



# Bentham Global Opportunities Fund - Class I

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**Information Memorandum**

5 February 2018

**Bentham Global Opportunities Fund - Class I**

ARSN 623 308 841

APIR HOW7031AU

**Responsible Entity**

Fidante Partners Limited

ABN 94 002 835 592

AFSL 234668

## **Important notices and disclaimer**

All information presented in this Information Memorandum (Memorandum) is believed to be accurate as at the issue date. References in this Memorandum to the **Bentham Global Opportunities Fund - Class I** or the **Fund** are to the Class I units in the Bentham Global Opportunities Fund. No other class of units in the Bentham Global Opportunities Fund is offered in this Memorandum.

Fidante Partners Limited (ABN 94 002 835 592, AFSL 234668) (**Fidante Partners, we, our, us**, Responsible Entity) is the Responsible Entity of the Fund and issuer of this Memorandum. Our ultimate parent is Challenger Limited (ABN 85 106 842 371). We have appointed Bentham Asset Management Pty Ltd (ABN 92 140 833 674, AFSL 356199) (**Bentham** or the **investment manager**) as the investment manager of the Fund.

Neither Fidante Partners, nor any related entity, nor Bentham, guarantees the repayment of your capital or the performance of your investment or any particular taxation consequences of investing.

Your investment does not represent deposits or other liabilities of Fidante Partners. Your investment can be subject to investment risk, including possible delays in repayment and loss of income and principal invested, and Fidante Partners does not in any way stand behind the capital value and/or investment performance of the Fund. Unless identified to the contrary, all references to monetary amounts are to Australian dollars.

This Memorandum does not purport to be complete or to contain all of the information that a prospective investor may require in evaluating an investment in the Fund. This Memorandum has been prepared without taking into account your individual objectives, financial situation or needs. Before acting on information in this Memorandum, you should assess the appropriateness of the information and consider talking to a financial adviser before making an investment decision.

Paper copies of this Memorandum are available, free of charge, on request, by calling the Fidante Partners Investor Services team on 13 51 53 or by emailing [info@fidante.com.au](mailto:info@fidante.com.au). This Memorandum is not an offer or invitation in relation to the units in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. The distribution of this Memorandum outside Australia may be restricted by the laws of places where it is distributed and therefore persons into whose possession this Memorandum comes should seek advice on and observe those restrictions. Failure to comply with relevant restrictions may violate those laws.

Information contained in this Memorandum is confidential proprietary information to Fidante Partners and Bentham. Use of any information in this memorandum for a purpose other than assessing the making, or the making of an investment with Fidante Partners is not permitted. Fidante Partners and Bentham reserves all rights to take action in connection with any breach of this restriction.

This Memorandum offers wholesale clients (as defined in the Corporations Act 2001) receiving it in Australia the opportunity to invest in the Fund. This Memorandum does not constitute an offer to any retail client, and is not a Product Disclosure Document as defined by the Corporations Act 2001. You must complete the 'Application Form for Institutional Clients' to be issued units in the Fund.

Use of any information in this Memorandum for a purpose other than assessing the making, or the making of an investment with Fidante Partners is not permitted. Fidante Partners reserves all rights to take action in connection with any breach of this restriction.

Investments in the Fund are governed by the constitution for the Fund and associated documents and nothing in this Memorandum limits or qualifies the powers and discretions conferred upon Fidante Partners or Bentham under those documents. However, prospective investors should refer to the complete legal documentation for the Fund, available on request by calling the Fidante Partners Investor Services team on 13 51 53 or by emailing [info@fidante.com.au](mailto:info@fidante.com.au).

## **Consent**

Bentham has provided consent to the statements about it in the form and context in which they are included. Bentham was not otherwise involved in the preparation and distribution of this Memorandum and is not responsible for the issue of this Memorandum, nor is it responsible for any particular part of this Memorandum other than those parts that refer to it. Bentham has not withdrawn its consent before the date of this Memorandum.

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# About Bentham

Bentham is a specialist fixed interest and credit investment manager. Bentham actively manages a number of credit focused funds with varying risk profiles. The portfolios are designed to generate income while diversifying risk in global credit markets. Bentham's goal is to deliver higher income to investors than can generally be achieved in traditional fixed interest markets with lower volatility than equity markets.

Bentham's investment philosophy is based on a strong credit culture and a systematic investment process, with a focus on the preservation of principal and protection against downside risk. The founders of Bentham previously worked together as part of the Credit Investment Group of Credit Suisse Alternative Capital Inc. They are still managing the same portfolios. If you would like more information on Bentham, please visit their website [www.benthamam.com](http://www.benthamam.com).

## About the Responsible Entity

Fidante Partners is the Responsible Entity of the Fund. As Responsible Entity, we issue units in the Fund and are legally responsible to the unitholders of the Fund for its operation.

Fidante Partners forms long-term alliances with talented investment professionals to create, grow and support specialist, boutique funds management businesses. We have appointed Bentham as the investment manager of the Fund. We provide back office, marketing, distribution, administration, and compliance support services to Bentham, allowing Bentham the freedom to focus on investing and managing the assets of the Fund.

A related entity of Fidante Partners has a partial equity stake in Bentham. Neither we, nor any of our related entities, nor Bentham, guarantee the repayment of your capital or the performance of your investment or any particular taxation consequences of investing.

## Significant features and benefits of the Fund

- **Diversified:** Access to a highly diversified, multi sector global portfolio of credit securities that would otherwise not be available to investors in the domestic market.
- **Flexible:** Actively managed Fund with the flexibility to adapt its credit and cash exposure to suit market conditions across the credit cycle, gravitating to markets with the highest risk adjusted returns. The Fund can be opportunistic when market dislocations arise and uses leverage in a deliberate and measured way when deemed appropriate.
- **Rigorous Investment Approach:** Bentham seeks to add value through economic cycles by identifying the most attractive relative value investment ideas on a risk adjusted basis combined with an opportunistic overlay. This is achieved by combining top down macro and bottom up fundamental analysis.
- **Experienced Investment Team:** The Fund offers access to investment professionals who specialise in domestic and global credit markets with a proven track record and credit cycle experience.
- **Income:** The Fund aims to generate quarterly income at a higher rate than that typically available in traditional fixed income markets while maintaining capital price stability through its exposure to a high number of issuers and credit sectors.

# Features at a glance

		Refer to Section
<b>Minimum transaction and balance requirements<sup>1</sup></b>		'Making, withdrawing and monitoring your investment'
Initial investment	\$250,000	
Additional investment	\$250,000	
Minimum withdrawal	\$250,000	
Minimum balance	\$250,000	
<b>Fees and other costs<sup>2,3,4</sup></b>		'Fees and other costs'
Contribution or entry fee	Nil	
Withdrawal fee	Nil	
Management fee	1.00% p.a. of the net asset value of the Fund.	
Recoverable expenses	We estimate the recoverable expenses of the Fund will be 0.05% p.a. of the net asset value of the Fund. We currently pay investment expenses of the Fund from our management fee and do not recover these from the Fund. We may, however, recover any normal operating expenses and abnormal expenses from the Fund.	
Buy/sell spread	+0.225% / -0.225% per transaction. This amount may change if the estimate of the underlying transaction costs changes.	
<b>Making and withdrawing your investment</b>		'Making, withdrawing and monitoring your investment'
Investments	Generally, you can invest at any time subject to certain limits in the Fund's constitution and this Information Memorandum. Valid requests must be received by us prior to 3:00pm Sydney time on a New South Wales business day to be processed that day.	
Withdrawing	Generally, if your valid withdrawal request is received in our Sydney office prior to 3.00pm Sydney time on the first business day of the month it will be processed on the last business day of that month. Withdrawal requests are processed monthly and will usually be paid within 5 business days.	
<b>Distribution payments</b>		'Additional information'
Frequency	quarterly; however, there may be periods in which reduced or no distributions are paid and we do not guarantee any level of distributions.	
Payment methods	Reinvested into the Fund as additional units or paid to your nominated account.	
<b>Valuations and unit pricing</b>		'Additional information'
Valuing the Fund's assets	The Fund's assets are usually valued each NSW business day.	
Unit pricing	Unit Prices are usually calculated each NSW business day.	

1 We may, at our discretion, accept lower minimum transaction and balance amounts.

2 Unless otherwise stated, all fees and costs are quoted inclusive of any Goods and Services Tax (GST) and net of any input tax credits (ITCs) or reduced input tax credits (RITCs) as applicable. Where available, the prescribed RITC rate is currently 55% or 75%, depending on the nature of the fee or cost incurred. Due to the impact of GST, ITC and RITC calculations, actual fees may vary slightly from those stated, which may be rounded to two decimal places.

3 For certain Wholesale Clients (as defined in the Corporations Act 2001 (Cth)) we may, at our discretion, negotiate, rebate or waive all or part of our fees.

4 All estimates of fees and costs in this section are based on information available as at the date of this Information Memorandum. All figures have been rounded to two decimal places. Please refer to 'Fees and other costs' for more information on management costs.

# About the Fund

The Bentham Global Opportunities Fund (**Fund**) provides diversified exposure to securities across global credit markets with the flexibility for opportunistic investments as market conditions arise.

The Fund is intended to be suitable for investors seeking to invest for at least three years, with a preference for regular income with some potential for capital growth over the medium to long term. Leverage may be employed to take advantage of investment opportunities in the market. As such, at times the Fund may experience periods of high volatility.

The Fund aims to provide investors with investment returns that exceed the Bloomberg AusBond Bank Bill Index (**Benchmark**) by 3% per annum after fees over rolling three-year periods.

## Investment approach

The Fund is actively managed and focused on delivering consistent levels of income, while aiming to protect against downside risk through the flexibility to hold up to 90% cash (if circumstances require).

Bentham seeks to invest in global credit markets and add value through actively managing allocations across different credit sectors, adapting the Fund's credit exposure to suit market conditions across the credit cycle. Security selection and allocations across sectors are dependent upon the prospective investment return and risk. Fund risks will be managed on an aggregate basis with respect to various credit, interest rate, currency and equity delta risks.

Bentham employs a top-down approach; active asset allocations across a range of credit sub-sectors are made according to quarterly forecasts of prospective risk-adjusted returns. Drawing on a combination of experience and strong relationships with specialist investment managers, Bentham seeks out and identifies global investment opportunities in credit markets by actively filtering both the primary and secondary markets for investable security opportunities.

Bentham utilises bottom-up analysis to select individual investments based on credit fundamentals and market information, ensuring opportunities are assessed relative to existing portfolio sector positioning, exposure and investment targets prior to inclusion.

Bentham adopts a 'top-down' risk management approach through key portfolio constraints. The Fund has broad risk limits and has the ability to significantly reduce or increase exposure to risk, depending on the market environment.

## Investment universe and portfolio construction

The Fund invests in global credit and fixed interest markets. The Fund's investments include, but are not limited to, Australian and global hybrid securities, global high yield bonds, global syndicated loans, investment grade securities, global capital securities, asset backed securities, equities, and derivatives.

The Fund's investment objectives and investment constraints form the foundation for portfolio construction. The Fund's exposures are reviewed on an ongoing basis, including:

- Credit sector exposures;
- Credit and interest rate duration;
- Diversification;
- Credit quality;
- Currency exposure; and
- Liquidity.

As part of the portfolio construction process, the Fund may use derivatives to manage risk, gain economic exposure to securities or for leverage. Derivatives may include but are not limited to currency swaps, interest rate swaps, credit default swaps, total return swaps, futures and options.

Portfolio construction guidelines promote diversification and credit quality by limiting the maximum portfolio exposure to any single issuer based on credit ratings. Any single sub investment grade exposure is limited to 3% of net asset value (**NAV**) of the Fund.

## Strategic asset allocation

Asset Class	Min (%)	Max (%)
Cash and Cash Equivalents	0	90
Securitised Credit – rating of AAA to A	0	130
Global Syndicated Loans	0	130
Corporate Bonds – Investment Grade	0	130
Global Government Backed Bonds	0	130
Preferred and Capital Securities	0	40
Corporate Bonds – High Yield (Non IG)	0	130
Convertible Bonds	0	30
Emerging Market Bonds	0	45
Securitised Credit – rating below A	0	45
Equities	0	10
Non-rated Fixed Income	0	15

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The final portfolio reflects Bentham's rigorous fundamental approach to credit portfolio management. The Fund's overall exposures and risks are actively reviewed to ensure that the Fund is optimally positioned in terms of aggregate credit risk, interest rate risk and the weighted average life of the investments.

### **Currency strategy**

Currency positions may be taken by the Fund. Bentham aims to hedge any foreign currency exposure back to the Australian dollar to between 85% and 115% of the NAV of the Fund. Please refer to 'Currency Risk' for additional information.

### **Net credit exposure**

The Fund will have a minimum net credit exposure of -35% and a maximum net credit exposure of 130%. The target credit exposure is expected to be on average less than 100%. It is expected that any leverage will be used opportunistically and not consistently.

## **Additional information about the Fund's investments**

### **Borrowings of the Fund**

The Fund's constitution allows for borrowing; however, it is expected that any leverage will be used opportunistically and not consistently. Borrowing may also be used from time to time to cover short-term cash flow needs or if emergency or extraordinary situations arise. Borrowings may be from a variety of sources, including related entities. Where funds are borrowed from related entities, the terms are set on a commercial and arm's length basis. Please refer to 'Gearing and leverage' under 'Additional information about the Fund's investments' for further information on how the Fund may use gearing and leverage.

The availability and terms of borrowings are subject to the market for borrowings (including market conditions in debt and other markets) and therefore borrowings may not always be available. Lenders may refuse to provide borrowings, renew an existing borrowing facility or refuse to renew on commercially acceptable terms. This may be for reasons specific to the Fund or due to market-wide events.

We or Bentham may change the lending financial institution (if any) from time to time and may also seek to vary the terms of any borrowing facility where it is believed it would be in the best interests of unitholders.

### **Asset allocation ranges**

The Fund gains exposure to various investment markets and asset classes by investing into direct assets and/or indirectly via managed funds. References to asset allocations are references to the exposure of the Fund, not necessarily the physical unit or security held.

Refer to 'About the Fund' for strategic asset allocations for the Fund.

If market movements, investments into or withdrawals from the Fund, or changes in the nature of an investment cause the Fund to exceed these asset allocations, or a limit set out in the Memorandum, this will be addressed by us or Bentham as soon as reasonably practicable.

### **Making investments directly or indirectly**

The Fund may make investments directly or indirectly by investing in other funds (including funds related to, or managed by, a related entity) that have investment objectives and authorised investments that are consistent with the Fund. This structure helps to minimise transaction costs and can enhance diversification.

### **How the Fund uses derivatives**

The Fund may, at times, invest in or obtain exposure to derivatives, such as futures and options, interest rate swaps, currency hedging and credit default swaps.

The term 'derivative' is used to describe any financial product that has a value that is derived from another security, liability, or index.

Derivatives may be used to gain exposure when they offer a more cost-effective way of purchasing the underlying security. Derivatives can be used to implement investment decisions (including hedging), managing the duration of the Fund, and as a risk management tool (such as managing the effect of interest rates or foreign currency movements). They may also be used to adjust or implement investment decisions and to gain, or avoid, exposure to a particular market rather than purchasing physical assets.

The Fund's constitution permits the use of derivatives. Where the Fund uses derivatives, Bentham aims to manage the Fund so as to keep sufficient liquid assets in the Fund to meet all obligations associated with the derivatives.

The use of derivatives may expose the Fund to certain risks. Please refer to 'Derivative risk' for more information.

### **Gearing and leverage**

Gearing and leverage is designed to be used opportunistically, not consistently, and can be useful tools to enhance the returns of the Fund. Gearing can



be obtained by using an asset as security for borrowing money to increase the amount of money available to invest. Leverage can be obtained by either of the following methods:

- Using derivative instruments to increase the Fund's investment exposure beyond the net asset value of the Fund; or
- Direct borrowing; or
- Short selling (excluding individual equities).

Bentham may use leverage to increase the exposure of the Fund to investment markets and has limited the amount of leverage to 30% of the gross asset value of the Fund.

### **How the Fund uses short selling**

The Fund has the ability to use short selling (excluding individual equities). Examples of how the Fund may use short selling include: to reduce risk in a particular sector by short selling a credit index; taking a position in a single name credit default swap; and through basis trading.

### **Labour standards or environment, social or ethical considerations**

Bentham takes into account environmental, social, and governance (**ESG**) issues when buying, retaining or selling underlying investments. Bentham believes ESG analysis can assist in the identification of risks which can significantly impact creditworthiness. Consideration of ESG issues alongside financial measures therefore provides Bentham with a more complete view of the risk / return characteristics of potential investments.

In this regard, Bentham believes consideration of ESG factors contributes to management of investment risks and long-term value preservation. Bentham reviews information on ESG factors through the fundamental credit analysis process. ESG issues can affect the risk characteristics of potential investments in multiple ways depending on the industry and / or the individual company. For example, ESG issues may be more prominent in sectors with a significant carbon footprint, resource extraction industries, and heavy manufacturing industries. ESG factors may also affect industry structure and competitive position, for example, the global transition of electricity production from fossil fuel generation to new energy technologies.

Bentham's goal is to fully integrate ESG into the credit research process. The credit team review information on ESG factors relevant to investment opportunities through the fundamental credit analysis process. Potentially material ESG issues are identified initially through application of the Bentham ESG risk framework,

which sets out ESG risk factors on an industry basis. Where deemed material to credit pricing/default risk, ESG factors are assessed in greater detail as part of the bottom-up credit risk analysis process. This entails assessment of ESG factors in conjunction with qualitative risk information, top-down sector selection and financial risk metrics. Bentham's approach anchors ESG analysis in fundamental investment decision processes.

While Bentham has an internal ESG policy, Bentham does not have a predetermined view as to what constitutes an environmental, social or ethical consideration as these are determined on a case-by-case basis. Bentham is committed to ongoing improvement in ESG analysis and may update its investment process from time to time to reflect its evolving understanding of ESG.



# Risks of investing in managed investment schemes

All investments carry risk. Different strategies carry different levels of risk depending on the assets that make up the strategy. Generally, assets with the potential for the highest long-term returns may also carry the highest level of risk.

When investing in a managed investment scheme, it is important to note that the value of assets in the managed investment scheme and the level of returns will vary. No return is guaranteed. Future returns may differ from past returns and investors may lose some or all of their money invested. Additionally, laws (including tax laws) that affect

managed investment schemes may change in the future, which may have an adverse effect on the returns of managed investment schemes.

Your level of acceptable risk will vary compared to other investors' risk appetite and depends upon a range of factors such as your age, your investment timeframe, how comfortable you feel about exposing your investment to risk, the nature and size of other investments you hold, and the extent to which the Fund fits into your overall financial plan.

Primary risks of the Fund's investment strategy include credit risk, fixed interest risk, and leverage risk.

## Risks of investing in managed investment schemes

Risk	Explanation
<b>Asset backed securities risk</b>	<p>The value of asset backed securities are affected by the value and cashflow of the underlying collateral. Asset backed securities are subject to more structural and legal complexities than other fixed interest securities.</p> <p>Risks associated with asset backed securities include credit risk, liquidity risk and interest rate risk. These risks could impact the timing and size of the cashflows paid by the securities and could negatively impact the returns of the securities.</p>
<b>Collateral risk</b>	<p>The Fund enters into derivatives arrangements that require it to deliver (or 'post') collateral to the derivative counterparty or clearer. As a result, the Fund may be exposed to certain risks in respect of that collateral including the credit risk of the counterparty or clearer.</p>
<b>Counterparty risk</b>	<p>The Fund is, to a certain extent, reliant on external providers in connection with its operation and investment activities. There is a risk with these arrangements that the other party to a contract (such as derivatives contract, physical security or foreign exchange contract trade) may fail to perform its contractual obligations either in whole or part (refer to 'Collateral Risk' for more information). In such circumstances, any collateral lodged with counterparties related to these derivatives may also be at risk. This may result in the investment activities of the Fund being adversely affected.</p>
<b>Credit risk</b>	<p>The risk that the issuer of the fixed interest security (i.e. asset backed security, corporate debt, corporate loan or derivative counterparty) is unable or unwilling to make interest and/or capital repayments in full and/or on time, or may not meet other financial obligations.</p> <p>Fixed income securities are subject to legal, political, macro-economic, industry and business risks which may lead to a loss of capital or interest payments.</p> <p>Losses may be complete or partial and may occur at any time depending on the extent of financial deterioration, the position of the fixed income security in the capital structure of the issuer or whether the fixed income security has security of assets in the case of default.</p> <p>Fixed income securities are generally assigned a credit rating from rating agencies such as Standard and Poor's or Moody's Investor Services. A credit rating is only an opinion of creditworthiness that is subject to change. Credit risk is generally considered to be lower with investment grade credit quality fixed income securities and moves increasingly higher, the further down the credit quality spectrum.</p> <p>Deterioration in the creditworthiness of an issuer is likely to lead to volatility in the fixed income security secondary market price. A downgrade in credit rating may impact the spread causing the value of a fixed income security to fall.</p> <p>Bentham actively monitors credit risk for the Fund. Investment limits relating to issuer exposures, and credit sector limits aim to diversify the portfolio and mitigate credit risk.</p>

**Currency risk**

Some securities held by the Fund may be denominated in a currency different to Australian Dollars. The value of these securities may fluctuate in Australian dollar terms because of fluctuations in currency exchange rates.

Bentham adopts currency hedging strategies in an aim to reduce the impact of currency movements on the value of the investment. However, it should be noted that such hedging strategies could also reduce the potential for increased gains where the value of that currency increases relative to the Australian dollar. Please refer to 'Currency strategy' under 'About the Fund' for information on Bentham's currency management strategy.

**Derivative risk**

The value of a derivative is linked to the value of an underlying asset and can be volatile. While the use of derivatives offers the opportunity for higher gains, it can also magnify losses to the Fund. Risks associated with using derivatives might include the value of the derivative failing to move in line with that of the underlying asset, potential illiquidity of the derivative, the Fund not being able to meet payment obligations as they arise or the risk that the other party with whom the derivative contract is held will fail to perform its contractual obligations (refer to 'counterparty risk') (refer to 'collateral risk').

Bentham generally use derivatives to manage currency risk, interest rate risk and credit risk. Bentham also has the ability to use gearing within this Fund opportunistically by using derivative instruments (see Gearing Risk). As such Bentham may use derivative instruments to increase the Fund's investment exposure beyond the net asset value of the Fund. Bentham aims to keep derivative risk to a minimum by:

- constantly monitoring the Fund's use of derivatives;
- aiming to ensure that the Fund keeps sufficient liquid assets to meet all obligations, costs, liabilities and potential losses associated with derivatives; and
- entering into derivative contracts with reputable counterparties.

**Equity security risk**

The value of an individual equity security (also known as a share) may be affected by market sentiment and other factors that may impact the performance of the actual company over short or extended periods of time. Investing in shares of a company will expose an investor to many of the risks to which the individual company is itself exposed. They include many factors, such as changes in management, technology, and a company's financial health, actions of competitors, regulators and market trends. Share markets tend to move in cycles, and the individual share price of a security may fluctuate.

Equities may also be affected by dilutive equity issuance or changes to dividend policy.

Such risk is considered by Bentham through its investment process and managed by maintaining a diversified portfolio of securities, individual issuer limits and an overall equity sector limit. Investment returns from international shares are also affected by exchange rate fluctuations. The currency exposure from the Fund's international equity investments may be hedged or partially hedged into the Australian dollar. Refer to 'Currency strategy' under 'About the Fund' for more information.

**Fixed interest risk**

A Fund investing in fixed interest securities may experience a decline in income where market interest rates are falling and securities are reinvested at a lower yield. The impact of interest rate risk will largely depend on the term to maturity of the security. Refer to 'Interest Rate Risk' for further information.

There are a number of additional risks which can result in significant variability in investment returns and a loss of income or capital value, including market risk and credit risk. The level of credit risk will generally depend on the creditworthiness of the security issuer. Refer to 'Credit Risk' for further information.

Investors are also exposed to risks associated with the terms and conditions of the individual financial security.

<p><b>Fund risk</b></p>	<p>Fund risk refers to specific risks associated with the Fund, such as termination and changes to fees and expenses. We may close the Fund to further investments if, for example, we consider it appropriate given the investment objective and investment strategy of the Fund. We may also terminate the Fund by notice to unitholders.</p> <p>Your investment in the Fund is governed by the terms of the constitution and the Memorandum of the Fund (each as amended from time to time), the Corporations Act 2001 (Cth), and other laws. The value or tax treatment of an investment in the Fund or its underlying assets, or the effectiveness of the Fund's trading or investment strategy may also be adversely affected by changes in government policies (including taxation), regulations and laws, or changes in generally accepted accounting policies or valuation methods. Such changes could also make some investors consider the Fund to be a less attractive investment option than other investments, prompting greater than usual levels of withdrawals, which could have adverse effects on the Fund.</p> <p>There is also a risk that investing in the Fund may give different results from holding the underlying assets of the Fund directly because of:</p> <ul style="list-style-type: none"> <li>• income or capital gains accrued in the Fund at the time of investing; and</li> <li>• the consequences of investment and withdrawal decisions made by other investors in the Fund; for example, a large level of withdrawals from the Fund may lead to the need to sell underlying assets which would potentially realise income and/or capital gains.</li> </ul> <p>We aim to manage these risks by monitoring the Fund and by acting in investors' best interests. In the event of winding up the Fund, we will realise all the Fund's assets, which will generally result in the crystallisation of tax positions (both income and capital) at that time.</p>
<p><b>Gearing risk</b></p>	<p>The use of borrowed money or gearing within the Fund will increase investment exposure and can magnify the potential gains and losses from investments and increase the volatility of the Fund's total return. Gearing also increases the risk of the Fund not meeting the financial obligations of the borrowing, including but not limited to the cost of the borrowing and refinancing risk.</p> <p>While the Fund can be geared up to a maximum net credit exposure of 130%, Bentham anticipates that any leverage will be used opportunistically.</p>
<p><b>High yield bond risk</b></p>	<p>High Yield Bonds rated sub-investment grade, or bonds which are unrated but judged to be of comparable quality with sub-investment grade bonds, may be more volatile than higher-rated bonds of similar maturity. High yield bonds may be subject to greater levels of credit or default. High yield bonds may be less liquid and more difficult to sell at an advantageous time or price or to value than higher-rated bonds.</p>
<p><b>Interest rate risk</b></p>	<p>The market price of fixed interest securities (such as bonds) can be affected by movements in interest rates. For example, when interest rates rise, the capital value of the bond tends to fall and vice versa. Generally, the longer the maturity (or duration) of the bond, the greater the impact that a given change in interest rates will have on the value of that bond.</p> <p>Bentham actively manages interest rate risk within the investment limits of the Fund.</p>

**Liquidity risk**

Liquidity risk is the risk that the Fund will not have adequate cash resources to meet its short-term financial commitments as they fall due (including meeting the Fund's objective and investors' expectations for payment of redemptions).

Liquidity risk may also occur due to the absence of an established market or a shortage of buyers for an investment which can result in a loss if the holder of the investment needs to sell it within a particular timeframe.

Different securities may be typically less liquid than other securities or pose a higher risk of becoming illiquid during times of market stress. The less liquid the security, the more difficult it may be to sell the security when it is desirable to do so or to realise what the manager perceives to be fair value in the event of a sale.

If an investor or a group of investors in a Fund with exposure to less liquid assets seek to make large withdrawals, then selling assets to meet those withdrawals may result in a detrimental impact on the price we receive for those assets. In certain circumstances, we may be required to suspend withdrawals (refer to 'Withdrawal risk') to allow sufficient time for a more orderly liquidation of assets to meet the withdrawals.

While the Fund can invest across the credit spectrum, Bentham aims to mitigate portfolio liquidity risk by focusing on underlying investments that are more likely to have a traded/liquid secondary market. More liquid securities typically have a credit rating assigned by an external ratings agency, standard security terms, larger issuance amount, and are traded by a broader spectrum of market participants.

**Market risk**

The Fund may experience investment losses due to factors that affect the overall performance of the financial markets. These events may include changes in macro-economic, regulatory, social, political conditions, weather events, and terrorism; along with changes in technology, the environment and market sentiment.

Often assets from less developed regions or markets display higher levels of volatility of investment return than assets in mature markets.

**Withdrawal risk**

If a situation occurs where the assets that the Fund invests in are no longer able to be readily bought and sold, or market events reduce the liquidity of a security or asset class, there is a risk that the generally applicable timeframe of five business days for meeting withdrawal requests may not be able to be met. This is because it may take longer to sell these types of investments at an acceptable price. In this case, withdrawals from the Fund may take significantly longer than the generally applicable timeframe.

The maximum timeframe in which we, as Responsible Entity, have to meet a withdrawal request is set out in the constitution of the Fund. Where the Fund is not liquid (as defined in the Corporations Act 2001 (Cth)), you may only withdraw when we make an offer to withdraw to all investors, as required by the Corporations Act 2001 (Cth). Please refer to 'Additional information about withdrawing' for further information about an investor's ability to withdraw when the Fund is liquid, including the timeframes, and an investor's ability to withdraw if the Fund is not liquid.

To ensure withdrawal risk is appropriately managed, withdrawals from the Fund are accepted on a monthly basis and require one month's notice.

# Fees and other costs

The fees detailed below are for an investment in the Fund. Fees stated may be rounded to two decimal places. Whilst the constitution of the Fund permits us as Responsible Entity to charge fees above the amounts set out in this Memorandum, it is not our current intention to charge fees in excess of the amounts set out in this Memorandum. We will provide investors with prior written notice of any proposed increase in fees.

Unless otherwise stated, all fees and costs are quoted inclusive of any Goods and Services Tax (**GST**) and net of any input tax credits (**ITCs**) or reduced input tax credits (**RITCs**) as applicable. Where available, the prescribed RITC rate is currently 55% or 75%, depending on the nature of the fee or cost incurred. Due to the impact of GST, ITC and RITC calculations, actual fees may vary slightly from those stated, which may be rounded to two decimal places. Please refer to 'Taxation considerations' for more details.

## Management fee

The Fund charges a management fee of 1.00% p.a. of the net asset value of the Fund. The management fee is calculated and accrued daily and paid monthly in arrears from the Fund's assets on or around the last business day of the month.

## Recoverable expenses

### Normal operating expenses

Under the constitution of the Fund, we are entitled to recover costs incurred in the performance of our duties as Responsible Entity of the Fund and in the administration and management of the Fund. These normal operating expenses include charges, fees, expenses, commissions, liabilities, and losses associated with the Fund. The normal operating expenses of the Fund are 0.05% p.a. of the Fund's net asset value, which is the amount actually incurred by the Fund for the previous financial year, or the Responsible Entity's reasonable estimates where information was unavailable at the date of this memorandum. This amount is not an indication or guarantee of the amount that may be charged in the future. Normal operating expenses may vary each year.

### Abnormal expenses

We may recover abnormal expenses (such as costs of unitholder meetings, changes to the Fund's constitution and defending or pursuing legal proceedings) from the Fund. Whilst it is not possible to estimate such expenses with certainty, we anticipate that the events that give rise to such expenses will not occur regularly. In circumstances where such events do occur, we may decide not to recover these abnormal expenses from the Fund.

## Entry and exit fees

There is no entry fee charged on the application of units in the Fund or exit fee charged on withdrawing from the Fund.

## Buy/sell spreads

The buy/sell spread is the difference between the investment unit price and the withdrawal unit price and is stated as a percentage of the net asset value of the Fund. The buy/sell spread is not a fee paid to us. It is reflected in the unit price and is therefore an additional cost to you. The current buy/sell spread for the Fund is +0.225%/-0.225%. This may vary from time to time and we will provide notification of any changes to the buy/sell spread.

## Can fees change?

All fees can change. Reasons for this might include changing economic conditions and changes in regulation. We cannot charge more than the Fund's constitution allows. If we wish to raise fees above the amount allowed for in the Fund's constitution, we would first need to obtain the approval of unitholders. We also reserve the right to waive or reduce any of the fees and costs described in this Memorandum without prior notice.

# Making, withdrawing and monitoring your investment

## Additional information about making an investment

### Initial Investments

The minimum initial investment amount is \$250,000. We may vary or waive the minimum investment amount at any time.

All individual or joint investors in the Fund must be at least 18 years of age.

To make your initial investment please complete the following:

- complete and sign the relevant Application Form available on our website;
- complete the relevant identity verification requirements (depending on what investor type you are) and include all required customer identity verification documents;
- if making your investment via direct debit, you will need to complete the direct debit request section of the relevant Application Form. All direct debits are subject to the Direct Debit Request Service Agreement available on our website;
- if making your investment via cheque, make the cheque payable to 'Fidante Partners Limited Application Account <name of investor(s)>' and attach it to your application form.
- if making your investment via Electronic Funds Transfer, please transfer funds with your investor name as a reference at the same time as posting your application. Payment details are outlined below:

**Account name:** FPL Wholesale Application Account

**BSB:** 032 006

**Account number:** 304845

**Payment reference:** <<Investor name>>

### Additional one-off investments

You can make additional investments into the Fund. The minimum additional investment amount is \$250,000.

If you wish to make additional investments into the Fund, please keep a copy of the current Information Memorandum and any information that updates it for future reference.

A copy of the current Information Memorandum and any supplementary notices is available free of charge by calling the Fidante Partners Client Services team on 13 51 53 or by emailing [info@fidante.com.au](mailto:info@fidante.com.au).

To make a one-off additional investment please complete the following:

- complete and sign the relevant Additional Investment Form available on our website;
- if making your additional investment via direct debit, you will need to complete the direct debit request section of the Additional Investment Form. All direct debits are subject to the Direct Debit Request Service Agreement available on our website;
- if making your additional investment via cheque, make the cheque payable to 'Fidante Partners Limited Application Account <name of investor(s)>' and attach it to your Additional Investment Form.
- if making your additional investment via Electronic Funds Transfer, please transfer funds with your investor name as a reference at the same time as posting your Additional Investment Form. Payment details are outlined below:

**Account name:** FPL Wholesale Application Account

**BSB:** 032 006

**Account number:** 304845

**Payment reference:** <<Investor name>>

### Incomplete or rejected application forms

Under the Fund's constitution, we can accept or reject any application for units and are not required to give any reason or grounds for such a refusal.

Monies from incomplete applications will generally be held on trust for a maximum period of 30 days in a non-interest bearing account commencing on the day we receive the monies. After this period, your funds will be returned to the source of payment.

Once we receive your completed application form, the monies held will be divided by the next determined unit price to calculate the number of units that will be allocated to you.

### Customer Identification Program

To address money laundering and terrorism risks, verification of each customer's identity is a prerequisite for all new customers starting an investment. The requirements to verify each customer's identity will depend on what type of investor you are, e.g. individual or company etc.

You will be required to provide certified copies of your identity verification documents directly to us (refer to 'Who can certify' for a list of who can certify these documents). If the Application Form is signed under Power of Attorney we will also require a certified copy of the Power of Attorney document and a specimen signature of the attorney.



Under relevant laws, we may be required to ask you for additional identity verification documents and/or information about you, anyone acting on your behalf, or any related persons that are beneficial owners in relation to your investment, either when we are processing your investment request or at some stage after we have issued units in the Fund. We may pass any information we collect and hold about you or your investment to the relevant government authority.

### Identity verification documents

You will be required to provide valid identity verification documentation when you invest. The actual documentation required will depend on whether you are an individual investor or a non-individual investor such as a superannuation fund, a trust or a company.

We have outlined the specific documentation required in the relevant Application Form. If any documentation you provide is not in English, it must be accompanied by an original copy of an English translation prepared by an accredited translator. If we do not receive all required valid customer identity verification documents with your application, or we are unable to verify your identity at any time, we will not be able to commence your investment until we receive the required documents. We will contact you as soon as possible if we require more information.

### Who can certify

You must ensure that each page of the relevant identity verification document(s) is certified. The person certifying must state in writing:

- their capacity (from the list provided); and
- on each page of the document 'this document is a true and correct copy of the original' or words to that effect.

An identity verification document may be certified as a true and correct copy of an original document by one of the following persons:

- an officer with, or authorised representative of, a holder of an Australian Financial Services Licence, having two or more continuous years of service with one or more licensees, i.e. a financial adviser;
- a Justice of the Peace;
- a person who is enrolled on the roll of the Supreme Court of a State or Territory, or the High Court of Australia, as a legal practitioner (however described), i.e. an Australian lawyer;
- a member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants, i.e. an accountant;

- an agent of the Australian Postal Corporation who is in charge of an office supplying postal services to the public;
- a permanent employee of the Australian Postal Corporation with two or more years of continuous service who is employed in an office supplying postal services to the public; or
- a police officer.

Other persons may also be qualified to certify documents. For a full list of eligible persons, please contact us.

## Additional information about withdrawing

### How to make a withdrawal

The minimum withdrawal amount in the Fund is \$250,000, subject to maintaining a minimum of \$250,000 in the Fund. Should an investor's unit holding fall below \$250,000 after a withdrawal request, the entire holding may be withdrawn. A withdrawal request, either in whole or in part, once received by us may not be withdrawn without our agreement.

You can request a withdrawal by telephone or fax (subject to certain restrictions), or by letter. If you make your withdrawal request by telephone or fax, we can make your withdrawal payment either:

- to your previously nominated account we have on file; or
- by a cheque in the investment account name, posted to the address we have on file.

If you provide us with an appropriately signed, original written request, then in addition to the payment methods set out above, we can also make payments by direct credit to other bank accounts not on file with us.

We will require the following information when you make your withdrawal request:

- your account number;
- the full name(s) in which your investment account is held;
- the amount (dollar or units) you wish to withdraw;
- how and to whom you would like us to make the payment; and
- a daytime telephone number.

Please ensure that the appropriate signatories sign all written withdrawal instructions, including those forwarded by fax.

If you originally invested via direct debit and you make a withdrawal within the first three months of making your investment, we will only pay the withdrawal proceeds to the account that was debited when making your initial investment.

### **Processing your withdrawal**

While withdrawals are normally processed and paid within five business days of processing your valid withdrawal request, we may take significantly longer than this in certain circumstances (please refer to 'Delay of withdrawal payments'). If your request for withdrawal would cause your balance to fall below the current minimum balance amount of \$250,000, this may be treated as a request for full withdrawal.

We can make withdrawal payments by direct credit to your nominated account. You agree that if the type of payment you request results in bank fees being charged, we may deduct those fees from your withdrawal proceeds before remitting the net amount to you.

Generally, if the payment for your withdrawal is returned to us and remains outstanding for 1 month, we may reinvest the proceeds in the Fund. Any reinvestment of a withdrawal amount will be processed using the investment unit price current at the time of the reinvestment transaction. For more information on unit prices, refer to 'How unit prices are calculated' below.

We may determine that some or all of the withdrawal amount consists of income (which may include net capital gains), rather than capital of the Fund.

We will advise you when this is the case as soon as practicable after the end of the financial year in which the withdrawal occurred.

We have the discretion to transfer assets of the Fund to you (instead of cash) in payment (partly or fully) of the proceeds of your withdrawal request less any costs for the transfer.

Where we give notice to affected unitholders we can compulsorily withdraw investor units.

### **Delay of withdrawal payments**

Withdrawals are normally processed and paid within five business days of processing a valid withdrawal request; however, we do not guarantee this timeframe and we may take significantly longer to pay withdrawals in certain circumstances.

Withdrawals may be delayed in the following circumstances:

- under the Fund's constitution, we have 21 days to satisfy a redemption request; or
- under the Fund's constitution, we can suspend withdrawals for up to 60 days (refer to 'Suspending withdrawals' below); or
- we can also spread withdrawal payments, generally over four months (refer to 'Spreading withdrawals' below); or
- if the Fund becomes illiquid, we are not required to pay withdrawals unless we offer to do so (refer to 'If the Fund becomes illiquid' below).

Where multiple delays are applicable, timeframes may apply cumulatively.

Additionally, if we did not receive all required identity verification documents (as outlined in the relevant application form) at the time of investment or your withdrawal request is incomplete, we may not process your withdrawal request until these documents are received or further requirements are met.

### **Suspending withdrawals**

We may suspend withdrawal requests for up to 60 days where:

- it is impracticable for us to calculate the Fund's net asset value (and hence unit prices);
- we reasonably estimate that we must sell 5% or more (by value) of all the Fund's assets to meet withdrawals;
- there have been, or we anticipate there will be, withdrawal requests that will require us to realise a significant amount of the Fund's assets and this may either place a disproportionate expense or capital gains tax burden on remaining investors or impact negatively on the price we would achieve in selling the Fund's assets;
- we reasonably consider it to be in the interests of investors to do so; or
- the law otherwise permits.

Any withdrawal requests received during a period of suspension, or for which a unit price has not been calculated or confirmed prior to the commencement of a period of suspension, will be deemed to have been received immediately after the end of the suspension period.

## Spreading withdrawals

Under the Fund's constitution, we may, if we consider it to be fair to all unitholders, spread the redemption of some or all of the relevant units across more than one redemption date. Generally, we may spread a withdrawal request where:

- we receive a withdrawal request for the value of 5% or more of the number of units on issue; or
- we receive, on any day, withdrawal requests that in total represent 10% or more of the number of units on issue; or
- there have been, or we anticipate that there will be, withdrawal requests for 10% or more of the total units on issue in the Fund and we consider that if those requests are met rapidly this may either place a disproportionate expense or capital gains tax burden on remaining investors or meeting the requests would impact negatively on the price we could achieve in selling Fund assets or otherwise disadvantage remaining investors.

When we spread withdrawals, we may determine that a withdrawal request is four separate requests, each for a quarter (or as close to a quarter as we determine) of the total number of units in the original withdrawal request.

Each of the four (deemed) withdrawal requests will be deemed to be received by us on the same business day of the month (or next business day, if not a business day or if that day does not occur in that month) in each of the four succeeding months following the original withdrawal request.

### If the Fund becomes illiquid

If the Fund is not liquid (as defined in the Corporations Act 2001 (Cth)), unitholders will only be able to withdraw from the Fund if we make an offer of withdrawal to unitholders. If we do make such an offer, unitholders may only be able to withdraw part of their investment. There is no obligation for us to make withdrawal offers.

Under the Corporations Act 2001 (Cth), the Fund is regarded as liquid if liquid assets account for at least 80% of the value of the assets of the Fund. Liquid assets generally include money in an account or on deposit with a bank, bank-accepted bills, marketable securities and property of the kind prescribed under the Corporations Act 2001 (Cth).

## Additional information about transactions

### Transferring ownership

You can generally transfer some or all of your investment to another person in such a manner and subject to such conditions as required by law and that we, from time to time, prescribe. We are not obliged to register a transfer that does not meet these criteria, or where there is an amount payable to us by the transferee or the transferor (as applicable) in respect of the units being transferred. We recommend that you obtain your own professional advice regarding your position before transferring some or all of your investment, as tax and social security laws are complex and subject to change, and investors' individual circumstances vary.

Please contact us for further information about transferring units.

### Transaction cut-off times

#### Application transaction cut-off time

Generally, if your valid application request is received in our Sydney office before 3:00pm Sydney time on a New South Wales business day (referred to as the application transaction cut-off time), it will usually be processed using the unit price determined as at the close of business on that day. If your valid investment request is received after the transaction cut-off time, or on a non-business day, it will usually be processed using the applicable unit price calculated as at the close of business on the next business day. Monies will generally be held on trust for a maximum period of 30 days in a non-interest bearing account commencing on the day we receive the monies. After this period, your funds will either be processed or returned to the source of payment.

#### Withdrawal transaction cut-off time

Generally, if your valid withdrawal request is received in our Sydney office before 3:00pm Sydney time on the first business day of the month, (referred to as the withdrawal transaction cut-off time), it will usually be processed using the unit price determined as at the close of business on the last business day of that month. Business day means NSW business day. If your valid withdrawal request is received after the withdrawal cut-off time it will usually be processed using the unit price determined as at the close of business on the last business day of the following month.

### Telephone and fax instructions

You should understand that a person without your authority could telephone us or send us a fax and, by pretending to be you, withdraw funds from your account for their own benefit.

We take all care when acting on instructions. In doing so, we perform security checks and have in place internal policies and procedures designed to reduce the risk that fraud is committed in relation to your account. In using the telephone and/or a fax facility, you agree that we are not responsible to you for any fraudulently completed communications and that we will not compensate you for any losses where we have complied with our security checks, internal policies and procedures and we have not been negligent, fraudulent or dishonest.

We will only act on completed communications that we receive. In the case of a fax, a transmission certificate from your fax machine is not sufficient evidence (unless we have otherwise agreed), that we received your fax. We will not be liable for any loss or delay resulting from the non-receipt of any transmission.

In the case of joint holdings, superannuation funds, trusts and companies, additional processes may apply and any investor or director who signs the application form may request a telephone withdrawal.

If the details of the bank account quoted at the time of making a telephone or fax withdrawal do not match the nominated bank account we have on file, the withdrawal will not proceed. You must advise us via an original, signed, written request if you wish to change your previously nominated bank account details. If you do not want withdrawals to be able to be made from your account via a telephone or fax request, we must receive an original, signed, written request to cancel these withdrawal facilities. Cancellation will be effective from the end of the second business day after receipt of this written request.

We may cancel or vary these requirements by giving you notice in writing.

### **Changes to permitted transactions**

We can vary the minimum investment amounts for the Fund at any time and can also change the application or withdrawal cut-off time. Under the Fund's constitution, we can refuse applications or withdrawals for any reason. In particular, where we consider it to be in the interests of unitholders (such as an inability to value the Fund), we may suspend application or withdrawal requests. Any application or withdrawal requests received during the period of suspension, or for which a unit price has not been calculated or confirmed prior to the commencement of a period of suspension, will be deemed to have been received immediately after the end of the suspension period.

## **Monitoring your investment**

You can access your account information 24 hours a day, seven days a week through InvestorOnline, a secure online service which provides access to up-to-date information about your investments, including the latest unit prices, your account balance and transaction history

We will also send you regular information about your investments, including:

- confirmation of the acceptance of your initial and one-off additional investments; this confirmation will provide details of the units issued;
- confirmation that we have processed a withdrawal request; this confirmation will provide details of the unit and dollar value withdrawn;
- a quarterly statement; and
- a consolidated annual taxation statement.

At any time, you may request a transaction statement that shows either all transactions since your last regular statement or all transactions for a specific period. We recommend that you check all statements and transaction confirmations carefully. If there are any discrepancies, please contact your financial adviser or our Investor Services team.

As the Fund is a 'disclosing entity' under the Corporations Act 2001 (Cth), it is subject to regular reporting and disclosure obligations.

As Responsible Entity of the Fund, we are also subject to continuous disclosure obligations that require us to make material information available to investors. You can obtain a copy of the Fund's continuous disclosure information by visiting our website.

You can obtain copies of the Fund's most recent annual financial report by visiting our website.

Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

### **Keeping us informed**

Our records about you are important.

Please inform us in writing of any change to the personal details that you have given us. This may be a new postal address, a change of name or new bank account details. We will send you written confirmation of any changes that you request us to make to your personal details.

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## What happens if you choose not to disclose certain information?

If you choose not to disclose certain information, the following may apply:

- Account details: we will not be able to pay withdrawal proceeds or income distributions to you.
- Tax residency information: we may not be able to process your request, or we may be required to notify the ATO.
- Incomplete application form: unless otherwise agreed, we will not be able to process your investment request.
- If you do not provide all relevant identity verification documents, we will not be able to process your investment request.

For Australian resident investors, if you choose not to disclose your TFN, TFN exemption or ABN, we have to deduct tax at the highest marginal tax rate plus Medicare levy (and any other levies we are required to deduct, from time to time) from any amounts attributed or distributed to you (refer to 'Tax File Number' in 'How managed investment schemes are taxed').

## Up-to-date information about the Fund

You can obtain up-to-date Fund performance, actual asset allocations and Fund size information by contacting your financial adviser, visiting our website, or calling us.

A paper copy of any updated information will be given to you, without charge, on request by contacting us.

A paper copy of the Fund's annual financial reports, any continuous disclosure notices, and any half yearly financial report will also be given to you, without charge, on request.

## Additional information about making a complaint

As part of our commitment to providing quality service to our investors, we endeavour to resolve all complaints quickly and fairly. Our policy is to acknowledge any complaint immediately after receiving it and investigate, properly consider and decide what action (if any) to take and to provide a final response to you within 45 days (30 days in relation to privacy complaints).

If you have a particular complaint regarding your investment, please do not hesitate to contact us by calling our Investor Services team on 13 51 53 or +61 2 9994 7000 from outside Australia (during Sydney business hours) or by writing to:

### Complaints Resolution Officer

Fidante Partners  
Reply Paid 86049  
Sydney NSW 2001



# How managed investment schemes are taxed

## Taxation of the Fund

The Attribution Managed Investment Trust (**AMIT**) legislation applies to qualifying Managed Investment Trusts (**MITs**) that make an irrevocable election to become an AMIT. The Responsible Entity has determined that the Fund will elect to become an AMIT commencing from the 2018 financial year.

An AMIT must attribute its taxable income to investors on a fair and reasonable basis, and investors are advised of their share of the taxable income via an AMIT Member Annual Statement (**AMMA Statement**). The Fund will generally not be liable to pay income tax on its taxable income on the basis that it will attribute all determined trust components (i.e. assessable income, exempt income and non-assessable non-exempt income) to members each year. If the Fund were to cease being an AMIT, it should also generally not be liable to pay income tax on the basis that unitholders are presently entitled to the Fund's distributable income.

Other key features of the AMIT regime include income character retention, deemed fixed trust status, an ability for adjustments and errors at the trust level to be carried forward and dealt with in the year in which they are discovered, adjustments (upwards and downwards) made to investors' cost bases for CGT purposes, and their costs for revenue purposes, where there are differences between the amount distributed and the amount attributed on an AMMA statement, and clarification of the treatment of tax deferred distributions.

The MIT capital account election regime permits eligible MITs to make an irrevocable election to adopt capital account treatment for certain types of assets (broadly shares, units and real property) for income years to which the election applies. An irrevocable election has been made in respect of the Fund and accordingly deemed capital treatment will apply in respect of the qualifying assets for the income years to which the election applies.

The Foreign Investment Fund (**FIF**) provisions were repealed with effect from the 2010/2011 income year. The FIF provisions may be replaced by a specific anti-avoidance roll-up rule for Foreign Accumulation Funds (**FAF**), which seek to ensure that Australian residents cannot defer or avoid a tax liability on income earned in a FAF. As at the date of this document, the Government has not released the final FAF legislation.

The Australian Government recently introduced arm's length income legislation that applies to MITs. Under this legislation, excess income generated by a MIT from

non-arm's length arrangements may be determined to be subject to tax at 30%. It is not expected that the arm's length income provisions will impact the Fund.

## Tax position of Australian resident investors

You will generally be required to include in your assessable income your attributed income of the Fund. Where investors disagree with the allocation of taxable income in an AMMA Statement, they may give a 'member choice' to the Commissioner of Taxation. In the event investors make a member choice, the constitution provides that the investors will indemnify us for all costs and liabilities incurred as a result of the member choice.

Tax losses incurred by the Fund will remain in the Fund and can be applied to reduce the Fund's income in future years (subject to the Fund satisfying the specific provisions of the trust loss carry forward legislation).

CGT cost base reductions or uplifts may occur where taxable income attributed is either less than or greater than, respectively, the total of both cash distributed and tax offsets attributed for an income year. Where cost base reductions occur, this will affect the CGT position of the investment. For those investors who have a zero cost base in their units, or where the total cost base reduction amount exceeds the cost base of their units, a capital gain may arise to these investors for that year. Investors should maintain records of their cost base adjustments. You may also be entitled to tax offsets (franking credits and/or foreign tax offsets) attributed by the Fund. Provided investors satisfy certain provisions of the Tax Act, investors may be able to utilise these offsets against their tax liability on the taxable components of the distributions. In order to claim the amount of tax offsets, investors must include the amount of the offsets in their assessable income.

We will advise each investor of their share of tax offsets in the AMMA statement.

The disposal of units (for instance by withdrawal or transfer) may give rise to a capital gains tax liability or a capital loss. Investors who have held their units on capital account for more than 12 months may be entitled to a capital gains tax discount.

The Taxation of Financial Arrangement (**TOFA**) provisions apply on a mandatory basis to qualifying taxpayers in respect of certain financial arrangements. Broadly, the TOFA provisions recognise certain gains and losses on financial arrangements on an accruals basis, which may result in a taxing point prior to the realisation of the investment. Due to the implementation of the TOFA regime, there may be some instances where your attributed share of the taxable income of the Fund



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exceeds the cash distribution you receive from the Fund. As at the date of this document, we, as Responsible Entity of the Fund, have not made an election to apply one of the elective methods under TOFA.

Any investors who are non-residents should seek professional advice in respect of the Australian and foreign tax implications of their investment.

### **Non-resident account holder reporting requirements**

As a result of an increased international focus on account holder data exchange, a number of countries have legislated that financial institutions (which includes us) identify and report certain information about the financial accounts of investors. The regimes include the United States Foreign Account Tax Compliance Act (**FATCA**) and the OECD's Common Reporting Standard (**CRS**). To comply with our obligations under various reporting legislation we will provide to the ATO such data as required in respect of your investment with us. This will be required if you are a US citizen or a foreign tax resident of any jurisdiction outside of Australia. If we have attempted to confirm your tax status with you but have been unable to do so, we may still be required to notify the ATO.

### **Goods and Services Tax (GST)**

GST is not payable on the issue, withdrawal or transfer of units in the Fund, as these are input-taxed financial supplies for GST purposes. However, GST will generally be incurred on various acquisitions made by the Fund, including the acquisition of investment management services. In certain specified circumstances, the Fund may be entitled to input tax credits (**ITCs**), or reduced input tax credits (**RITCs**) at the prescribed percentage of 55% or 75% depending on the acquisition. Any available ITCs or RITCs effectively reduce the non-recoverable GST cost incurred.

### **Tax File Number**

On your application form you may provide us with your Tax File Number (**TFN**), or TFN exemption. Alternatively, if you are investing in the Fund in the course of an enterprise, you may quote an Australian Business Number (**ABN**). It is not compulsory for you to quote a TFN, exemption or ABN, but if you do not, then we are required to deduct tax from your attributed or distributed amounts at the highest marginal tax rate plus the Medicare levy (and any other levies we are required to deduct, from time to time). The collection of TFNs is authorised, and their use is strictly regulated by tax and privacy laws. Non-residents are generally exempt from providing a TFN, however may be required to provide other information.

# Additional information

## How unit prices are calculated

Unit prices are determined in accordance with the Fund's constitution and are usually calculated each NSW business day. The calculation of both the investment unit price and the withdrawal unit price is based on the net asset value (**NAV**) adjusted by the buy/sell spread. For information on buy/sell spreads, refer to 'Buy/sell spreads' in 'Fees and other costs'.

For investment and withdrawal unit prices, the NAV is the value of all the Fund's assets attributed to the Fund less the value of the Fund's liabilities at the valuation time. When calculating the NAV, we must use the most recent valuations of the Fund's assets and the most recent determination of the liabilities.

The Fund's assets and liabilities are usually valued each NSW business day.

Generally, for unit pricing purposes, listed securities are valued using the last available market close price quoted on the relevant exchange. Other assets are generally valued at recoverable value. Any income entitlements, cash at bank, and any amount of Goods and Services Tax (**GST**) recoverable by the Fund from the Australian Taxation Office are also included in asset values used to calculate the investment and withdrawal unit price.

Generally, for unit pricing purposes, liabilities are valued at cost. Liabilities also include an accrual for management costs (which includes management fees up to and including the calculation date) and for costs (if any) that an investor would ordinarily incur when investing in the Fund's underlying assets.

Where we receive a valid transaction request before the transaction cut-off time of 3:00pm (Sydney time) on a NSW business day, the unit price will generally be determined at the next valuation time after that transaction cut-off time. This is typically referred to as 'forward pricing'.

In rare circumstances, we may suspend unit pricing where, acting in accordance with our Responsible Entity obligations to unitholders, we consider it impracticable to calculate a NAV.

We have a Unit Pricing Permitted Discretions Policy. The policy sets out how we will exercise any discretions in relation to unit pricing (such as, for example, how often we determine unit prices and valuation methodology). If we depart from our policy, we are also required to record details of this departure. You can obtain a copy of this policy or any recorded departures free of charge by calling us.

## Additional information about distributions

If we pay a distribution, you may choose to have your distribution reinvested in additional units in the Fund, or paid directly to your nominated account with an Australian financial institution. Unless you have indicated otherwise, we will reinvest your distributions.

The price of units issued on reinvestment of distributions is the investment price for units next determined after the close of business on the last day of the distribution period. There is no buy/sell spread reflected in this investment price. The amount of each distribution may vary. Your share of any distribution depends on how many units you hold at the end of the relevant period as a proportion of the total number of units in the relevant class on issue at that time and the amount of distributable income referable to those units and that class.

As distributable amounts are a component of the unit price, unit prices normally fall by the distribution amount following a distribution.

The amount of income distributed each year will generally be the distributable income received by the Fund, unless we decide to distribute a different amount. Any net capital gains derived by the Fund during the financial year are generally distributed in the June distribution period.

If you invest just prior to a distribution payment, you may receive some of your investment back immediately as income. Conversely, if you withdraw from the Fund just before a distribution, you might turn income into a capital gain or reduce your capital losses.

Under the constitution, we have the power to make reinvestment of distributions compulsory. At the date of this document, we have no intention of introducing compulsory distribution reinvestment. We have the discretion to transfer assets of the Fund to you (instead of cash) in payment (partly or fully) for a distribution amount.

Generally, if any distribution payments are returned to us and remain outstanding for 1 month, we may reinvest those distributions and amend your future distribution method to reinvest.

Any reinvestment of an unclaimed or returned distribution will be processed using the investment unit price current at the time of the reinvestment transaction.

Under the constitution, we have the power to make reinvestment of distributions compulsory. At the date of this document, we have no intention of making distribution reinvestment compulsory. We have the

discretion to transfer assets of the Fund to you (instead of cash) in payment (partly or fully) for a distribution amount.

If you wish to change your distribution payment instructions, please follow the process outlined below.

Please mail us an original, signed, written request.

## How the Fund is governed

The Fund's constitution, together with the Corporations Act 2001 (Cth) and other laws, governs the way in which the Fund operates, including the rights, responsibilities and duties of the Responsible Entity and unitholders.

### The constitution

The constitution contains the rules relating to a number of issues including:

- unitholder rights;
- the process by which units are issued and redeemed;
- the calculation and distribution of income;
- the investment powers of the Responsible Entity;
- the Responsible Entity's right to claim indemnity from the Fund and charge fees and expenses to the Fund;
- the creation of other classes of units; and
- the termination of the Fund.

It is generally thought that unitholders' liabilities are limited to the value of their holding in the Fund. It is not expected that a unitholder would be under any obligation if a deficiency in the value of the Fund was to occur. However, this view has not been fully tested at law.

Unitholders can inspect a copy of the constitution at our head office or we will provide them with a copy free of charge, on request.

We may alter the constitution if we reasonably consider the amendments will not adversely affect unitholders' rights. Otherwise (subject to any exemption under the law), we must obtain unitholder approval at a meeting of unitholders. We may retire or be required to retire as Responsible Entity if unitholders vote for our removal.

### Termination

The constitution, together with the Corporations Act 2001 (Cth), governs how and when the Fund may be terminated. We may terminate the Fund at any time by written notice to unitholders. On termination, a unitholder is entitled to a share of the net proceeds of our realisation of the assets in proportion to the number of units they hold in the Fund.

### Unitholder meetings

The conduct of unitholder meetings and unitholders' rights to requisition, attend and vote at those meetings are subject to the Corporations Act 2001 (Cth) and (to the extent applicable) the Fund's constitution.

### Compliance plan and compliance committee

We have lodged the Fund's compliance plan with the Australian Securities and Investments Commission (ASIC) and established a compliance committee for the Fund with a majority of external members. The compliance plan sets out how we will ensure compliance with both the Corporations Act 2001 (Cth) and the Fund's constitution.

The compliance committee's role is to monitor compliance with the compliance plan. It must also regularly assess the adequacy of the compliance plan and report any breaches of the Corporations Act 2001 (Cth) or the Fund's constitution to us. If we do not take appropriate action to deal with the breach, the compliance committee must report the breach to ASIC.

The Fund and the compliance plan are required to be audited annually.

### Other parties

We have engaged a custodian to hold the assets of the Fund. The custodian has no independent discretion with respect to the holding of assets and is subject to performance standards.

The Fund has a registered company auditor. The auditor's role is to provide an audit of the financial statements of the Fund each year, as well as performing a half-yearly review (if required), and to provide an opinion on the financial statements.

## Privacy

We collect, use and disclose personal information to:

- process your application;
- provide and administer your investment and send you information;
- improve and personalise our products and services;
- conduct product and market research;
- inform you about other products and services that may be useful to you; and
- comply with our obligations under the law, including with respect of anti-money laundering, financial services and taxation laws.

We collect personal information from you and, if relevant, from your financial adviser. We may take steps to verify the information collected. Where you provide us with personal information about someone else (for example, your power of attorney, or related persons including the

beneficial owners connected with your investment) you must have their consent to provide their personal information to us.

If you decide not to provide certain information, we may not be able to process your investment or future withdrawal requests, or will have to deduct tax from any amounts attributed or distributed to you at the highest marginal tax rate plus the Medicare levy (and any other levies we are required to deduct, from time to time).

### **Disclosing your information**

We disclose your information to your financial adviser. In addition, we may disclose information we hold about you:

- if you consent to the disclosure;
- if the disclosure is required or authorised by law;
- to organisations acting on our behalf (for example, sending your statements);
- to professional service firms that provide services to us such as legal and audit services, or data or information services;
- to related companies and/or the investment manager that may also provide you with a financial product or financial service;
- to electronic identity verification service providers, in order for identity information (about you or related persons connected with your investment) to be verified against relevant government and other databases, for the purpose of complying with anti-money laundering laws; or
- otherwise in accordance with our privacy policy.

We do not disclose personal information to recipients in foreign jurisdictions.

From time to time we or our related companies may contact you to tell you about other products and services that might be useful to you, including financial, superannuation, investment, insurance and funds management products and services. Please contact us (our details are noted in this Memorandum) if you do not want to receive any of this kind of marketing material.

For how you can correct or update the personal information we hold about you refer to 'Keeping us informed'. Our privacy policy also contains this information as well as further details about our handling of personal information and about how you can request access to it or lodge a complaint if you believe your personal information has been misused, and how we deal with complaints.

For more information regarding the collection and use of personal information, please refer to our 'Privacy Policy' available on our website or by contacting our Investor Services team.

We do not normally receive any personal information about you when you invest in the Fund through an IDPS operator. For details on the collection, storage and use of personal information you should contact your IDPS operator. The information we collect and store from IDPS operators is used to establish and administer its investments. If we do receive any personal information we will deal with it in accordance with our privacy policy.



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