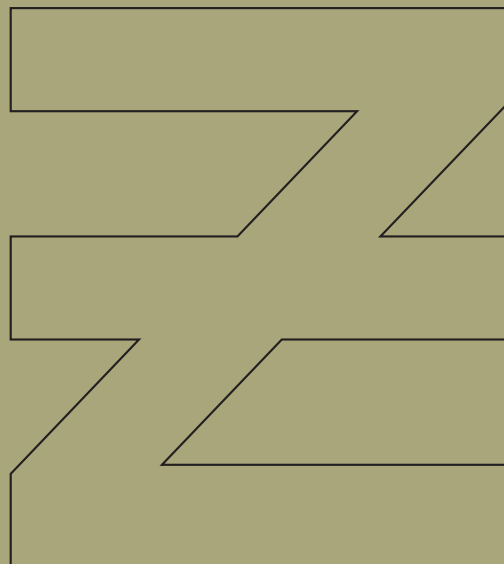


Product Disclosure Statement  
23 January 2025

Ellerston Capital  
ABN: 34 110 397 674  
AFSL: 283 000  
ARSN: 681 431 452  
APIR Code: ECL4489AU



# Ellerston Fixed Income Target Return Fund – Class A Units

## Product Disclosure Statement

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## Important Information

Ellerston Capital Limited ABN 34 110 397 674, AFSL No. 283 000 (**Ellerston Capital**, the **Manager** or we) is the issuer of this product disclosure statement (**PDS**) dated 23 January 2025. Investments in the Class A Units (**Units**) of the Ellerston Fixed Income Target Return Fund ARSN 681 431 452 (**Fund**) are made available by Ellerston Capital as the responsible entity of the Fund. Only Class A Units are available pursuant to this PDS. Other Classes of Units in the Fund (see **Section 4.8**) are not available pursuant to this PDS.

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

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

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

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

This PDS is available electronically at [www.ellerstoncapital.com](http://www.ellerstoncapital.com). If you access an electronic copy of this PDS, then you should ensure that you download and read the entire PDS and the Application Form. If you are printing an electronic copy of this PDS, you must print all pages, including the Application Form. If you make this PDS available to another person, you must give them the entire electronic file or printout, including the Application Form. A paper copy of this PDS (including any supplementary document) can be obtained free of charge by calling Ellerston Capital on (02) 9021 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 10.7**.

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

No person other than Ellerston Capital has caused or authorised the issue of this PDS nor do any of them take any responsibility for the preparation of this PDS or the establishment or performance of the Fund. ASIC takes no responsibility for the contents of this PDS.

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

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

To the full extent permitted by law no:

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

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

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

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

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

# 1. Key Features of the Fund

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

Key Fund Information		
Investment Objective	The investment objective of the Fund is to generate a 2.5% (net) return over the Benchmark over the medium to long term.	<b>Section 4.1</b>
Investment Strategy	<p>The Fund's investment strategy is to construct a portfolio which capitalises on bond market opportunities aiming to generate consistent income with low correlation to growth assets and credit returns.</p> <p>A base portfolio of highly liquid and high-quality Australian government and investment grade corporate bonds is supplemented by an ARP portfolio. The ARP portfolio aims to provide an additional, uncorrelated source of returns through exposure to 3-5 unrelated factors (carry, diversification, drawdown minimisation, etc.). Once constructed, the base and ARP portfolios are then assessed for residual risks or themes, which the Manager offsets using Hedging and/or Alpha positioning.</p> <p>The investment approach blends traditional fixed income return sources, alternative risk premia (<b>ARP</b>) and quantitative strategies to enhance returns and manage risks.</p>	<b>Section 4.1</b>
Benchmark	Reserve Bank of Australia ( <b>RBA</b> ) 6m Term Deposit ( <b>TD</b> ) Index	
Investments	The Fund primarily invests in high quality Australian government and corporate bonds, fixed income Derivatives and cash and Cash-Like Securities, across the most liquid segments of fixed income markets.	<b>Section 4.1</b>
Investment Guidelines and Exposures	<p>The Manager will generally aim to allocate the portfolio across three distinct levels:</p> <ul style="list-style-type: none"> <li>• Base portfolio (50-100% allocation);</li> <li>• Fixed income ARP (0-50% allocation); and</li> <li>• Hedging &amp; Alpha positions (0-30% allocation).</li> </ul>	<b>Section 4.2</b>
Derivatives	The Fund utilises Derivatives to meet its investment objectives and gain market and asset exposure. Derivatives may also be used for the purpose of hedging portfolio and/or individual security risk and to increase/decrease overall portfolio and market exposures. The Fund may use exchange traded or OTC Derivatives.	<b>Sections 4.2 and 5.1</b>
Withdrawals/Redemptions	Unit holders can withdraw/redeem from the Fund daily by providing a redemption request to the Registry prior to 2:00pm (Sydney time) on a Redemption Day to be processed for that Redemption Day. A Redemption Day occurs each Business Day.	<b>Section 7.2</b>
Key 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"> <li>• <b>Investment Risk:</b> the risk that the investment returns of the Fund may be subject to general economic (including interest rates, unemployment, inflation and economic growth) and market conditions and government policies.</li> <li>• <b>Interest Rate Risk:</b> the risk that fixed income Securities and other instruments in the Fund's portfolio will decline in value because of a change in interest rates.</li> <li>• <b>Credit Risk:</b> the risk that 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 to honour its obligations. The downgrade of the credit of a security held by the Fund may decrease its value.</li> <li>• <b>Market Risk:</b> the market price of Securities owned by the Fund may go up or down, sometimes rapidly or unpredictably. 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. 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. 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.</li> </ul>	<b>Section 5.1</b>

- **Derivatives Risk:** The use of Derivatives can have a negative impact due to an adverse movement in the underlying asset or where the position is difficult or costly to reverse or maintain. The use of Derivatives involves counterparty risk and incurs cost.
- **Fund Risk:** The success of the Fund depends upon our ability to develop and implement the Fund's complex investment strategy and identify investment opportunities that achieve the Fund's investment objective;
- **Tax Risk:** The expected tax treatment of the Fund and your investment in the Fund may change as a result of changes in the taxation laws and interpretation of them.

**Section 5.1**

This is not a comprehensive summary of all the risks of investing in the Fund. 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.

Key Product Features		
<b>Costs of Investing in the Fund</b>		
Management Fee	Management Fee of 0.45% pa* of the Net Asset Value of the Class A Units.	<b>Sections 6.1 and 6.2</b>
Performance Fee	The Fund does not charge a Performance Fee.	
Buy/Sell Spread	0.10% on application / 0.10% on redemption.	<b>Section 6.2</b>
<b>Investment Requirements</b>		
Minimum Initial Investment	Minimum initial investment – \$10,000. Minimum additional investment – \$5,000.	<b>Section 7.1</b>
Applications	Daily. Completed Application Forms to be received by the Registry by 2:00pm (Sydney time) on a Business Day to be processed for that Business Day.	<b>Section 7.1</b>
<b>Distributions</b>		
Frequency	Quarterly for each period ending 31 March, 30 June and 30 September and 31 December in each year where the Fund has distributable income.	<b>Section 7.4</b>
Payment Method	Paid into your nominated bank account or reinvested as additional Class A Units.	<b>Section 7.4</b>

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

Reporting		
Monthly Newsletter	A monthly newsletter will be available on our website <a href="http://www.ellerstoncapital.com">www.ellerstoncapital.com</a> .	<b>Section 10.1</b>
Regular Reporting	Confirmation of all applications and withdrawals. An annual periodic statement providing your account balance, transaction summary and distribution details (if any).	<b>Section 10.1</b>
Online Access	Investors are able to access their holdings, transaction history and other statements online through our secure web portal: <a href="https://investor.automic.com.au/#/home">https://investor.automic.com.au/#/home</a> .	
Unit Pricing	Unit prices are on our website <a href="http://www.ellerstoncapital.com">www.ellerstoncapital.com</a>	<b>Section 7.5</b>
Annual Audited Financial Report	Annual audited financial report for the Fund is made available on our website <a href="http://www.ellerstoncapital.com">www.ellerstoncapital.com</a> .	<b>Section 10.1</b>
Annual Tax Reporting	Annual tax statement if the Fund has paid a distribution during the financial year. Exit statement if you have redeemed Class A Units during the financial year.	<b>Section 8.2</b>

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## 2. About Ellerston Capital

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. Ellerston Capital supports our investment teams with an institutional-grade infrastructure.

### Key Personnel

#### Vimal Gor

Vimal Gor, as Portfolio Manager and Head of the Fixed Income and Multi-Asset team, has overall responsibility for the Fund and devotes the majority of his time to the Fund. Vimal is supported by a team of investment professionals, each of whom have significant skill and experience in fixed income portfolio management and the asset classes in which the Fund invests.

Vimal joined Ellerston in May 2024 and has over 30 years' asset management experience with a focus on macro, duration and multi-asset strategies.

Prior to Ellerston Capital, Vimal was Co-Head of Asset Management and CIO at Trovio where he was responsible for setting the strategy, processes and risk management for the Asset Management business and all funds managed within it. Vimal joined Trovio from Pandal Group where he was the Head of Bond, Income & Defensive Strategies Boutique. He has previously worked with Aviva Investors, Scottish Mutual and Murray Johnstone.

Vimal obtained his Bachelor of Science Degree (First Class Honours) in Economics and Computer Science from Salford University.

#### Thomas Ciszewski

Thomas joined Ellerston in May 2024 as Portfolio Manager. Before joining Ellerston Capital, Thomas held Portfolio Manager positions at Trovio Group and Pandal.

Prior to Pandal, Thomas was at SouthPeak Investment Management where he successfully implemented volatility risk premia and delta one strategies. He has also held a number of positions in a trading capacity at Deutsche Bank in Hong Kong and Sydney, where he managed global equity derivatives, delta one, ETF and cash facilitation trading teams. Thomas was also a senior derivatives trader at Macquarie Bank in Sydney and an equity volatility Portfolio Manager at Actis Capital in Chicago and San Francisco.

Thomas has over 28 years of asset management experience and holds a Master of Applied Finance with a focus in derivatives valuation, exotic options, risk and portfolio management from Macquarie University in Sydney. He has a Bachelor of Arts in Economics and Business Administration degree from Vanderbilt University in Nashville, Tennessee.

There have been no adverse regulatory findings against Mr. Gor, Mr. Ciszewski or the Manager.

Updates on Ellerston Capital and the investment team are available via [www.ellerstoncapital.com](http://www.ellerstoncapital.com).

### 3. Disclosure Principles and Benchmarks

#### Disclosure Principles

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

Disclosure Principles	Further information
Investment Strategy	<p>The Fund aims to generate consistent income from accrual-based returns using a combined portfolio of fixed income and ARP strategies. The Fund's investment strategy will have a low correlation to growth assets and credit returns, whilst providing investors with high levels of liquidity.</p> <p>The Fund seeks to supplement traditional fixed income return sources at the base portfolio by capturing ARP across various fixed income markets. The exposure to ARP strategies is obtained via Total Return Swaps. Fixed income ARP provide an uncorrelated return stream by isolating non-traditional sources of risk and returns within the bond market, distinct from typical interest rate or credit spread exposures. These premia include factors such as carry, credit, term, liquidity, volatility, and relative value. For more detailed information on these factors, please see <b>Section 4.1</b>. By supplementing the base portfolio with ARP and quantitative strategies, the Manager aims to enhance returns and manage risks.</p> <p>The Fund may invest in a range of asset classes, including fixed income Securities such as Australian government and corporate bonds, cash and Cash-Like Securities and Derivatives.</p> <p>The Fund invests predominantly in Australian AUD-denominated bonds and investment grade corporate debt at the base portfolio level. There may be some residual exposure to other developed markets. All Total Return Swaps through which the Fund obtains its exposure to ARP will be denominated in Australian dollars.</p> <p>The Manager may utilise Leverage and Derivatives and as part of its investment strategy with the aim of generating or protecting returns. The Fund will not engage in Short Selling.</p> <p>The key dependencies underpinning the investment strategy are the research, analysis, skill and experience of the Manager as well as market conditions.</p> <p>There are a number of risks associated with investing in the Fund. The key risks include general investment risk, interest rate risk, credit risk, market risk and the risks associated with the use of Derivatives.</p> <p>The Manager's risk management strategy is set out in <b>Section 4.4</b>.</p> <p>The Manager may change the investment objective and strategy to meet current market conditions. Unit holders will be given 30 days' prior notice if any of these changes are materially adverse, otherwise these changes will be available on the Manager's website.</p>
Investment Manager	<p>The responsible entity and investment manager is Ellerston Capital Limited.</p> <p>The Manager and its team of professionals has overall responsibility for the Fund's investment decisions and is supported by a team of investment professionals.</p>
Fund Structure	<p>The Fund is an Australian unit trust registered as a managed investment scheme under the Corporations Act. The Fund expects to gain exposure to various investment markets and asset classes by investing in direct assets and/or indirectly via Derivatives.</p> <p>The Key Service Providers are set out in <b>Section 4.7</b>. These Key Service Providers are regularly monitored by the Manager to ensure compliance with their service agreement obligations. All entities, other than the Derivatives Counterparties, have a registered office in Australia.</p> <p>There are various risks associated with this structure, including counterparty risk.</p>

Disclosure Principles		Further information
Valuation, Location and Custody of Assets	<p>The key aspects of the Fund's valuation policy are set out in <b>Section 7.5</b>.</p> <p>The types of assets in which the Fund invests are set out in <b>Section 4.2</b>.</p> <p>Where possible, the Custodian holds all the Fund's assets. Cash may also be held on deposit with one or more Australian banks.</p>	<p><b>Section 7.5</b></p> <p><b>Section 4.2</b></p>
Liquidity	<p>The Manager expects to be able to realise at least 80% of its assets, at the value ascribed to those assets in calculating the Fund's Net Asset Value, within 10 days.</p>	<b>Section 4.2</b>
Leverage	<p>The Constitution allows for borrowing; however, the Fund will generally not borrow except in emergency or extraordinary situations.</p> <p>Leverage may exist in the Fund as a result of transactions with Derivative Counterparties or the market through borrowing. A worked example of the impact of Leverage is provided in <b>Section 4.2</b>.</p> <p>The Gross Leverage of the Fund is anticipated to be between 1.5x - 2.5x.</p>	<p><b>Sections 4.2</b></p> <p><b>Section 9.2</b></p>
Derivatives	<p>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. Derivatives may implicitly contain Leverage.</p> <p>The Fund may utilise any type of Derivative, including exchange traded Derivatives such as Futures, Options and OTC Derivatives such as Swaps, Options and Forward Contracts (for example over currencies).</p> <p>The Manager engages reputable and regulated brokerage firms as Derivatives counterparties following due diligence.</p> <p>The use of Derivatives involves risk including counterparty risk and the risks associated with Leverage.</p>	<p><b>Section 4.2</b></p> <p><b>Section 5.1</b></p>
Short Selling	<p>The Fund does not engage in Short Selling.</p>	
Withdrawals/Redemptions	<p>Unit Holders can withdraw/redeem from the Fund daily by providing a redemption request to the Registry by 2:00pm (Sydney time) on a Business Day to be processed for that Business Day. Redemptions may be suspended in limited circumstances as set out in <b>Section 7.2</b>.</p> <p>Unit Holders will be notified in writing of any material changes to their redemption rights.</p>	<b>Section 7.2</b>

## Disclosure Benchmarks

This PDS addresses the following two disclosure benchmarks:

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

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

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

### Benchmark 1: Valuation of Assets

While an independent administrator or an independent valuation service provider may value the Fund's non-exchange traded assets, the Fund does not meet this benchmark on all occasions. This may be because a particular asset is complex or due to the circumstances of the asset (e.g. a strategic holding). Accordingly, valuation by an independent valuation service provider may not be possible, may not be appropriate or may require specific review and overlay by the Manager. The Manager is of the view that its valuation procedures are sufficiently robust (see **Section 7.5** for more details). The risks of a lack of independence and related party conflicts are addressed by the Manager's valuation procedures, regular auditing of these valuations and the Manager's conflicts of interest policy.

## Benchmark 2: Periodic Reporting

The Fund meets this benchmark.

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

- Net Asset Value of the Fund and redemption price of Units;
- Any changes to Key Service Providers including any change in related party status;
- Net returns after fees, costs and relevant taxes;
- Any material changes to the Fund's risk profile and strategy; and
- Any material changes related to the primary investment personal responsible for managing the Fund.

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

Annual reporting will include:

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

This information will also be available on our website.

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## 4. About the Ellerston Fixed Income Target Return Fund

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### 4.1 Fund Overview

Investment Objective	The investment objective of the Fund is to target a 2.5% (net) return over the Benchmark in 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, maintaining low correlation to credit and growth assets (such as equities).
Investment Strategy	<p>The Fund's investment strategy is to construct a portfolio which capitalises on bond market opportunities to capture return variability. The Fund's investment strategy aims to generate consistent income with low correlation to growth assets and credit returns. ARP is utilised alongside a base portfolio of fixed income Securities to add Alpha during interest rate cycles, increase carry, and support defensive positioning. These strategies are accessed via Total Return Swaps tied to published index prices. The investment approach blends traditional fixed income return sources with ARP and quantitative strategies to enhance returns and manage risks.</p> <p>The Manager uses a number of quantitative models to analyse the current economic environment and interest rate policy. Based on this analysis, a base portfolio of highly liquid and high-quality Australian government and investment grade corporate bonds is selected to offer the best risk-adjusted returns for the prevailing economic conditions.</p> <p>The base portfolio is then supplemented by an ARP portfolio which provides an additional, uncorrelated source of returns through exposure to 3-5 unrelated factors (carry, diversification, drawdown minimisation, etc.). For more detailed information on these factors, please see <b>Section 4.1</b>. ARP in the fixed income market refers to returns derived from non-traditional sources of risk within the bond market, distinct from typical interest rate or credit spread exposures. These premia include factors such as carry, credit, term, liquidity, volatility, and relative value. These ARP strategies may be developed by the Manager or selected from counterparties with appropriate expertise in developing ARP strategies.</p> <p>Once constructed, the base and ARP portfolios are then assessed for residual risks or themes using a dynamic risk allocation framework developed by the Manager, ensuring a balance between generating Alpha and focusing on downside protection by implementing Hedging and/or Alpha positioning as necessary.</p>



The Fund's strategy will be implemented by the Manager's highly experienced investment team, comprised of specialists with deep expertise in fixed income portfolio management, systematic quantitative methods, economic risk regime modelling and advanced portfolio construction techniques.

### Portfolio Construction Summary

The Fund's strategy is implemented by deploying the portfolio across three distinct levels. A base portfolio comprising Australian investment grade credit, government bonds, and AUD cash deposits; an ARP portfolio; and a Hedging and Alpha positioning portfolio. These sub-portfolios are not operationally segregated.

The allocation weights between the three sub-portfolios are adjusted within established maximum and minimum limits, influenced by several key factors including:

- Insights from proprietary forward-looking economic regime and global liquidity models;
- The availability of opportunities in systematic risk premia and opportunistic Alpha strategies; and
- The necessity for portfolio hedging.

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 investment grade paper &amp; bank paper</li> </ul> Liquidity Buffer: <ul style="list-style-type: none"> <li>• AUD deposits</li> </ul>	Cross-Market & Yield Curve Trend & Basis Volatility Credit (index level only): <ul style="list-style-type: none"> <li>• US investment grade &amp; high yield credit indices</li> <li>• European main &amp; high yield credit indices</li> <li>• Aus iTraxx</li> <li>• Emerging Market Debt</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.*

### Base Portfolio

The Manager focusses exclusively on AUD-denominated, senior-ranking bonds rated AA- or higher, issued by one of Australia's four major banks or Macquarie. Eligible bonds must have a minimum AUD 100 million outstanding and a maturity between 1-7 years, with a preference for 3-5 year terms. The portfolio maintains a balanced exposure across the four major banks, with bond selection supported by Bloomberg and counterparty bank inventories.

### ARP Portfolio

The Manager identifies target exposures in fixed income risk premia, such as duration, yield curve, and cross-market opportunities and prioritises strategies that provide diversified exposure to the desired risk premia. The ARP portfolio is designed to manage the Fund's duration risk, rate movements in the easing cycle, movements across the yield curve and hedge against sudden changes in central bank policy through long volatility strategies. In constructing the ARP portfolio, the Manager uses a hierarchical clustering process to filter the universe of fixed income ARP strategies. The process categorises strategies by distinct metrics, based on behaviour in different market conditions. The Manager subsequently conducts thorough Fundamental research on the most attractive ARP strategies to assess implementation rules and risk-return profiles.

ARP exposures are obtained through Total Return Swaps, which are a type of OTC Derivative.

## Hedging and Alpha Positioning

To optimise the combined risk profile of base and ARP portfolios, the Manager implements Hedging or makes strategic adjustments to the portfolio exposures using liquid listed Securities. This allows the team to identify and hedge against unintended risks or thematic risks without the need to unwind a Total Return Swap for portfolio adjustments. While Hedging and Alpha positioning are expected to generate positive returns, the overall Fund return will primarily rely on accrual income from the base and ARP portfolios to achieve the Fund's return objective.

The Manager may utilise Derivatives in its investment strategy to meet the investment objective of the Fund and gain market and asset exposure (see below for further details).

The Manager is responsible for the overall composition of the Fund's investment portfolio and its consistency with the Fund's investment objective. The Manager constantly monitors the portfolio and its performance with a view to managing risk where appropriate.

The Manager will use the strategy, its investment experience and skill to meet the Fund's return objective.

Refer to **Sections 5.1** and **8** for general and tax related risks associated with the Fund's investments.

There is no guarantee that the investment objective will be achieved.

Asset Class	<p>The Fund will typically invest in the following assets:</p> <ul style="list-style-type: none"><li>• Australian fixed income Securities (including, but not limited to):<ul style="list-style-type: none"><li>• Highly liquid and high-quality Australian government bonds; and</li><li>• Investment grade corporate debt;</li></ul></li><li>• Cash and Cash-Like Securities; and</li><li>• Exchange traded and OTC Derivatives.</li></ul> <p>The Fund gains exposure to various investment markets and asset classes by investing in direct assets and/or indirectly via Derivatives.</p>												
Location and Currency	<p>The Fund invests predominantly in Australian bonds, and investment grade corporate debt at the base portfolio level. There may be some residual exposure to other developed markets. All Total Return Swaps through which the Fund obtains its exposure to ARP will be denominated in Australian dollars, with some residual currency risk arising from underlying US dollar exposure.</p> <p>See <b>Section 4.3</b> for information about how foreign currency exposures may be hedged.</p>												
Fund Information and Performance	<p>Performance information for the Fund will be displayed daily at <a href="http://www.ellerstoncapital.com">www.ellerstoncapital.com</a>.</p> <p>Prospective investors in the Fund can obtain performance information by telephoning (02) 9021 7701 or by emailing <a href="mailto:info@ellerstoncapital.com">info@ellerstoncapital.com</a>.</p>												
Changes to Fund Terms	<p>Subject to the law and the Constitution, the Manager may change at any time the investment objective and strategy to meet current market conditions. Unit holders will be given 30 days' prior notice if any of these changes are materially adverse changes otherwise these changes will be available on the Manager's website.</p>												
Labour, Environmental, Social and Ethical Considerations	<p>The Manager integrates consideration of labour standards or social, environmental or ethical considerations through a unique, proprietary and multi-step approach to ESG embedded through the investment process in the selection, retention or realisation of investments. The Manager does not employ a fixed methodology for taking these considerations into account, other than as described below.</p> <p>The Manager excludes direct investments in the following sectors:</p> <table border="1"><thead><tr><th>Sector</th><th></th><th>Permitted Holding</th></tr></thead><tbody><tr><td>Tobacco</td><td>Companies that generate any direct revenue from the production of tobacco and/or manufacture of nicotine alternatives and tobacco-based products.</td><td>0%</td></tr><tr><td>Pornography</td><td>Companies that generate any direct revenue from the production, sale or advertisement of pornography.</td><td>0%</td></tr><tr><td>Old Growth Forest Logging</td><td>Companies that conduct old growth forest logging.</td><td>0%</td></tr></tbody></table>	Sector		Permitted Holding	Tobacco	Companies that generate any direct revenue from the production of tobacco and/or manufacture of nicotine alternatives and tobacco-based products.	0%	Pornography	Companies that generate any direct revenue from the production, sale or advertisement of pornography.	0%	Old Growth Forest Logging	Companies that conduct old growth forest logging.	0%
Sector		Permitted Holding											
Tobacco	Companies that generate any direct revenue from the production of tobacco and/or manufacture of nicotine alternatives and tobacco-based products.	0%											
Pornography	Companies that generate any direct revenue from the production, sale or advertisement of pornography.	0%											
Old Growth Forest Logging	Companies that conduct old growth forest logging.	0%											

The Manager will also restrict direct investments in companies in the following sectors based on the revenue threshold limits specified:

Sector		Permitted Revenue Threshold <sup>1</sup>
Thermal Coal Production	Companies that generate direct net revenue from the production of thermal coal and have no intention to initiate new thermal coal explorations.	≤ 10%

Investments which form part of the Fund's portfolio may become subject to a business sector or activity exclusion post-investment, for example due to market movements or M&A activity. In those circumstances, the Fund will not be obliged to immediately dispose of the investment but will not increase the size of its position where possible. The Manager will then assess the circumstances leading to exclusion and may engage with management of the issuer in order to obtain further information. If the Manager determines that divestment is warranted, the Fund will exit the investment within a reasonable timeframe, giving due consideration to any relevant market conditions and financial impact to the Fund.

Please refer to the Manager's [Responsible Investment Policy](#) for further details on our approach to responsible investing.

<sup>1</sup>Revenue is defined as total consolidated revenue for the company, as per the most recent values disclosed to the market.

## 4.2 Asset Types

The Manager will target the following guidelines in allocating the portfolio<sup>1</sup>:

- Fixed income Securities (0–100%); and
- Cash and Cash-Like Securities (0–100%).

The above allocation ranges include allocations that may be obtained through Derivatives.

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

	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>	Care holdings (AUD denominated only): <ul style="list-style-type: none"> <li>• Short-term government bonds</li> <li>• Liquid investment grade paper &amp; bank paper</li> </ul> Liquidity Buffer: <ul style="list-style-type: none"> <li>• AUD deposits</li> </ul>	Cross-Market & Yield Curve Trend & Basis Volatility Credit (index level only): <ul style="list-style-type: none"> <li>• US investment grade &amp; high yield credit indices</li> <li>• European main &amp; high yield credit indices</li> <li>• Aus iTraxx</li> <li>• Emerging Market Debt</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>

<sup>1</sup>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 base portfolio will comprise 10–25 highly liquid and high-quality Australian government bonds, as well as investment-grade financial sector corporate bonds. No single issuer will exceed 30% of the Net Asset Value of the Fund.

The ARP portfolio will comprise 3–5 distinct factors, each represented by 3–4 individual strategies. No single strategy will account for more than 20% of the Net Asset Value of the Fund.

### **Cross-Market and Yield Curve**

Cross-market: Involves taking positions in bonds from different markets (e.g., government vs corporate debt) to exploit differences in risk premiums.

Yield Curve: Focuses on the changes in bond yields across different maturities, aiming to profit from shifts in the yield curve, such as steepening or flattening.

### **Trend and Basis**

Trend: Involves following the momentum in fixed income markets, betting on the continuation of an established price movement (e.g., rising or falling bond prices).

Basis: Refers to the difference between the spot price of an asset and the futures price, used to capture pricing inefficiencies.

### **Volatility**

Involves strategies that capitalise on the changes in the price volatility of fixed income Securities, such as through options or other Derivative instruments.

### **Credit (Index Level Only)**

Involves taking positions in credit index instruments, which represent baskets of bonds, to capture changes in credit spreads or default risks without focusing on individual issuers.

### **Leverage**

Leverage is a tool which may be utilised by the Fund to magnify exposures beyond the assets available to the Fund by increasing the level of investible assets. The Fund may from time to time use Leverage (through the use of Derivatives). Derivatives may have the same effect as borrowing as it allows the Fund's assets to have a larger economic exposure. The use of Leverage could enhance returns, although it may also increase losses and the volatility of returns (see the worked example below). The Fund may also borrow cash for short term liquidity purposes.

There is no specific limit to the extent to which the Fund can use such Leverage. The Manager anticipates the Gross Leverage will not exceed 250% of the Fund's Net Asset Value. There is typically no other Leverage embedded in the underlying assets of the Fund, other than Leverage embedded in holdings of listed bonds and Derivatives which may implicitly contain Leverage.

### **Sources of Leverage**

Derivatives are typically sourced from Derivative counterparties, investment banks and brokers. These counterparties are licensed by their local regulatory authority however may not be typically prudentially regulated. Exchange traded Derivative transactions are cleared through an exchange, which reduces the counterparty risk that is associated with the use of OTC Derivatives (see Risks in **Section 5.1** for a discussion of counterparty risk).

### **Worked Example**

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

This example assumes the maximum anticipated level of Leverage. This example further assumes that the Fund is fully invested. This will mean for each \$10,000 invested, the Gross Exposure will be \$25,000 (in other words, for every \$10,000 invested, the Fund is Leveraged a further \$15,000).

- A 1% increase in the return on assets of the Fund results in a 2.5% increase in return to investors (\$250 gain for the Gross Exposure of \$25,000);
- A 1% decrease in the return on assets of the Fund results in a 2.5% loss to investors (\$250 loss for the Gross Exposure of \$25,000);
- In the above example, if no Leverage were used, the Gross Exposure on \$10,000 invested would be \$10,000:
- A 1% increase in the return on assets of the Fund results in a 1% increase in return to investors (\$100 gain for the Gross Exposure of \$10,000),
- A 1% decrease in the return on assets of the Fund results in a 1% loss to investors (\$100 loss for the Gross Exposure of \$10,000).

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

See **Section 5.1** for risks associated with the use of Leverage.

## Collateral

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

With respect to exchange traded Derivatives, the exchange does not take similar security however the Fund is subject to initial and subsequent margin calls which are required to be paid by the Fund. See **Section 5.1** for more detail regarding the risks associated with the above.

## Derivatives

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

- Hedging (foreign currency or the downside risk for part or all of the Fund's portfolio);
- investing indirectly where the Manager determines that investing indirectly would, for example, be commercially advantageous, tax efficient or provide a more practicable means of access to the relevant investment;
- short term portfolio management purposes, for example obtaining economic exposure to the market whilst physical exposures are being brought; or
- achieving Leverage for the Fund's portfolio (see above).

The Fund may utilise any type of Derivative, including exchange traded derivatives such as Futures and Options and OTC Derivatives such as Swaps, Options and Forward Contracts (for example over currencies).

## Derivative Counterparties

The Manager engages reputable and regulated investment banks and brokerage firms as Derivative counterparties after conducting due diligence on factors such as their regulatory status, past disciplinary actions and compliance systems. The Fund conducts a detailed legal review of relevant agreements (including with a view to protecting against counterparty risk).

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

## Liquidity

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

## Key Dependencies

The key dependencies underpinning the investment strategy is the research, analysis, skill and experience of the Manager as well as the movement in the prices of investments. With the investment techniques available to the Fund, the Fund aims to generate "Alpha" on each investment—that is, generating a profit which is not dependent on the general movements of the market (e.g. market conditions or interest rates) but rather on the skill of the Manager. The Fund is not tied to performing to a particular bond market index or benchmark.

## Key Risks

See **Section 5.1** for key risks associated with the investment strategy.

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## 4.3 Hedging

The Fund will be exposed to fluctuations in certain foreign currencies. The Manager may make use of foreign exchange Hedging with the aim of reducing the effects of currency movements on the return profile of the Fund. It may not always be possible to hedge all foreign currency exposures and there is no guarantee that any Hedging will be successful.

The Manager may also hedge the exposure of other investments of the Fund against investment loss, but is not obliged to do so. There is no guarantee that any Hedging will be successful. The cost of implementing Hedging may be significant. See **Section 5.1** for risks associated with Hedging.

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## 4.4 Risk Management Strategy

The Manager has risk management processes in place including an investment methodology of diversification and limited exposure to certain investments, Hedging, actively monitoring the Fund's exposure and liquidity, undertaking due diligence where practicable on investments and obtaining expert external accounting, legal and tax advice. The Portfolio is regularly monitored and reviewed. There is no single measure of market and risk exposure that the Manager utilises. These risks are managed as part of the risk management processes described above, in particular through continuously reviewing the portfolio. Counterparty risks associated with OTC Derivatives are managed by reviewing the open Positions to assess the quantum of exposure and monitoring the credit risk associated with each.

The Manager's risk management process also includes a comprehensive compliance framework. This framework includes compliance policies, training, monitoring and maintaining a compliance plan and a Compliance Committee. The compliance plan sets out how the Manager will ensure compliance with both the Corporations Act and the Constitution. The Compliance Committee comprises a majority of independent members with appropriate expertise. It monitors the Fund's adherence with the compliance plan. The independent members of the Compliance Committee are highly experienced and qualified individuals and are responsible for monitoring all of the Manager's registered schemes. The compliance plan is audited externally on an annual basis. The Manager has a compliance team, the head of which reports directly to the Board. The Manager also segregates the Manager's staff that make investment decisions from those that are responsible for administering the Fund.

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

#### 4.5 Changes to the Investment Objective and Strategy

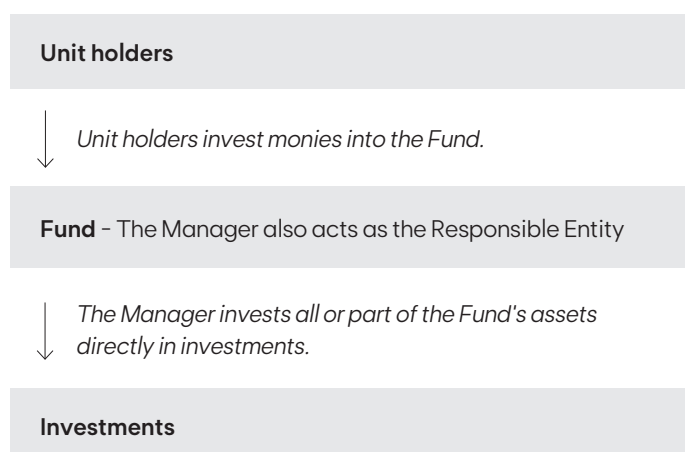
The Manager may change at any time the investment objective and strategy to meet current market conditions. Where a change is not materially adverse to Unit Holders the information may be made available at: [www.ellerstoncapital.com](http://www.ellerstoncapital.com). Otherwise Unit Holders will be given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

#### 4.6 Fund Structure

The Fund is an Australian unit trust registered as a managed investment scheme under the Corporations Act. The Fund invests directly in its investments. The Manager does not anticipate investing through other intermediate vehicles of which it is not responsible entity/trustee.

##### Investment Structure

The diagram below indicates how the Fund invests in underlying investments.



#### 4.7 Key Service Providers to the Fund

Role	Provider	Key functions
Responsible Entity	Ellerston Capital Limited	Responsible Entity of the Fund and Manager. Managing the Fund's investments. See <b>Section 2</b> .
Derivatives Counterparties	Goldman Sachs Bank USA Goldman Sachs International JP Morgan Chase Bank N.A. Morgan Stanley Capital Services LLC Morgan Stanley & Co. International plc UBS A.G.	Facilitate the Fund's trading of Derivatives.
Administrator	State Street Australia Limited	Investment accounting, fund accounting and net asset value calculations.

Registrar	Automic Group	Investor services and fund registry.
Custodian	State Street Australia Limited	Hold custody of Fund's assets.
Auditor	Ernst & Young	Auditing annual financial accounts and the Fund's compliance plan.

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

There are no related party relationships within the above structure.

All arrangements are on an arms' length basis. All entities described in this section, other than the Derivatives counterparties, have a registered office in Australia.

See **Section 5.1** for risks relating to the above, in particular counterparty risks.

## 4.8 Classes of Units in the Fund

The Fund may issue additional Classes of Units in the future, with the same or different terms to the existing Classes. These Classes of Units are not available for purchase under this PDS. Only Class A Units are available to purchase under this PDS.

All Classes invest in the same portfolio of assets and rank equally with Units with respect to redemptions, distributions and on winding up. These other Classes may have different arrangements with respect to liquidity, fees and minimum holdings, to reflect the differing nature of investors in those Classes.

## 5. Risks

An investment in the Fund entails risks. There can be no assurance that the Fund's investment objective will be achieved. Investors should consider any investment in the Fund as a supplement to an overall investment portfolio and should invest only if they are willing to undertake the risks involved. Unit Holders in the Fund could lose some or all of their investment in the Fund.

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

### 5.1 Risks Applicable to the Fund

#### General Investment Risk

The investment returns of the Fund may be subject to general economic (including interest rates, unemployment, inflation and economic growth) and market conditions and government policies.

The value of the Fund's investments can fall due to operational and financial circumstances such as circumstances affecting an investment's underlying businesses (including their level and availability of debt and interest rates), their profits, earnings and cash flows.

#### 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. Refer to **Section 4.2** for more details about how Derivatives are used and the risks set out in "Leverage and Borrowing" below. The use of Derivatives also gives rise to counterparty risks as set out below.

## 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.

## Counterparty and Key Service Provider Risk

Default by any of the Fund's counterparties or Key Service Providers may cause losses to the Fund. Counterparties and Key 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 Key Service Providers which have a low risk of defaulting, although these risks cannot be eliminated entirely.

## Manager Risk

The success of the Fund depends upon the ability of the Manager to identify investment opportunities that achieve the Fund's investment objective. The Manager's investment strategy may not be successful in meeting the Fund's investment objective and the Manager may not be successful in identifying investment opportunities. The Manager may lose key personnel (see **Section 2**) which could impact on its ability to continue to implement the Fund's investment strategy.



## Foreign Investment

The Fund may, through its exposure to foreign currencies, have exposure to risks not usually associated with investing in Australia and other developed markets such as political, social and economic instability, difficulty in enforcing legal rights, unforeseen taxes and less stringent regulatory protections, reporting and disclosure. These factors may affect the value of the Fund, volatility of the Fund's returns and liquidity of the Fund's investments.

## Valuation

Investments may not have a readily ascertainable market price and may have valuations that differ from their true and actual realisation value. Adjustments may be made having regard to what the Manager considers to be fair value for those assets. Further adjustments may be made on the basis of a number of matters including contingencies such as litigation expenses and fee waivers, deferrals and accruals. Redemptions and applications for Units (and the calculation of fees) may occur on the basis of these valuations.

## Currency Risk and Hedging

Foreign exchange fluctuations may have a positive or adverse impact on the investment returns of the Fund. The Fund's foreign currency exposure may be over or under hedged or not hedged at all. It may not always be possible to hedge all foreign currency exposures and there is no guarantee that Hedging will be successful.

The Fund may also hedge the exposure of the other investments in the Fund against investment loss, but is under no obligation to do so. There is no guarantee that any Hedging will be successful. The cost of implementing Hedging may be significant.

## Leverage and Borrowing

The Fund may borrow money to invest and may invest in Derivatives that have the same effect as borrowing. This could enhance returns, although it may also increase losses. Borrowing or Leverage may produce more volatile returns compared to investing without making use of borrowing or Leverage. Refer to **Section 4.2** for further details.

There is no specific limit to the extent to which the Fund can use Leverage. The amount of money or Securities borrowed by the Fund or invested in Derivatives at any point in time may be substantial. If the Fund were forced to liquidate its portfolio by a lender or a counterparty on short notice this could result in significant losses to Unit Holders. The cost of borrowing or Leverage may be significant.

The lack of available Leverage may impact on our ability to implement the Fund's investment strategy.

## Regulation

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

## Tax

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

## Class Risk

The Fund may issue separate Classes of Units and creditors of one Class may seek to claim reimbursement from the assets of the other Classes in case of a shortfall of assets in the Class against which they are claiming.

## Redemption and Liquidity Risk

Redemptions from the Fund may be limited in the situations described in **Section 7.2**. The Fund may not be able to promptly liquidate some of its investments at an amount close to their fair value, or liquidate them at all. This would cause losses to the Fund or reduce the ability of Unit Holders to redeem from the Fund.

## Distributions

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

## Pandemic Risk

The impact of pandemics may have adverse implications on the Fund's ability to achieve its investment objectives.

## 5.2 Risk Management

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

## 6. Fees and Other Costs

**Consumer Advisory Warning:** The warning below is required by law.

### Did you know?

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

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

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

You may be able to negotiate to pay lower fees. Ask the Fund or your financial adviser.

### To Find Out More

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

This section shows fees and other costs that you may be charged. These fees and costs charged may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Taxes are set out in **Section 8** of this PDS.

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

If you are investing indirectly through an IDPS, you will need to consider the fees and other costs of the IDPS when calculating the total cost of your investment.

### 6.1 Fees and Other Costs

#### Ellerston Fixed Income Target Return Fund - Class A Units

Type of Fee or Cost	Amount <sup>1,2</sup>	How and When Paid
Ongoing annual fees and costs		
<b>Management fees and costs</b> The fees and costs for managing your investment.	<b>Management fee</b> 0.45% p.a. of the Net Asset Value of Units.	Calculated and accrued daily on the Net Asset Value of the Units and paid from the Fund monthly in arrears. The Management Fee is reflected in the Unit price.  The amount of this fee may be negotiated with the Manager.  Refer to <b>Section 6.2</b> for more details.
	<b>Expenses</b> Estimated to be 0% p.a.	Calculated and accrued daily and paid from the assets of the Units when the amounts are due. These expenses are reflected in the Unit price.  Refer to <b>Section 6.2</b> for more details.
	<b>Indirect costs</b> Estimated to be 0.06% p.a.	Indirect costs are variable and are deducted from the assets of the Fund.  These costs are not charged separately and are not paid to the Manager.  Refer to <b>Section 6.2</b> for more details.

<b>Performance fees</b> Amounts deducted from your investment in relation to the performance of the product.	0%	The Fund does not charge a performance fee.
<b>Transaction costs</b> The costs incurred by the scheme when buying or selling assets.	Estimated to be 0.00% p.a. of the Net Asset Value of Units. <sup>3</sup>	Paid out of the Fund's assets when the costs are incurred and reflected in the Unit price. The amount shown is net of any transaction costs recovered from investors via the Buy/Sell Spread. Refer to <b>Section 6.2</b> for more details.
Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)		
<b>Establishment fee</b> The fee to open your investment.	Nil.	Not applicable.
<b>Contribution fee</b> The fee on each amount contributed to your investment.	Nil.	Not applicable.
<b>Buy-sell spread</b> An amount deducted from your investment representing costs incurred in transactions by the scheme.	0.10% of the application amount. 0.10% of the redemption amount.	The Buy/Sell Spread is deducted from the application amount received from, or the redemption amount to be paid to, applicants and withdrawing Unitholders respectively at the time of the relevant application or redemption.
<b>Withdrawal fee</b> The fee on each amount you take out of your investment.	Nil.	Not applicable.
<b>Exit fee</b> The fee to close your investment.	Nil.	Not applicable.
<b>Switching fee</b> The fee for changing investment options.	Nil.	Not applicable.

<sup>1</sup> All fees set out in this **Section 6** are inclusive of the net effect of Goods and Services Tax (GST) (i.e. includes GST net of input tax credits). The Fund may not be entitled to claim a reduced input tax credit in all instances.

<sup>2</sup> Fees in this PDS can be individually negotiated if you are a 'wholesale' client under the Corporations Act. If you invest via an IDPS, the operator may have negotiated a lower fee which may be passed onto you. Please contact your IDPS operator for further details.

<sup>3</sup> Transaction costs are shown net of any amounts recovered by the Fund from the Buy/Sell Spread charged to transacting investors. Refer to **Section 6.2** "Buy/Sell Spread" for more details.

## 6.2 Additional Explanation of Fees and Costs

### GST

All fees set out in this **Section 6** 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 Fees and Costs

The management fees and costs are comprised of the ongoing Management Fee, indirect costs and expenses.

## Management Fee

The Management Fee is 0.45% p.a. of the Net Asset Value of the Units (\$450 per \$100,000). The Management Fee is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. The Management Fee is payable monthly in arrears. The Management Fee is reflected in the Unit price. The Management Fee may be individually negotiated if you are a 'wholesale client' under the Corporations Act by contacting Ellerston Capital on (02) 9021 7701 or your financial adviser.

## Indirect Costs

Indirect costs are certain costs which we reasonably estimate will reduce, directly or indirectly, the Fund's return. Indirect costs may include underlying investment manager fees and costs and certain derivative costs. If any indirect costs are incurred, they would be reflected in the Unit price of the Fund and would not be charged to you as a fee nor retained by us.

The Manager estimates the indirect costs of the Fund to be 0.06% p.a.

## Expenses

All costs or general expenses reasonably and properly incurred in the proper performance of its duties by us in connection with the management of the Fund are payable out of the Fund. We are responsible for providing all office personnel, office space and office facilities required for the performance of its services. The Fund bears all other expenses incidental to its operations, including, but not limited to, fees payable to the Fund's service providers (e.g. administrator and custodian); taxes imposed on the Fund or us (in our capacity as responsible entity of the Fund); governmental charges and duties; the Fund's advisers (e.g. legal, accounting and audit); and printing and distributing the PDS, subscription materials, marketing materials and any reports and notices to Unitholders or prospective Unitholders. The total of these ongoing expenses is estimated to be 0% p.a. The Fund may also incur unanticipated expenses arising from its business, such as litigation and indemnification expenses. Government fees, duties and bank charges may also apply to investments and redemptions and be deducted from application monies or redemption proceeds.

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

## Transaction Costs

Transaction costs are costs of buying and selling the Fund's assets. Transaction costs such as brokerage, settlement costs and clearing costs may be incurred as a result of changes in a Fund's investment portfolio. Transaction costs may vary year to year as the turnover in the underlying assets may change substantially as investment and market conditions change. Transaction costs are deducted from the assets of the Fund as they are incurred and reflected in the Unit price. They are not charged to Unitholders as an additional fee.

The Manager estimates the total transaction costs for the Fund to be 0.02% p.a. of the Net Asset Value of the Units. The Manager estimates that 0.03% to be recouped via the Buy/Sell Spread. The Manager estimates the transaction costs, net of amounts recovered by the Buy/Sell Spread, to be 0.0% p.a. of the Net Asset Value of the Units.

The transaction costs set out in **Section 6** of the PDS are net of any amount recovered by the Buy/Sell Spread.

## Buy/Sell Spread

We may charge a Buy/Sell Spread. An amount equal to 0.10% is effectively deducted from the Unitholder's application and redemption monies. For example, if you invested \$100,000 in the Fund, the cost of your Buy Spread would be \$100. This amount is paid to the Fund on account of our estimate of costs associated with buying and selling assets represented by the relevant application or redemption and is not paid to us. Such costs are, however, an additional cost to you and will impact on the return on your investment. Such costs could include estimated brokerage and stamp duties, taxes and other charges and expenses from buying or selling Fund investments. The amount is paid so as to mitigate any unfairness from an application or redemption affecting other Unitholders. No buy spread is payable on the initial issue of Units. Management fees and costs do not include the Buy/Sell Spread. We may vary the Buy/Sell Spread from time to time and prior notice will not ordinarily be provided. Any changes to the Buy/Sell Spread will be posted on our website [www.ellerstoncapital.com](http://www.ellerstoncapital.com).

## Fee Waiver or Deferral and Issue of Units

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

## Fee Maximums and Changes to Fees

Ellerston Capital is entitled under the Constitution to charge a maximum Management Fee of 2% per annum of the gross asset value of the Fund and a maximum Performance Fee of 20% per annum (each exclusive of GST). Ellerston Capital has elected to waive or reduce these fees for the Units to the levels shown in **Section 6** of the PDS. The Constitution does not provide for Ellerston Capital to charge a Switching Fee or Termination Fee. Ellerston Capital may, however, within the bounds of the Constitution, elect to change these fees (e.g. due to changes in economic conditions and size of the Fund) without the Unitholder's consent and Unitholders will be provided at least 30 days' written notice of any change in these or other fees.

## Distributor Remuneration

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

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

## Adviser Service Fee

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

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

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

Example – Ellerston Fixed Income Target Return Fund - Class A Units		Balance of \$50,000 with a contribution of \$5,000 during year <sup>1</sup>
<b>Contribution Fees</b>	Nil.	For every additional \$5,000 you put in, you will be charged \$0.
<b>PLUS Management fees and costs</b>	<b>Management fee</b> 0.45% p.a. <b>Estimated expenses</b> 0% p.a. <b>Estimated indirect costs</b> 0.06% p.a.	<b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment <b>\$255</b> each year.
<b>PLUS Performance Fee</b>	0.00% p.a.	<b>And</b> , you will be charged or have deducted from your investment <b>\$0</b> in performance fees each year.
<b>PLUS Transaction costs</b>	0.00% p.a.	<b>And</b> , you will be charged or have deducted from your investment <b>\$0</b> in transaction costs.
<b>EQUALS Cost of Fund</b>		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of: <b>\$255</b> What it costs you will depend on the fees you negotiate with the Fund, your IDPS operator or financial adviser, as applicable.

<sup>1</sup> This example assumes the \$5,000 contribution occurs at the end of the first year, therefore all fees and costs are calculated using the \$50,000 balance only. Please note that this example does not capture all the fees and costs that may apply to you such as the Buy/Sell Spread.

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

We may change the fees set out on this section (e.g. due to changes in economic conditions and size of the Fund) without the Unitholder's consent and Unitholders will be provided at least 30 days' written notice of any increase in these or other fees.

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## 7. How the Fund Works

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### 7.1 How to Apply

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

If the Registry receives a completed Application Form, including all related documents and application monies, by 2:00pm (Sydney time) on a Business Day (or such other time as we may determine), we will process the application using that Business Day's Application Price. We may in our absolute discretion waive this notice requirement.

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

#### Minimum investments

The minimum initial investment amount is \$10,000 and the minimum additional investment amount is \$5,000. The Manager may in its absolute discretion waive or vary these minimum requirements.

#### Application Price

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

#### Application Acceptance and Interest

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

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

#### Issue of Units

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

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### 7.2 How to Redeem

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

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

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

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

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

#### Minimum Redemption Amount

The minimum redemption amount is \$5,000 unless otherwise approved by the Manager. Redemption requests may be refused, or a Unit holder's Units may be redeemed in its entirety if the processing of a redemption request would result in the Unit holder holding less than \$10,000.

#### Redemption Price

The Redemption Price for a Unit will be its Net Asset Value per Unit as at the Redemption Valuation Date, less the Buy/ Sell Spread. The Manager expects that redemptions will be processed and typically paid within five Business Days, however, in certain circumstances, redemptions may take longer. The Fund's Constitution provides that it may take up to 21 days from the relevant transaction day until you receive your redemption proceeds. This is because the ability to fund a redemption is generally dependent on the ability of the Fund to realise its investments. In some circumstances, redemptions may also be suspended as set out below.

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## Restrictions on Redemptions

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

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

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

## Where the Fund is Not Liquid

The redemption process, including the calculation of the Redemption Price, described above applies only when the Fund is 'liquid' (as defined in the Corporations Act). If the Fund is no longer liquid, Units may only be redeemed under a redemption offer made to all Unit Holders in the Fund, in accordance with the Constitution and the Corporations Act. Unit Holders will be notified in writing of any material changes to their redemption rights.

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## 7.3 Transfers

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

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

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

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## 7.4 Distributions

The distribution policy of the Fund is to distribute (when available) as soon as practicable after each 31 March, 30 June, 30 September and 31 December (or otherwise as determined by the Manager) the net income of each Class in the Fund. Distributions from each Class in the Fund may comprise income and/or capital as determined by the Manager under the Fund's Constitution. We may also distribute additional amounts at other times. There is no guarantee that any income will be generated.

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

You can elect to reinvest distributions. Distributions will be reinvested in the Class of Units from which the distribution was derived. If you do not make a choice, distributions from the Units will be automatically reinvested in further Units. Unitholders should review their distribution election to ensure that their election accurately reflects their current investment objectives and to avoid any delays in processing of distribution payments. Unitholders may not elect to have a fixed number of Units or a percentage of their distribution reinvested in the Fund. Such Units will be issued at the relevant Net Asset Value per Unit (with no Buy/ Sell Spread). If you hold other Classes of Units in the Fund, any election you make with respect to Units will apply to your other classes of Units.

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## 7.5 Net Asset Value of Units

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

We have established separate Class accounts for each Class of Units in the Fund. Amounts which are referable to each Class (as determined by us in accordance with the Constitution) will be allocated to the relevant Class. Each Class of Units are invested in the same portfolio of assets.

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

Unit prices will be displayed daily at [www.ellerstoncapital.com](http://www.ellerstoncapital.com) or can be obtained by telephoning (02) 9021 7701.

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

## Valuation

The key aspects of the Fund's Valuation Policy are:

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Exchange traded assets	Exchange traded Securities that are regularly traded are valued at their last traded price. Other investments traded through a clearing firm or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution.
Non-exchange traded assets	Non-exchange traded Securities valued in accordance with the Manager's Asset Valuation Policy.
Currencies	Any non-Australian Dollar value will be converted into Australian Dollar at the rate reasonably determined by the Manager.

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

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## 7.6 Cooling Off Rights

Unit Holders may have their Units cancelled and monies returned to them where the Manager receives from them a written redemption request within 14 days of the earlier of confirmation by the Manager of that Unit holder's initial investment in Units or the fifth business day after that Unit holder's Units are issued under this PDS. The monies returned will be equal to the price at which Units could be applied for on the day the Manager receives the redemption request (adjusted for market movements, reasonable transaction and administration costs and any applicable fees and taxes). This cooling off right does not apply for investments under the Fund's distribution reinvestment plan or for wholesale clients (as defined in section 761G of the Corporations Act). Indirect Investors should consult their IDPS operator as to which (if any) cooling off rights may apply.

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## 7.7 Indirect Investors

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

An Indirect Investor does not become a Unit holder in the Fund. Accordingly, an Indirect Investor does not acquire the rights of a Unit holder or acquire any direct interest in the Fund. The operator or manager of the IDPS acquires these rights (including the right to vote at meetings) and can exercise them, or decline to exercise them, on behalf of the person according to the arrangements governing the IDPS. However, Indirect Investors will have access to Ellerston Capital's complaint resolution procedures to the same extent as if they were a Direct Investor (see **Section 10.5** for further details).

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

### Application Form

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

### Information

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

### Redemptions

Provisions which relate to redemptions from the Fund will apply to the operator of the IDPS and not the Indirect Investor.

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## Fees and Expenses

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

## Tax

Taxation consequences of investing in the Fund outlined in **Section 8** do not consider the treatment of Indirect Investors. You should consult your tax adviser in relation to investing through an IDPS.

## Cooling Off

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

## Complaints Handling

As an Indirect Investor, you will have the same access to the Manager's complaints resolution policy to the same extent as if you were a direct investor. See **Section 10.5** for further detail.

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# 8. Tax Considerations

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## 8.1 General Overview

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

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

## 8.2 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.

The Fund currently qualifies as a managed investment trust (**MIT**) for Australian tax purposes and it is intended that the Fund will continue to qualify as a MIT. The Fund has also made an election to be an attribution MIT (**AMIT**). The election will apply to the Fund for all income years while the Fund continues to meet certain criteria.

### Taxation of the Fund

The responsible entity 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 responsible entity 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.

The Fund has made an election for deemed capital account treatment to apply to the Fund. This election should continue to apply while the Fund continues to qualify as a MIT.

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 responsible entity 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 responsible entity 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 responsible entity 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 responsible entity.

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 responsible entity 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 responsible entity 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 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.

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## **9. Material Documents**

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### **9.1 Constitution**

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

#### **Compulsory Redemption**

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

- The Units are held in breach of prohibitions contained in the Constitution;
- The Units are held in circumstances which might result in a violation (including by the Manager) of an applicable law or regulation, or subject the Fund to taxation or otherwise adversely affect the Fund in any material respect;
- A Unitholder made a misrepresentation in acquiring its Units;
- The Fund is uneconomical to operate;
- A Unitholder is a registered holder of less than \$10,000 of Units; or
- The Manager determines that 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 Unit holder in the Fund.

#### **The Manager's Indemnity and Liability**

The Manager is indemnified under the Constitution for all amounts incurred by it in the proper performance of its duties.

The Manager's liability to Unit Holders is limited to the Manager's ability to be indemnified from the Fund subject to the law and the Manager acting without breach of trust, fraud or gross negligence involving a failure to show the degree of care and diligence required of it.

#### **Unit Holder Liability**

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

## Amending the Constitution

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

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## 9.2 Key Service Providers

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

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# 10. Additional Information

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## 10.1 Communication and Reporting

Unit Holders will be provided with the communications set out in the table below and in the disclosure benchmarks set out in **Section 3**. Unit Holders will also receive confirmations of their Unit applications, redemptions and distributions. Unit Holders may ask the Manager for additional information as reasonably required, although the Manager may not always be able to satisfy such requests.

Statement	Timing
Unit Net Asset Value	Daily
Fund newsletter	Monthly
Periodic statements	Annually
Income distribution statement (including details of income entitlements)	Quarterly (if distributions are made)
Annual report (including the Fund's audited accounts)	Annually

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

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

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## 10.2 Further Information

A non-exhaustive summary of some of the key terms of the Offer and Constitution of the Fund has been set out in this PDS. For further information about the Fund contact your financial adviser. The Constitution may be viewed between 9:00 am and 5:00 pm, Sydney time, on weekdays by contacting the Manager on [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com) or (02) 9021 7701.

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## 10.3 Offer Changes

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

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## 10.4 Disclosing Entity

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

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

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

on request from us free of charge.

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## 10.5 Complaints Resolution

The Manager has a formal policy in place for dealing with complaints. If you have a complaint, please notify us by telephoning (02) 9021 7701, by emailing [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com) or by writing to Ellerston Capital Limited, Level 11, 179 Elizabeth Street, Sydney NSW 2000. We will acknowledge your complaint as soon as practicable, and will investigate your complaint and aim to provide a final response to you within 30 days of receipt of the complaint.

If you are ultimately dissatisfied with the outcome of your complaint you may refer the matter, free of charge, to the Australian Financial Complaints Authority which is an external dispute resolution scheme:

Phone: 1800 931 678

Fax: +61 3 9613 6399

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

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

Mail:

Australian Financial Complaints Authority

GPO Box 3, Melbourne VIC 3001

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## 10.6 Anti-Money Laundering

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

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

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

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

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## 10.7 Privacy

The Application Form accompanying this PDS requires you to provide personal information. The Manager and each Key Service Provider to the Manager or Fund may collect, hold and use your personal information in order to assess your application, service your needs as a client or Unit holder, provide facilities and services to you, the Manager or the Fund and for other purposes permitted under the *Privacy Act 1998* (Cth). Tax and company law also require some of the information to be collected in connection with your application. If you do not provide the information requested, your application may not be able to be processed efficiently, or at all. Your information may also be disclosed to members of the Manager's Group, contractors and consultants engaged by the Manager or a Manager Group entity, the Registry, and the Administrator and to their affiliates, delegates, agents and Key Service Providers on the basis that they deal with such information in accordance with any agreement entered into with the Manager or the Manager's

privacy policy. The Manager may need to disclose information about you to government entities and regulators as required by law. Your information may also be used to inform you about investment opportunities or other matters that the Manager's Group thinks may be of interest to you. Contact the Manager using its contact details in the Corporate Directory in **Section 12** if you do not want your personal information to be used for this purpose or to request a copy of your personal information held by the Manager (or the Registry). See the Registry's privacy policy at <https://www.automicgroup.com.au/privacy-policy/> for information regarding how the Registry protects the confidentiality of Unit holder's personal information.

The Managers or the Registry's privacy policy (where applicable) includes further details surrounding:

- How you may complain about a breach of the Australian Privacy Principles and how we will deal with your complaint; and
- The circumstances in which personal information is shared to overseas recipients and which countries such recipients are located if it is practicable to specify those countries.

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## 10.8 Key Corporate Governance Policies

### Related Party Transactions

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

### Conflicts of Interest

Ellerston Capital has established internal policies and procedures to ensure that any conflicts of interest arising in relation to the Fund are adequately identified and appropriately managed.

Where we consider that a particular conflict of interest is likely to have a materially adverse effect on Unit Holders we will seek to implement adequate arrangements to mitigate and prevent (where practicable) these adverse effects on Unit Holders. In certain cases, we may disclose the conflict of interest to Unit Holders and obtain their consent for us (and other persons if relevant) to proceed in the context of that conflict of interest.

### Group Activities

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

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

### Commission Sharing

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

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## 10.9 Key Service Provider Appointments

The Manager has appointed:

- Automic Group to provide registry services for the Fund;
- State Street Australia Limited to provide custody and administration services for the Fund;

- Ernst & Young as auditors of the Fund; and
- the Derivatives Counterparties (see **Section 4.7**).

The Manager may, subject to the law, change these or engage replacement or additional Key Service Providers at any time.

## 10.10 Consents

Each of the Key Service Providers:

- Has not authorised or caused the issue of this PDS; and
- Does not make or purport to make any statement in this PDS.

## 11. Glossary

A\$ or \$	Australian Dollars.
Administrator	State Street Australia Limited as a provider of accounting services to the Fund.
AFSL	Australian Financial Services Licence.
Alpha	The excess return of an investment relative to the return of a benchmark index is the investment's alpha.
Alternative Risk Premia	Investment strategies that aim to capture risk premiums beyond traditional asset classes like stocks and bonds. These strategies seek to provide investors with additional sources of returns by exploiting systematic risk factors, across various markets and financial instruments.
Application Form	The application form accompanying this PDS.
Application Price	Has the meaning provided in <b>Section 7.1</b> .
ASIC	Australian Securities and Investments Commission.
Auditor	Ernst & Young as auditor of the Fund's annual financial accounts and compliance plan.
Business Day	Any day that is not a Saturday, Sunday or public holiday in New South Wales, Australia.
Buy/Sell Spread	Has the meaning provided in <b>Section 6.2</b> .
Calculation Period	Has the meaning provided in <b>Section 6.2</b> .
Cash-Like Securities	Investments in deposits, cash management trusts, bonds, debentures or similar investments as determined by the Manager.
Class	Each Class of units in the Fund.
Constitution	The Constitution of the Fund dated 24 June 2024, as amended from time to time.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Delta Exposure	Indicates how a fund's value is expected to change in response to movements in interest rates or bond prices.
Derivative	A financial instrument where 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 ACN 110 397 674.
Foreign Exchange Contract	An Agreement to exchange foreign currencies at a particular exchange rate at a particular time.
Fundamental	In the context of research, refers to the analysis of financial instruments based on underlying economic, financial, and qualitative factors and evaluating key elements such as market conditions, interest rates, and other relevant data to assess the long-term performance and stability of investments
Forward	A non-standardised contract between two parties to buy or sell an asset at a specified future time at a price agreed on at the time of conclusion of the contract.

Fund	Ellerston Fixed Income Target Return Fund ARSN 681 431 452; an Australian domiciled unit trust, constituted by and under its Constitution and registered as a managed investment scheme.
Futures	An agreement under which the holder of the futures contract is under an obligation to deliver or take delivery of a particular asset (e.g. gold and currency) for a particular price and at a particular time.
Gross Leverage	The ratio of the total value of the Fund's investments, relative to the Net Asset Value.
Hedging	Investment strategies designed to reduce or manage the risk of adverse price movements in assets held by the Fund. Hedging is typically achieved by using financial instruments, such as derivatives (e.g., options or futures), to offset potential losses in other investments.
IDPS	Has the meaning provided in <b>Section 7.7</b> .
Indirect Investor	Has the meaning provided in <b>Section 7.7</b> .
Key Service Providers	The entities named in <b>Section 4.7</b> as such and any additional or replacement Key Service Providers to the Fund from time to time.
Leverage	Borrowing money or Securities to invest or investing through Derivatives in order to increase the monies available for investment.
Manager	Ellerston Capital as responsible entity and investment manager of the Fund.
Manager's Group	The Manager and each of its related bodies corporate, and each of their associates.
Net Asset Value	The net asset value of the relevant class or the Fund, as appropriate, as determined under the Constitution. Refer also <b>Section 7.5</b> .
Offer	The invitation to subscribe for Units set out in this PDS.
Option	An agreement under which the holder has the right but not the obligation to purchase or sell an asset (e.g. a share) at a particular price at or by a particular time.
OTC Derivative	Over-the-counter Derivative. A type of financial derivative that has its transaction directly negotiated between two parties rather than through an exchange.
PDS	This product disclosure statement.
Position	An exposure to an individual investment (excluding Cash and Cash-Like Securities).
Registry or Registrar	Automic Group as a provider of registry services to the Fund.
Redemption Price	Has the meaning set out in <b>Section 7.2</b> .
Securities	[Refers to financial instruments that represent an ownership position (such as stocks) or a creditor relationship (such as bonds) with a company or government entity. These can include stocks, bonds, investment funds, options, and other tradable financial assets that can be bought, sold, or exchanged in financial markets.]
Total Return Swap	A contract in which one party agrees to make periodic payments based on the change in market value of the underlying assets in return for periodic payments based on a fixed or variable interest rate or the total return from other underlying assets. These contracts may be used to obtain exposure to a security or market without owning or taking physical custody of such security or market.
Swap	A Derivative contract in which one party exchanges or swaps the values or cash flows of one asset for another.
Units	A beneficial interest in the Fund of any Class.
Unit Holder	A person entered on the register of the Fund as a holder of Units in one or more Classes.
US Persons	Has the meaning given to the term in Regulation S of the U.S. Securities Act 1933 (as amended).



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## 12. Corporate Directory

### 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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### 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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### Auditors

**Ernst & Young**

200 George Street

Sydney NSW 2000

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### Administrator and Custodian

**State Street Australia Limited**

420 George Street

Sydney NSW 2000

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