

Information Memorandum  
31 August 2024

Ellerston Capital  
ABN 34 110 397 674  
AFSL 283 000



# Ellerston Fixed Income Target Return Fund

Information Memorandum

Ellerston Capital

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## Important Information

Ellerston Capital Limited ABN 34 110 397 674, AFSL 283 000 (**Ellerston Capital, the Manager or we**) is the issuer of this Information Memorandum (**IM**) dated 31 August 2024. Investments in the Ellerston Fixed Income Target Return 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](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 8.6**.

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. 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 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 detrimental 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](http://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 - Section 9**. References to \$ or A\$ are to Australian dollars.

### Ellerston Fixed Income Target Return Fund

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## Table of Contents

1.	<b>Key Features</b>	04
2.	<b>Ellerston Fixed Income Target Return Fund</b>	05
	2.1 Background	05
	2.2 Investment Objective	05
	2.3 Investment Philosophy and Strategy	05
	2.4 Investment Universe	06
	2.5 Derivatives	06
	2.6 Portfolio Guidelines	07
	2.7 Performance	07
	2.8 Registration as a Managed Investment Scheme	07
3.	<b>Risks</b>	07
	3.1 Risks Applicable to the Fund	08
	3.2 Risk Management	09
4.	<b>Fees and Other Costs</b>	10
	4.1 Summary of Fees and Other Costs	10
	4.2 Additional Explanation of Fees and Costs	10
5.	<b>Applications and Dealing with your Investment</b>	12
	5.1 Applying	12
	5.2 Issue Price	12
	5.3 Application Acceptance and Interest	12
	5.4 Redemptions	12
	5.5 Transfers	13
	5.6 Distributions	13
	5.7 Valuations	13
6.	<b>Tax Considerations</b>	14
7.	<b>Material Documents</b>	14
	7.1 Constitution	14
8.	<b>Additional Information</b>	15
	8.1 Communication and Reporting	15
	8.2 Further Information	15
	8.3 Offer Changes	15
	8.4 Complaints Resolution	16
	8.5 Anti-Money Laundering	16
	8.6 Privacy	16
	8.7 Key Corporate Governance Policies	16
	8.8 Service Providers	17
9.	<b>Glossary</b>	17
10.	<b>Corporate Directory</b>	19

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# 1. Key Features

This 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	Section
<b>Investment Objective</b>	The investment objective of the Fund is to generate a 2.5% (net) return over the Reserve Bank of Australia ( <b>RBA</b> ) 6m Term Deposit ( <b>TD</b> ) Index ( <b>Benchmark</b> ) over the medium to long term.	<b>2.2</b>
<b>Investment Philosophy</b>	<p>The Manager's philosophy is to capitalise on bond market opportunities to capture return variability. The investment approach blends traditional fixed income return sources with alternative risk premia (<b>ARP</b>) to construct a portfolio that aims to have a low correlation to growth assets and credit returns though the cycle.</p> <p>The portfolio will be allocated across three distinct levels:</p> <ul style="list-style-type: none"><li>• Base portfolio (50-100% allocation);</li><li>• Fixed income risk premia (0-50% allocation); and</li><li>• Hedging &amp; alpha positions (0-30% allocation).</li></ul>	<b>2.3</b>
<b>Investments of the Fund</b>	The Fund primarily invests in high quality Australian government, semi-government and corporate bonds, related Derivatives and Cash and Cash like Securities, across the most liquid segments of fixed income markets.	<b>2.4 and 2.5</b>
<b>Fund Structure</b>	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.	
<b>Preferred Investment Horizon</b>	At least three years.	
<b>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>• the investment returns of the Fund may be subject to economic and market conditions and the circumstances of particular investments. These returns or losses may be magnified by the use of Derivatives; and</li><li>• the Fund's returns may be volatile compared to the Benchmark return as the Fund's investments may not be diversified.</li></ul> <p>This is not a comprehensive summary of all the risks of investing in the Fund. See <b>Section 3</b> 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>	<b>3</b>
<b>Manager Fees</b>	The fees include a Management Fee of 0.45% p.a. of the Net Asset Value of the relevant class of the Fund. Refer to <b>Section 4</b> for further information about fees and other costs payable in respect of the Fund.	<b>4</b>
<b>Applications</b>	<p><b>Daily</b> – with a minimum initial investment amount of \$50,000 and a minimum additional investment amount of \$10,000.</p> <p>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 Administrator prior to 2:00pm (<b>Sydney time</b>) on an Application Day, unless otherwise agreed by the Manager in its absolute discretion. An Application Day occurs each Business Day.</p>	<b>5</b>

<b>Redemptions</b>	<b>Daily</b> – with a minimum redemption amount of \$10,000 and a minimum holding of \$50,000.  Unitholders may redeem their Units daily by giving the Administrator notice by 2:00pm ( <b>Sydney time</b> ) on a Redemption Day. A Redemption Day occurs each Business Day.	<b>5.4</b>
<b>Distributions</b>	Where distributable income is available, distributions will generally be made quarterly for each period ending 31 March, 30 June and 30 September and 31 December in each year. There is no guarantee that any income will be generated.	<b>5.6</b>
<b>Environmental, Social and Governance Considerations</b>	We do take labour standards or environmental, social or ethical considerations into account when making investment decisions. Such issues may affect the financial performance of an investment and any such financial effect would influence our investments.	

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## 2. Ellerston Fixed Income Target Return Fund

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### 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 and global equities, global long-short equity, fixed income and multi-asset 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.

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### 2.2 Investment Objective

The Investment Objective of the Fund is to target a 2.5% (net) return over the RBA 6m TD Index (**Benchmark**) over the medium to long term.

The Fund aims to achieve this via proactive security and sector selection, active duration management, yield curve positioning and carry strategies.

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### 2.3 Investment Philosophy and Strategy

The Fund's investment philosophy is built around the assertion that a modern approach to fixed income portfolio management can generate returns which are lowly correlated to traditional methods of managing fixed income portfolios. Whilst historically "alpha" and "market beta" have been the primary drivers of investment returns, over the last 10 years Alternative Risk Premia (**ARP**) has emerged as a new category of excess returns, complimenting the "alpha" driver.

ARP strategies focus on systematically isolating and capturing excess returns from specific risk factors or market anomalies. ARP strategies are highly liquid, offer large capacity, cost efficiency and flexible payoff structures. ARP will be utilised alongside traditional fixed income return strategies to construct the Fund's portfolio.

The Manager employs a comprehensive investment process, blending traditional fixed income return sources with ARP to construct a portfolio that aims to have a positive return through the cycle with low correlation to growth assets and credit returns. The portfolio will be allocated in accordance with the following table\* :

	Base Portfolio	Fixed Income Risk Premia	Hedging & Alpha Positioning
<b>Portfolio Allocation (of the Portfolio risk exposure)</b>	50–100% allocation	0–50% allocation	0–30% allocation
<b>Instruments</b>	Core holdings (AUD denominated only) <ul style="list-style-type: none"> <li>• Short-term Government bonds</li> <li>• Liquid IG &amp; Bank paper</li> </ul> Liquidity Buffer <ul style="list-style-type: none"> <li>• AUD deposits</li> </ul>	<ul style="list-style-type: none"> <li>• Cross-Market &amp; Yield Curve</li> <li>• Trend &amp; Basis</li> <li>• Volatility</li> <li>• Credit (index level only)               <ul style="list-style-type: none"> <li>• US IG &amp; HY</li> <li>• European Main &amp; HY</li> <li>• Aus iTraxx</li> <li>• Emerging Market Debt</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Duration and yield-curve portfolio management in Australia and US markets</li> <li>• Capital accessible and liquid</li> </ul>

*\*The Fund may fall outside of these allocation ranges from time to time (for example due to market movements, applications and redemptions), but the Manager will rebalance the portfolio within these allocations within a reasonable amount of time. The above thresholds incorporate the delta exposure obtained through Derivatives.*

The goal is to achieve superior returns via proactive security and sector selection, duration management, yield curve positioning and carry strategies.

The Fund utilises Derivatives to meet its investment objectives and gain market and asset exposure. These Derivatives can also mitigate risk and hedge against adverse market movements or impacts on underlying assets.

## 2.4 Investment Universe

The investment universe of the Fund includes:

1. Cash and Fixed income securities;
2. Australian fixed interest market;
  - a. Government;
  - b. Semi-government;
  - c. Investment Grade Corporate debt;
  - d. Short-term money market instruments; and
3. Listed and Over-the-Counter (OTC) derivatives.

The Fund gains exposure to various investment markets and asset classes by investing in direct assets and/or indirectly via Derivatives.

## 2.5 Derivatives

Derivatives such as OTC total return swaps may be used with the objective being to protect or enhance the total performance of the Fund.

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## 2.6 Portfolio Guidelines

<b>Benchmark</b>	Reserve Bank of Australia 6m Term Deposit Index
<b>Investment Universe</b>	Fixed Income Securities (0–100%) Cash and Cash-like-Securities (0–100%)  Fixed income securities include but are not limited to government, semi-government, investment grade corporate and short-term money market instruments.  The Fund may also use listed and OTC Derivatives to gain access to the above investment exposures and these Derivatives may reference sub-investment grade issuers.
<b>Risk Objective</b>	The Fund's expected volatility is 2–3% p.a. over a rolling 3yr period
<b>Currency</b>	In order to manage the risks associated with foreign currency exposure, the Fund usually hedges its foreign exchange (FX) positions. This strategy helps to safeguard the Fund's assets from the potential impact of currency fluctuations.  The Fund's strategy includes generally hedging foreign exchange exposures to mitigate the effects of currency volatility on the Fund's performance. This hedging practice aims to enhance the stability and predictability of returns.
<b>Leverage</b>	The Constitution allows for borrowing; however, we generally do not borrow on behalf of the Fund except to manage short-term cash flow needs or in emergency or extraordinary situations.  The Fund may use Derivatives to achieve its investment objectives and to gain exposure to various assets and markets. Additionally, Derivatives can be utilised to mitigate risk and serve as a hedge against adverse movements in specific markets or the underlying assets.

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, market movement or application and redemption, the Fund will be rebalanced or reduced back to below that threshold within a reasonable timeframe. The above thresholds incorporate the delta exposure obtained through Derivatives.

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## 2.7 Performance

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

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## 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.

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## 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.

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## 3.1 Risks Applicable to the Fund

### Interest Rate Risk

Interest rate risk is the risk that fixed income securities and other instruments in the Fund's portfolio will decline in value because of an increase in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by a Fund is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Interest rate changes can be sudden and unpredictable, and a fund may lose money as a result of movements in interest rates. The Fund may not be able to hedge against changes in interest rates or may choose not to do so for cost or other reasons. In addition, any hedges may not work as intended.

### Credit Risk

The Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a Derivative, repurchase agreement or a loan of portfolio securities, is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or willing, to make timely principal and/or interest payments, or to otherwise honour its obligations. The downgrade of the credit of a security held by the Fund may decrease its value. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. Measures such as average credit quality may not accurately reflect the true credit risk of a fund. This is especially the case if the Fund consists of securities with widely varying credit ratings. Therefore, if a fund has an average credit rating that suggests a certain credit quality, the Fund may in fact be subject to greater credit risk than the average would suggest. This risk is greater to the extent the Fund uses leverage or derivatives in connection with the management of the fund. Bonds are subject to the risk that litigation, legislation or other political events, local business or economic conditions, or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest.

### Market Risk

The market price of securities owned by the Fund may go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, adverse changes to credit markets, global political instability, or adverse investor sentiment generally. The value of a security may also decline due to factors which affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Further, changes in tax, legal and economic policy, political events and technology failure can all directly or indirectly create an environment that may influence the value of your investments.

### Derivatives Risk

The Fund may use Derivatives, directly or indirectly, for hedging purposes and/or for investment purposes. The value of a Derivative is derived from the value of an underlying asset. This involves basis risk as the value of a Derivative may not move perfectly in line with the physical security. Therefore, the Derivative positions cannot be expected to perfectly hedge the risk of the physical security. Other risks associated with Derivatives may include:

- loss of value because of a sudden price move or because of the passage of time;
- potential illiquidity of the Derivative;
- the Fund being unable to meet payment obligations as they arise;
- potential for leverage risk
- the counterparty to any Derivative not being able to meet its obligations under the contract; and
- significant volatility in prices.

The Manager does not guarantee that the Fund's Derivatives strategy will be successful. See **Section 2** for further details.

### 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.

### Manager Risk

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



### **Liquidity Risks**

The Fund may not be able to promptly liquidate some of its investments at an amount close to their fair value in order to meet its liquidity requirements or to respond to specific events such as deterioration in the circumstances of the investment (e.g. securities that are yet to list or reduced liquidity in the market for a listed equity investment) or disruption to the marketplace.

The Fund has the power to limit redemption rights. The Manager will reject a request where redemptions have been suspended or (where the Fund is registered as a managed investment scheme) where the Fund is illiquid under the Corporations Act. Refer to **Section 5.4** for further redemption information.

### **Regulation**

Regulation of the Manager, the Fund and its investments may change, which may impact on the investment returns and nature of the Fund.

### **Counterparty and Service Provider Risk**

While the Fund will seek to open over-the-counter Derivative positions with counterparties who clear through recognised 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 the Prime Broker and Custodian receive 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.

### **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. The Fund is not designed for investors seeking regular income payments. There is no guarantee that any distributable income will be generated. In certain circumstances, Unitholders may be liable for tax on distributions even if they have not received any distribution in cash.

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## **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.

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## 4. Fees and Other Costs

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### 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 <sup>1</sup>	How and when fee is 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>Termination Fee</b> The fee to close your investment.	Nil.	Not applicable.
<b>Management Costs</b>		
The fees and costs for managing your investment.	<b>Management Fee</b> 0.45% p.a. of the Net Asset Value of the relevant class of the Fund.	Accrued in the Unit price and payable from the assets of the relevant class monthly in arrears. Refer to <b>Section 4.2</b> for more details.
	<b>Expenses</b> 0% p.a. of the Net Asset Value, however, the actual ongoing expenses may be higher than this estimate.	Refer to <b>Section 4.2</b> for more details.
<b>Service fees</b>		
<b>Investment Switching Fee</b> The fee for changing investment options.	Nil.	Not applicable.

Notes:

- All fees set out in this **Section 4** are inclusive of the net effect of Goods and Services Tax (**GST**) (i.e. excludes GST net of input tax credits). The Fund may not be entitled to claim a reduced input tax credit in all instances.
  - 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.
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### 4.2 Additional Explanation of Fees and Costs

#### GST

All fees set out in this **Section 4** are inclusive of any applicable 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.

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## Management Fee

As provided in the table above, the Management Fee will be 0.45% 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 and properly 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. 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.

## 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 0.10% 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 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 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.

## Distributor Remuneration

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

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

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## 5. Applications and Dealing with your Investment

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### 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.

Applications and Application Amounts must be received by the Administrator prior to 2:00pm (Sydney time) on an Application Day, unless otherwise agreed by the Manager in its absolute discretion. Applications received after the cut-off time will generally be processed for the following Application Day. An Application Day occurs each Business Day. The Manager may from time to time allow additional dates for accepting applications. Additional Application Forms may be obtained from the Registry or by telephoning the Manager on (02) 9021 7701 or emailing [info@ellerstoncapital.com](mailto: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.

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### 5.2 Issue Price

The issue price of Units will be the Net Asset Value per Unit for the relevant Application Day on which the application is processed, plus the Buy/Sell Spread.

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### 5.3 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.

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### 5.4 Redemptions

Unitholders may make a request to redeem their Units by giving written notice to the Administrator.

Redemption requests must be received by the Administrator prior to 2:00pm (Sydney time) on a Redemption Day. A Redemption 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, it is not liquid (see below), the Manager will process all redemption requests in the manner set out in this IM. Redemptions of Units will be processed using the redemption price at the relevant Redemption Day provided the request is received before the relevant redemption cut-off time for that Redemption Day. Redemption requests received after the relevant redemption cut-off time will be processed for the following Redemption Day using the redemption price applicable for that Redemption 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.

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## Redemption Price and Payment of Redemption Proceeds

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

The Constitution provides that it may take up to 90 days from the Redemption 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

Whilst the Fund is not registered as a managed investment scheme, redemptions may be suspended for up to 120 days including where:

- a. 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;
- b. 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;
- c. the Manager reasonably considers it to be in the interests of Unitholders, or it is otherwise permitted by law; or
- d. the Fund is being wound up.

If the Fund becomes registered as a managed investment scheme, the suspension provisions above only apply where the Fund is "liquid" (within the meaning given to that term in the Corporations Act).

## Where the Fund is not liquid

Whilst the Fund is not registered as a managed investment scheme, the provisions in this sub-section do not apply.

Where the Fund is registered as a managed investment scheme, the redemption process, including the calculation of the redemption price, described above applies only when the Fund is "liquid" (within the meaning given to that term in the Corporations Act). Where the Fund ceases to be liquid, Units may only be redeemed pursuant to a withdrawal offer made to all Unitholders in the Fund in accordance with the Constitution and the Corporations Act.

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## 5.5 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.

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## 5.6 Distributions

The distribution policy of the Fund is to distribute (when available) as soon as practicable after each quarter (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.

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## 5.7 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 (refer **Section 5.2**) and redemption price (refer **Section 5.4**) for Units of the Fund. The issue price and redemption price of Units will be adjusted for the Buy/Sell Spread (refer **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 5.4** "Suspension of redemptions").

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

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## 6. Tax 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 of securities in the Fund involves a disposal, which may have tax implications. Stamp duty may also be payable on the transfer unless an exemption applies.

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.

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## 7. Material Documents

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### 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.
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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:

- a. the Units are held in breach of prohibitions contained in the Constitution;
- b. 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;
- c. a Unitholder made a misrepresentation in acquiring its Units;
- d. a Unitholder is a registered holder of Units having a Net Asset Value of less than \$50,000; or
- e. 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.

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## **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.

<b>Communication</b>	<b>Timing</b>
Fund Newsletter	Monthly
Tax Statement	Annually

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

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### **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](mailto:info@ellerstoncapital.com) or (02) 9021 7701.

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### **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.

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## 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 the Company Secretary, Ellerston Capital Limited, Level 11, 179 Elizabeth Street, Sydney NSW 2000. The Manager will acknowledge Unitholder complaints within 30 days of receipt by the Company Secretary, and will generally investigate complaints and aim to provide a response (if not resolve the complaint) within 60 days of receipt of the complaint although some complaints may take significantly longer to deal with.

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## 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:

- a. 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;
- b. 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
- c. 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 Administrator.

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.

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## 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 1998 (Cth). Tax and company laws also require some of the information to be collected in connection with your application. If you do not provide the information requested, your application may not be able to be processed efficiently, or at all. Your information may also be disclosed to members of 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 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 its registry provider).

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## 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.

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## 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.

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## 8.8 Service Providers

The Manager has appointed State Street Australia Limited to provide custody and administration services and Automic Pty Ltd to provide registry services for the Fund.

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## 9. Glossary

<b>Administrator</b>	State Street Australia Limited
<b>AFSL</b>	Australian Financial Services Licence
<b>Application Amount</b>	The amount contributed by an investor to acquire Units in the Fund
<b>Application Day</b>	Each Business Day. The Manager may determine other dates as Application Days, as set out in <b>Section 5.1</b>
<b>Application Form</b>	The application form accompanying this IM
<b>AML/CTF Law</b>	<i>Anti-Money Laundering and Counter Terrorism Financing Act 2006</i> (Cth)
<b>ASIC</b>	Australian Securities and Investments Commission
<b>Benchmark</b>	RBA 6m Term Deposit (TD) Index. This Index is calculated by Ellerston Capital based on the 6 month Term Deposit (TD) rates, as published by the RBA. If this index ceases to be published, the Manager will nominate an equivalent replacement Benchmark and notify Unitholders of the change.
<b>Business Day</b>	Any day that is not a Saturday, Sunday or public holiday in New South Wales, Australia
<b>Buy/Sell Spread</b>	Has the meaning provided in <b>Section 4.2</b>
<b>Calculation Period</b>	Has the meaning provided in <b>Section 4.2</b>
<b>Cash and Cash-Like Investments</b>	Investments in deposits, cash management trusts, bonds, fixed interest, debentures or similar investments as determined by the Manager.
<b>Constitution</b>	The constitution of the Fund dated 24th June 2024, as amended from time to time
<b>Contribution Fee</b>	Has the meaning provided in <b>Section 4.2</b>
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Derivative</b>	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) which may be traded on an exchange or over-the-counter.
<b>Ellerston Capital</b>	Ellerston Capital Limited (ABN 34 110 397 674)
<b>Ellerston Capital Group</b>	Ellerston Capital and each of its related bodies corporate, and each of their associates.
<b>Fund</b>	Ellerston Fixed Income Target Return: an Australian domiciled unit trust, constituted by and under its Constitution.

<b>GST</b>	Australian Goods and Services Tax, as established under the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
<b>IM</b>	This Information Memorandum.
<b>Investment Objective</b>	The investment objective of the Fund as described in <b>Section 2</b> .
<b>Issue Price</b>	Has the meaning provided in <b>Section 5.3</b> .
<b>Management Fee</b>	Has the meaning provided in <b>Section 4.2</b> .
<b>Manager</b>	Ellerston Capital as trustee and investment manager of the Fund.
<b>Net Asset Value</b>	The net asset value of the Fund or the relevant class as determined under the Constitution. Refer to <b>Section 5.7</b> .
<b>Net Asset Value Per Unit</b>	The net asset value per Unit as determined under the Constitution. Refer to <b>Section 5.7</b> .
<b>Offer</b>	The invitation to subscribe for Units set out in this IM.
<b>Prime Brokers</b>	means Morgan Stanley and J.P. Morgan.
<b>Redemption Price</b>	Has the meaning provided in <b>Section 5.4</b>
<b>Redemption Day</b>	Each Business Day. The Manager may determine other dates as Redemption Days, as set out in <b>Section 5.4</b>
<b>Registry</b>	Automic Pty Ltd trading as Automic Group as a provider of registry services to the Fund.
<b>Securities</b>	An instrument that provides a return through fixed periodic interest payments and the eventual return of principal at maturity.
<b>Unitholder</b>	A person entered on the register of the Fund as a holder of Units.
<b>Unit</b>	Beneficial interest in the Fund issued as offered under this IM.
<b>US Persons</b>	Has the meaning given to the term in Regulation S of the US Securities Act 1933 (as amended).
<b>Withdrawal Fee</b>	Has the meaning provided in <b>Section 4.2</b> .

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## 10. Corporate Directory

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### Manager

#### Ellerston Capital Limited

Level 11, 179 Elizabeth Street  
Sydney NSW 2000  
Phone: 02 9021 7701  
Email: [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com)  
Website: [www.ellerstoncapital.com](http://www.ellerstoncapital.com)

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### Administrator and Custodian

#### State Street Australia Limited

420 George Street Sydney NSW 2000  
Phone: 02 9240 7600  
Email: [statestreetetfsau@ssga.com](mailto:statestreetetfsau@ssga.com)

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### Registry

#### Automic Group

GPO Box 5193, Sydney NSW 2001  
Phone: 1300 101 595  
International: +61 2 9068 1928  
Email: [ellerstonfunds@automicgroup.com.au](mailto:ellerstonfunds@automicgroup.com.au)

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