taxation implications for the Fund and Investors in the Fund is set out below. The summary has been prepared on the basis that Investors:

- are tax resident in Australia;
- are subject to Australian tax (that is, are not exempt from Australian tax); and
- hold their investments on capital account.

The summary does not consider the tax implications for other taxpayers who hold their investments on revenue account (e.g. banks, life insurance companies, equity traders, etc.).

These comments are of a general nature only and do not constitute tax advice and should not be relied upon as such. Investors should seek their own independent taxation advice about their specific facts and circumstances.

It is intended that the Fund will qualify as a managed investment trust (MIT) for Australian tax purposes. Where possible, the Trustee of the Fund will elect for the Fund to be an Attribution Managed Investment Trust (AMIT). If such election is made, the election will apply for all income years while the Fund continues to meet certain criteria.

Taxation of the Fund

The Trustee of the Fund should not generally be subject to tax in respect of the income and gains derived by the Fund in each financial year, provided investors are presently entitled to the income of the trust or, where the Fund is an AMIT, the Trustee attributes all of the taxable income of the fund to Investors in accordance with the AMIT rules and the Constitution each income year. It is noted that, under the AMIT Rules, the cash paid to Investors does not need to be equal to amounts attributed to those Investors.

Where the Fund qualifies as a MIT, the Trustee intends to elect for deemed capital gains tax (CGT) treatment to apply to the Fund. The election applies to investments in shares, units in a unit trust, land and rights or options to acquire shares, units or land. The election does not apply to other assets or derivatives.

Where the Fund incurs a revenue loss (which may arise where the Fund makes a loss on investments to which the deemed capital account treatment described above does not apply) in a financial year, the Fund may carry this tax loss forward to offset against future taxable income of the fund, subject to the satisfaction of the trust loss carry forward rules. Any capital losses made by the Fund can be offset against capital gains in the same financial year or carried forward to offset future capital gains. Capital losses are not subject to the tax loss recoupment rules however they cannot offset revenue gains.

Taxation of distributions from the Fund

Resident taxpaying Investors will include in their assessable income, their share of the "taxable income" of the Fund or the amount attributed to them by the Trustee and this will be advised to Investors via the annual distribution statement. Where the Fund is an AMIT during an income year, the amount attributed to Investors will represent a fair and reasonable attribution of the Fund's taxable income determined by the Trustee in accordance with the Constitution. The fair and reasonable attribution may take into account the Investor's share of their interests in the Fund and any gains realised by the Fund in order to fund an Investor's redemption request.

The Trustee may be required to withhold tax from distributions in a range of circumstances including for certain payments to non-resident investors.

Cost base adjustments

The cost base of the Investor's units in the Fund will generally be the amount the Investor paid for the units (including incidental costs of acquisitions and disposals). However, changes to the cost base will be required to be calculated by each of the Investors of the Fund on an annual basis. Where the Fund qualifies as an AMIT, broadly, the cost base will increase where the Fund attributes an amount of assessable income (including grossed up capital gains) or non-assessable non-exempt income and the cost base will decrease for amounts of cash distribution to which an Investor becomes entitled to or tax offsets attributed to the Investor by the Trustee.

A reasonable estimate of the AMIT cost base net amount will be provided to members as part of the Attribution MIT Member Annual (AMMA) statement.

Similarly, where the Fund does not qualify as an AMIT, investors' cost bases should also be required to be reduced where an investor's cash distribution entitlement exceeds their share of taxable income of the Fund.

Where an Investor's cost base is reduced to nil, further reductions in the cost base will be taken to be a capital gain for the Investors.

Disposal or redemption of units

Resident Investors will make a capital gain where the capital proceeds from the disposal or redemption of their units exceeds the cost base of the relevant units. Conversely, a capital loss will arise if the capital proceeds are less than the reduced cost base of the relevant units.

Under current law, where the Investor is an individual, an entity acting in the capacity of trustee (conditions apply) or is a complying superannuation fund and the units have been held for more than 12 months, any capital gain arising from disposal or redemption of the units may be reduced by the relevant CGT discount (if applicable).

Annual tax statement

Investors should expect to receive an annual tax statement or, where the Fund qualifies as an AMIT for an income year, an AMMA tax statement for the Fund within 3 months after the end of each financial year. The statement will show the cash distributed and the taxable and non-taxable components and, where the Fund qualifies as an AMIT, a reasonable estimate of any adjustments to the Investor's cost base of their units.

Tax File Number (TFN) and Australian Business Number (ABN)

The Trustee is authorised under Australian tax laws to collect TFNs and ABNs in connection with investments in the Fund.

It is not compulsory for an Investor to provide their TFN, but without a TFN (or ABN in some circumstances) or the appropriate exemption information, the Trustee must withhold tax from distributions (and undistributed amounts to which they are presently entitled) at the 'top rate', being the highest marginal tax rate (plus Medicare levy) until the TFN or exemption is provided.

Investors may prefer to provide an ABN as an alternative to their TFN if their investment is made as part of an enterprise.

Investors who have not quoted their TFN or ABN (or a relevant exemption) will need to claim a credit in their income tax return for the tax withheld (or, if this is not appropriate, they can apply to the Australian Taxation Office (ATO) for a refund).

Indirect investment in the Fund

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

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 Australian Tax Office (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.

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 Manager 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.

7. Material Documents

7.1. Constitution

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

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

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

- The nature of Units and the rights which attach to those Units;
- The powers of the Manager;
- The Manager's entitlement to be paid fees;
- How the Administrator (on behalf of the Manager) will calculate the Net Asset Value of the Fund, a key component to the calculation of the issue price and redemption price;
- How the Manager will treat applications for Units, including the Manager's discretion to refuse applications for Units in whole or in part at its discretion;
- The Manager's ability to refuse transfers of Units;
- The Manager's ability to accumulate part or all of the income in the Fund in a financial year and the Manager's ability to allocate income, deductions and credits to particular classes of Unitholders;
- Unitholders' rights in relation to distributions (and how the Manager determines the distribution amount);
- The convening of, and attending and voting at, any Unitholder meetings and the binding nature of resolutions on all Unitholders;
- The retirement of the Manager and the appointment of a new trustee of the Fund;
- How the Manager will deal with Unitholder complaints; and
- The termination of the Fund. The trust terminates at the earlier of 80 years less one day and the Manager determining to terminate the trust by written notice to Unitholders. The Constitution governs the procedure to be followed by the Manager on the termination of the Fund.

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

Compulsory redemption

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

1. The Units are held in breach of prohibitions contained in the Constitution;
2. The Units are held in circumstances which might result in a violation of an applicable law or regulation (including by the Manager), or subject the Fund to taxation or otherwise adversely affect the Fund in any material respect;
3. A Unitholder made a misrepresentation in acquiring its Units;
4. A Unitholder is a registered holder of Units having a Net Asset Value of less than \$50,000; or
5. The continued participation of a Unitholder might cause the Manager or any Unitholder to violate any law or if any litigation is commenced or threatened against the Manager or any Unitholder arising out of the participation by the Unitholder in the Fund.

The Manager's indemnity and liability

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

Investor liability

The liability of a Unitholder to the Fund is generally limited to the amount subscribed, or agreed to be subscribed, for Units and any tax payable in respect of their Unitholding. The effectiveness of these provisions has not yet been determined by an Australian court.

Amending the Constitution

The Manager may amend the Constitution.

8. Additional Information

8.1. Communication and Reporting

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

Communication	Timing
Fund Newsletter	Monthly
Tax Statement	Annually

Information relating to the Unitholder and the Fund will be provided by email.

8.2. 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 IM. The Constitution may be viewed between 9:00am and 5:00pm, Sydney time, on weekdays by contacting the Manager on info@ellerstoncapital.com or (02) 9021 7701.

8.3. Offer Changes

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

8.4. 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 Unitholder complaints immediately, and will investigate complaints and provide a final response to the complaint within 30 days of receipt of the complaint.

8.5. 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:

1. An investor (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;
2. 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
3. Anyone acting on your behalf, including your power of attorney.

In some circumstances, the Manager may need to re-verify this information. The Manager has delegated these activities to the Registry.

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 on an offence under, any AML/CTF Law, and the Manager will incur no liability to you if it does so.

8.6. Privacy

The Application Form accompanying this IM 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 investor, provide facilities and services to you, the Manager or the Fund and for other purposes permitted under the Privacy Act 1988 (Cth). Tax and company laws also require some of the information to be collected in connection with your application. If you do not provide the information requested, your application may not be able to be processed efficiently, or at all. Your information may also be disclosed to members of the Ellerston Capital Group and to their agents and service providers on the basis that they deal with such information in accordance with 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 Ellerston Capital Group thinks may be of interest to you. Contact the Manager using the contact details on the cover of this IM 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).

8.7. Key Corporate Governance Policies

Related party transactions

Ellerston Capital has a related party transactions policy which acknowledges the requirement that related party dealings be on "arm's length terms", be approved by the members of the entity giving the benefit to the related party, or that an exemption applies to the transaction.

The related party transactions policy sets out procedures designed to protect Unitholders' interests and ensure that related party transactions are on "arm's length" terms or otherwise comply with Corporations Act requirements.

The Fund may acquire exposure to assets from other Ellerston Capital managed funds and where it does so, this will be on an arm's length basis.

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 Unitholders, we will seek to implement adequate arrangements to mitigate and prevent (where practicable) these adverse effects on Unitholders. We will resolve such conflicts of interest fairly and reasonably in accordance with the law, ASIC policy and our own procedures.

Deal allocation policy

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

8.8. Service Providers

The Manager has appointed State Street Australia Limited to provide custody, administration and Link Market Services Limited to provide registry services for the Fund.

8.9. Consent

All parties listed in this IM have given consent (which has not been redeemed at the date of this IM) to being named, in the form and context in which it named in this IM. The Administrator and Registry:

- Has not authorised or caused the issue of this IM;
- Does not make or purport to make any statement in this IM (or any statement on which a statement in this IM is based) other than as specified; and
- To the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this IM other than the reference to its name in a statement or report included in this IM with its consent as specified.

9. Glossary

Administrator	State Street Australia Limited (ABN 21002 965 200).
AFSL	Australian Financial Services Licence.
American Depositary Receipt	Instrument representing the ownership in the shares of a non US company (including Australian listed entities) trading on US financial markets.
AML/CTF Law	Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Cth.)
Application Amount	The amount contributed by an investor to acquire Units in the Fund.
Application Form	The application form accompanying this IM.
Applications	An application for units in the Fund made in a form approved by the Trustee.
ASIC	Australian Securities and Investments Commission.
Australian Listed Security	Securities listed on an Australian securities exchange, including but not limited to the ASX Limited (ABN 98 008 624 691) and include dual listed securities, securities expected to list on a recognised Australian exchange within three months, or through American Depositary Receipts or similar instruments.
Benchmark	The S&P/ASX 200 Accumulation Index. If this index ceases to be published, the Manager will nominate an equivalent replacement Benchmark and notify Unitholders of the change.
Business Day	Any day that is not a Saturday, Sunday, bank holiday or public holiday in New South Wales, Australia.
Buy/Sell Spread	Means the buy/sell spread as detailed in Section 4.2 .
Calculation Period	Has the meaning provided in Section 4.2 .
Cash And Cash Like Securities	Investments in deposits, cash management trusts, fixed interest, debentures or similar investments as determined by the Manager.
CGT	Capital gains tax.
Constitution	The constitution of the Fund dated 28 February 2019 as amended from time to time.
Corporations Act	Corporations Act 2001 (Cth).
Delta Exposure	Means the exposure obtained to underlying designated assets by means of a Derivative using current market values.
Derivative	A financial instrument when the value depends on, or is derived from, the value of an underlying designated asset or market index (e.g. an individual share or a broad share market index).
Ellerston Capital	Ellerston Capital Limited (ABN 34 110 397 674).
Ellerston Capital Group	Ellerston Capital and each of its related bodies corporate, and each of their associates.
Fund	Ellerston Equity Income KIS Fund an Australian domiciled unit trust, constituted by and under its Constitution.
GST	Australian Goods and Services Tax, as established under the A New Tax System (Goods and Services Tax) Act 1999 (Cth).
IM	This Information Memorandum.
Investment Objective	Has the meaning provided in Section 2.2 .
Manager	Ellerston Capital as trustee and investment manager of the Fund.

Net Asset Value	The net asset value of the Fund or the relevant class as determined under the Constitution. Refer to Section 5.6 .
Offer	The invitation to subscribe for Units set out in this IM.
Outperformance Fee	The outperformance fee payable to the Manager as set out in Section 4.3 .
Redemption Price	Has the meaning provided in Section 5.3 .
Registry	Link Market Services Limited as a provider of registry services to the Fund.
Transaction Day	Has the meaning set out on page 4 of this IM.
Trustee	Ellerston Capital Limited.
Unit	Beneficial interest in the Fund issued as offered under this IM.
Unitholder	A person entered on the register of the Fund as a holder of Units.
US Persons	Has the meaning given to the term in Regulation S of the US Securities Act 1933 (as amended).
Withdrawal Fee	Has the meaning provided in Section 4.2 .