

# Additional Information Guide Auscap Ex-20 Australian Equities Fund

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Issued by Auscap Asset Management Limited

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### Contact Details

If you have any questions or would like more information about Auscap Asset Management Limited or the Fund, or if you need a copy of any material, you can contact us in the following ways:

#### Responsible Entity

Auscap Asset Management Limited  
Level 30, 9 Castlereagh Street  
Sydney NSW 2000

**Website:** [www.auscapam.com](http://www.auscapam.com)

**Telephone:** +61 2 8378 0800

**Email:** [info@auscapam.com](mailto:info@auscapam.com)

#### Administrator – Unitholder Services

Apex Fund Services Pty Ltd  
Attention: Auscap Ex-20 Australian Equities Fund Unit Registry  
GPO Box 4968  
Sydney NSW 2000

**Telephone:** 1300 133 451

**Email:** [registry@apexgroup.com](mailto:registry@apexgroup.com)

## Important Information

This Additional Information Guide (**Guide**) is issued by Auscap Asset Management Limited (ABN 11 158 929 143, AFSL 428014) (**Auscap**) as the responsible entity of the Auscap Ex-20 Australian Equities Fund (**Fund**). Auscap is referred to throughout this Guide as the 'Responsible Entity', 'we', 'us' or 'our'. This Guide contains important information and forms part of the Product Disclosure Statement (**PDS**) for the Fund. You should read the information in this Guide together with the PDS before making a decision to invest in the Fund.

The information in this Guide is general information only and does not take into account your personal financial objectives, situation or needs. You should obtain financial advice tailored to your personal circumstances.

The offer in this Guide is available only to persons receiving the Guide (electronically or otherwise) within Australia or New Zealand.

Auscap and its employees, associates, agents and officers do not guarantee the success, repayment of capital or any rate of return on income or capital or the investment performance of the Fund. Past performance is not a reliable indicator of future performance. An investment in the Fund does not represent a deposit with Auscap or any of its associates.

Investors who invest indirectly in the Fund (**Indirect Investors**) through an Investor Directed Portfolio Service or an IDPS-like facility including a platform, master fund or wrap service (collectively **IDPS**) should be aware that they do not acquire the rights of a unitholder in the Fund. The rights of Indirect Investors are set out in the relevant IDPS guide or other similar type of document. Indirect Investors should direct all questions relating to the Fund to their relevant IDPS operator.

Information in this Guide that is not materially adverse to unitholders may be subject to change from time to time and Auscap may update this Guide with any such changes, details of which may be found on its website at [www.auscapam.com](http://www.auscapam.com). A paper copy of the Guide and any updated information will be provided free of charge upon request, by contacting Auscap or the administrator, Apex Fund Services Pty Ltd, using the contact details on page 1. Alternatively, you can download the latest version of this Guide, and any updated information from Auscap's website at [www.auscapam.com](http://www.auscapam.com).

## 1. How the Auscap Ex-20 Australian Equities Fund works

### How the Fund is governed

#### Constitution

The Fund is governed by its Constitution, the *Corporations Act 2001* (Cth) (**Corporations Act**), relevant ASIC policy and general law. The Constitution sets out the rights, liabilities and obligations of both the Responsible Entity and of unitholders of the Fund.

The Constitution addresses a number of matters relating to the Fund including:

- the rights of unitholders;
- the process by which units are issued and redeemed (including Auscap's discretion, as the Responsible Entity, to compulsorily redeem units);
- the Responsible Entity's right to claim an indemnity from the Fund and charge fees and expenses to the Fund;
- the Responsible Entity's ability to offer more than one class of units to potential unitholders, with the rights of unitholders in different classes able to vary;
- the Responsible Entity's ability to suspend the redemption of units in the Fund if it believes it to be in the best interest of unitholders as a whole; and
- the termination of the Fund.

The Constitution also contains provisions designed to limit your liability, as a unitholder, to the amount you have invested in the Fund. However, you should be aware that the effectiveness of such a limitation is yet to be conclusively determined by the courts. The Responsible Entity is entitled to be indemnified by unitholders to the extent the Responsible Entity incurs any liability for tax as a result of a unitholder's action or inaction.

The Responsible Entity may alter the Constitution, but only in accordance with the provisions in the Constitution and the Corporations Act. A copy of the Constitution has been lodged with ASIC and is available free of charge by contacting Auscap.

#### Compliance Plan and Committee

The Fund has a Compliance Plan that has been lodged with ASIC and sets out the measures that Auscap is to apply, as Responsible Entity, in operating the Fund to ensure compliance with the Constitution, Corporations Act and relevant ASIC policy.

A Compliance Committee has been appointed to monitor compliance by Auscap with the Corporations Act, the Fund's Constitution and the Compliance Plan. An external auditor undertakes a review of the Compliance Plan and the Responsible Entity's compliance with it on an annual basis as required under the Corporations Act.

#### Key Service Providers

The Responsible Entity has appointed Apex Fund Services Pty Ltd (**Apex**) as the administrator (**Administrator**) and master custodian (**Custodian**) of the Fund. As Custodian, Apex will hold the assets of the Fund. As Administrator, Apex will provide relevant administration services for the Fund, including:

- fund accounting services, including trade confirmation and reconciliation;
- regulatory and administrative services;
- mandate compliance, performance and analytical services; and
- unit pricing and registry services.

Ernst & Young has been appointed as the auditor of the Fund. As at the date of the PDS and this Guide, Apex and Ernst & Young have provided (and not withdrawn) their written consent to be named in these offer documents.

#### Making an application

For direct investors, you can make an initial application for the Fund by applying online at [www.auscapam.com](http://www.auscapam.com) or by completing the Application Form accompanying the PDS and sending it to the Administrator using the contact details on the Application Form. You will be asked to provide the relevant identification documents (as required) and to make your application payment, with details set out in the Application Form.

If you use the online application form, you can make your application payment via BPAY® using the details set out in the online form.

Alternatively, if you have applied using the online application form but do not wish to use BPAY®, you may make your application payment via electronic funds transfer using the bank account details listed in the online form. Please note that you are not able to make payments via BPAY® if you are a New Zealand investor.

Additional applications may be made using the Additional Application Form which is available from Auscap's website [www.auscapam.com](http://www.auscapam.com) or by contacting the Administrator on 1300 133 451 or [registry@apexgroup.com](mailto:registry@apexgroup.com).

If you are an Indirect Investor investing via an IDPS, you must complete the documentation which your IDPS operator requires.

### *Submitting your application and supporting documents*

If you use the paper copy of the Application Form, the completed Application Form and the specified certified identification documents (refer to Section 6 'Other Information') must be sent as originals to the Administrator. If you complete the initial application form online, please follow the instructions provided during the online application process in relation to the documentation that must be sent to the Administrator. The Administrator will not process any new applications until it has received a properly completed Application Form and all specified documentation.

For additional investments, a copy of the completed Additional Application Form must be sent or emailed to the Administrator. Unitholders bear the risk of any Application Form or Additional Application Form not being received. Neither the Administrator nor Auscap accept any responsibility or liability for any loss caused as a result of non-receipt or ineligibility of any mail, email or online application or for any loss caused in respect of any action taken as a consequence of such instruction believed in good faith to have originated from properly authorised persons.

### *Indirect Investors*

While direct investors are recorded in the Fund's register as the unitholder when they invest, Indirect Investors will not become unitholders in the Fund. Rather, the relevant IDPS operator or custodian will be recorded in the Fund's register as the unitholder and will be the only entity able to exercise the rights and receive the benefits of a unitholder. For example, Indirect Investors cannot attend meetings of members or transfer units in the Fund. Reports, transaction confirmations, distribution payments and redemption payments will be sent directly to the IDPS operator or custodian on the register. If you are an Indirect Investor, most issues and queries relating to your investment must be directed to your IDPS operator.

Indirect Investors may be subject to different conditions from those referred to in the PDS and this Guide, particularly with regard to minimum investment amounts, cut-off times for transacting, processing and redemptions, timing of distributions as well as Fund reporting and other investor communications. As well as reading the PDS and this Guide, Indirect Investors investing through an IDPS should refer to the relevant IDPS guide for the application method required by their IDPS operator and the minimum investment amount.

Cooling off rights do not apply in respect of any investment acquired through an IDPS. However, Indirect Investors should contact their IDPS operator and read the IDPS operator's offer document for more information on any cooling off rights that may apply in relation to the relevant IDPS.

### *Auscap's rights*

Investors may be admitted to the Fund upon such terms and conditions as permitted by Auscap. Terms and conditions may differ from those applicable to investors in other classes on matters including, but not limited to: notice periods; fees, including fee waivers, rebates or reductions; and/or information rights. New classes of units in the Fund may be established by Auscap without the approval of the existing unitholders. However, Auscap will provide existing unitholders with written notice of any reclassification of their existing units in the Fund.

### *Transfer of units*

You may make a request in writing to the Administrator to transfer your units. Auscap may require transfer documentation to be completed by the transferor, including the completion of an Application Form by the transferee and/or other documentation. Auscap may refuse to register any transfer of units in its absolute discretion without providing any reason. If Auscap refuses to register a transfer of units, the relevant units may be compulsorily redeemed by Auscap.

Auscap recommends that you obtain and consider advice on the taxation implications of any transfer of units in the Fund. Indirect Investors should contact their IDPS operator for information regarding the transfer of units.

### *Withdrawals*

If you request to withdraw all or part of your investment in the Fund and Auscap accepts that request, Auscap will, to the extent necessary, liquidate securities it holds as positions in the Fund. Auscap will use the proceeds of the realisation of the assets to fund your request. If you redeem your units, Auscap may determine after year end the amount of the Fund's net taxable income that is referable to those redeemed units. The redemption proceeds may include and comprise capital and income in proportions determined by Auscap.

If you choose to send a Redemption Form by post or email, you bear the risk of any such request not being received. Neither the Administrator nor Auscap accept any responsibility or liability for any loss caused as a result of non-receipt or ineligibility of any mail or email or for any loss caused in respect of any action taken as a consequence of such instruction believed in good faith to have originated from properly authorised persons.

### *Suspension of withdrawals*

Under the Constitution, Auscap has the right to deny a withdrawal request. In addition, Auscap may suspend the redemption of units and the payment of redemptions if it believes that it is in the best interests of investors as a whole in order to allow sufficient time to liquidate assets to meet redemptions. Such circumstances may include where the Responsible Entity believes it is desirable for the protection of the Fund, or if an investor or a group of investors seek to make redemptions which will involve realising a significant amount of the Fund's assets, or if any relevant financial market is closed or trading on any such market is restricted. This means that the generally applicable timeframe for processing redemptions may be extended. Withdrawal requests received during a suspension period will be processed at the next redemption day after the end of the suspension.

If there are any material changes to your rights with respect to redemptions or a redemption request is denied, you will be notified by Auscap in writing.

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## Withdrawal offers

In some circumstances (e.g. if the Fund becomes illiquid), you may not be able to redeem your investment in the usual period or at all. If the Fund ceases to be liquid, as defined in the Corporations Act, redemptions will only be permitted if Auscap makes a withdrawal offer in accordance with the Corporations Act. Auscap is not obliged to make such an offer.

If Auscap makes such an offer, and an insufficient amount of money is available from the assets specified in the withdrawal offer to satisfy redemption requests, the requests will be satisfied proportionately amongst the redeeming investors. Under the Corporations Act, a fund is generally illiquid if it has less than 80% liquid assets (generally cash and marketable securities).

## Indirect Investors

Indirect Investors need to provide redemption requests directly to their IDPS operator. The time to process a redemption request will depend on the particular IDPS operator. Indirect Investors should refer to the relevant IDPS guide in this regard.

## Fund valuation

All units in the same class of units in the Fund have equal value.

Under Australian Accounting Standards, investments in the Fund are valued at fair value. The valuation policy of the Fund is that listed investments are valued at their last traded price, or where this price is not available, using the best information reasonably available including by reference to comparable investments. This may lead to differences in the Fund valuation compared with the valuation performed for Australian Accounting Standards at the financial year end.

Cash is valued at its face value with the addition of accrued interest.

## Keeping you informed

You will receive regular correspondence from Auscap either directly, on Auscap's website, or from the Administrator. This includes:

- a subscription confirmation for your initial application and any subsequent application(s)
- a monthly newsletter, which discusses monthly investment performance, exposures and philosophy
- a monthly unitholder statement, which includes details of your unitholding
- periodic statements
- annual tax distribution statements
- the Fund's annual audited financial statements, which will be available online at a web address that will be communicated to you, or otherwise you can request a copy of the financial statements which will be provided free of charge
- transfer confirmations (if applicable)
- redemption statements (if applicable)

If you have invested through an IDPS, your IDPS operator will provide you with reports on the progress of the Fund.

If the Fund becomes a disclosing entity, the Fund is subject to regular reporting and continuous disclosure obligations. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office. You can also contact us at [info@auscapam.com](mailto:info@auscapam.com) to request copies of the following documents, free of charge:

- the most recent annual financial report lodged with ASIC for the Fund

- any half-year financial report for the Fund lodged with ASIC after the lodgement of the above annual financial report
- any continuous disclosure notices that are lodged with ASIC for the Fund

We will also satisfy the Fund's continuous disclosure obligations by publishing material information on our website at [www.auscapam.com](http://www.auscapam.com).

## 2. Risks of managed investment schemes

All investments have an inherent level of risk. Auscap has established investment processes that seek to mitigate the risks associated with the Fund, however an investment in the Fund carries certain risks. Please refer to Section 4 of the PDS for the key risks associated with the Fund. Further general risks associated with investing in the Fund are summarised below.

- **Key person risk:** The Fund relies heavily on the skills of the Chief Investment Officer of Auscap to implement the Fund's investment strategy and manage the Fund's investments. There is a risk that the Chief Investment Officer or other key personnel of Auscap could become unable or unavailable to perform their roles, and there is no guarantee that their skills can be easily or quickly replaced. If this risk materialises in relation to the Chief Investment Officer of Auscap, this may impact on the performance and / or continuation of the Fund. This risk is reduced in relation to the Chief Investment Officer as he is the majority owner of Auscap.
- **Operational risk:** Disruptions to administrative procedures or operational controls may challenge the day to day operations of the Fund. Adverse impacts may arise internally through human error, technology or infrastructure changes.
- **Service provider risk:** The Fund relies on external service providers in connection with its operations and investment activities. Services include fund administration, custody, audit and legal. There is a risk that these service providers may not meet their contractual obligations or seek to terminate their services to the Fund. In this situation, the Fund may be required to replace a service provider and this may lead to a disruption of its activities.
- **Legal and regulatory risk:** Legal, regulatory and tax changes could occur during the life of the Fund, which may adversely affect the Fund and its underlying investments. The value or tax treatment of an investment, or the effectiveness of the Fund's trading or investment strategy, may be adversely affected by changes in government policies, regulations and laws (including tax) or changes in generally accepted accounting policies or valuation methods.
- **Counterparty risk:** Counterparty risk is the risk that the counterparty to a transaction or contract (e.g. a broker) may default on their obligations and that the Fund may, as a result, experience an adverse investment outcome or liability. Many counterparties to the Fund have limited liability to the Fund.
- **Speculative nature of some investments:** Some investments of the Fund may be regarded as being speculative in nature and involve increased levels of investment risk. There can be no assurance that the Fund's investment objectives will be realised or that investors (including Indirect Investors) will receive any return on their investment. Part of Auscap's investment strategy is to identify securities which are undervalued by the market. The success of such a strategy depends on the market

eventually recognising such value in the price of the security, which may not necessarily occur.

- **Performance fee structure:** Auscap receives a performance fee in relation to the Fund. The performance fee arrangement may create an incentive for Auscap to make more speculative or higher risk investments than might otherwise be the case.
- **Cyber risk:** This is a risk of fraud, data loss, business disruption or damage to information of the Fund or to an investor's personal information as a result of a threat or failure to protect the information or personal data stored within the IT systems and networks of Auscap or other service providers.
- **Redemption risk:** If market events reduce the liquidity of a security or asset class, the generally applicable time frame for meeting withdrawal requests may not be met. It may take longer to sell these types of investments at an acceptable price. In addition, if an investor or group of investors seek to make large redemptions, then selling assets to meet those redemptions may result in a detrimental impact on the price received by the Fund for those assets. In certain circumstances, it may be necessary to suspend redemptions to allow sufficient time for the liquidation of assets to meet redemptions.
- **Derivatives risk:** Investment in derivatives is primarily undertaken for the purpose of portfolio management, to gain the desired investment exposure to assets or securities on a temporary basis without buying or selling the underlying assets or securities, and for managing investment risks. In all cases there will be cash and/or underlying assets available to meet the exposure positions of the derivative instruments.
- **Interest rate risk:** Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of types of assets held by the Fund.
- **Force majeure risk:** Circumstances beyond Auscap's reasonable control may impact the operation, administration and performance of the Fund. Those include industrial disputes, failure of a securities exchange, fires, floods, hurricanes, earthquakes, wars, strikes, acts of terrorism, governmental pre-emption in connection with a state of emergency and pandemics.

### 3. How we invest your money

Details regarding the investment objective and strategy of the Fund are set out in the Fund's PDS. Below is additional information regarding how we invest your money.

#### Auscap's investment philosophy

Auscap aims to invest in what it considers to be quality companies which are trading at or below what it considers to be fair value, based on its assessment of financial and non-financial metrics. Auscap's ability to successfully do this depends on a number of assumptions which may not eventuate, including sufficient attractive investment opportunities, the market's recognition of the value of these opportunities in line with Auscap's expectations and the ability of Auscap to limit the number and impact of errors in analysis, assessment and execution of its investment strategy.

#### Responsible investing

Environmental, social, governance (ESG) and sustainability factors can impact the financial performance of investments. As a result, Auscap incorporates an assessment of ESG and sustainability considerations for the purpose of selecting, retaining or realising any investments for the Fund. Auscap does not have a predetermined view on ESG and sustainability considerations, or the extent to which they are taken into account. Rather, we

consider these factors when making investment decisions where they materially affect the investment from a financial perspective. Auscap has no set approach for monitoring or reviewing its approach to taking ESG and sustainability considerations into account.

Auscap has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2017. As a UNPRI signatory, Auscap has undertaken to consider ESG factors in its investment decision-making and ownership practices. Further details about Auscap's approach to responsible investing can be found on its website at [www.auscapam.com](http://www.auscapam.com).

#### Trade Allocation Policy

As at the date of this PDS, Auscap is responsible for managing more than one fund. Auscap may on occasion purchase or sell the same security on behalf of more than one fund at or about the same time. In determining the suitability of each investment opportunity to a fund, consideration will be given to a number of factors, the most important being the fund's investment objectives and strategy, existing portfolio composition and cash levels. Auscap complies with a trade allocation policy to determine allocation between funds in these circumstances. A copy of the trade allocation policy is available free of charge by contacting Auscap.

#### Underwriting and sub-underwriting

Auscap may identify investment opportunities that involve underwriting or sub-underwriting arrangements. Auscap may make such investments primarily for the purpose of investing in accordance with the investment strategy of the Fund. Should Auscap earn a fee for underwriting services, it will be paid to the Fund.

#### Changing the investment objective and investment strategy

Auscap may change the investment objective and investment strategy of the Fund from time to time. Although there is no current intention to change the investment objective or the investment strategy of the Fund, if this does occur, you will be advised in writing and the PDS may be updated if required.

The risks associated with the investment strategy for the Fund are set out in Section 4, 'Risks of managed investment schemes', in the PDS and Section 2 of this Guide.

### 4. Fees and costs

#### Management fees and costs

The management fees and costs of the Fund are comprised of the management fee and recoverable expenses, which are recoverable or payable from the Fund's assets and not paid directly from your account. The management fee component of the management fees and costs is 0.95% p.a. of the NAV of the Fund (including Goods and Services Tax (GST) net of reduced input tax credits (RITC)) referable to the class.

#### Recoverable expenses

The Responsible Entity's recovery of operating expenses and outgoings properly incurred in managing the Fund is currently capped by the Responsible Entity at a recovery amount of 0.05% p.a. of the NAV of the Fund (including GST net of RITC). As at the date of this Guide, Auscap estimates that the operating expenses and outgoings will exceed the cap and therefore these expenses are charged at a fixed amount of 0.05% p.a. of the NAV of the Fund (including GST net of RITC).

## Extraordinary expenses

Extraordinary expenses properly incurred, such as the costs of convening unitholder meetings or defending a third party claim made against the Fund, may be recovered from the Fund's assets (and are not subject to the above cap). These costs will be reflected in the management fees and costs if and when incurred.

As at the date of this Guide, there is no intention to hold a unitholder meeting nor is Auscap aware of any legal proceedings the Fund may be a part of that may require recovery of associated abnormal expenses from the Fund. The recovery of these expenses is in addition to the management fee component.

## Performance fee

In addition to the management fees and costs, Auscap may be entitled to a performance fee of 15% of Outperformance (including GST net of RITC). Further details on the performance fee are set out in the Fund's PDS in Section 6 'Fees and costs'.

*The examples below are provided for illustrative purposes only in respect of the calculation of the performance fee, and do not represent actual or prospective performance of the Fund. These examples show the dollar effect for a hypothetical investor. Investor A has \$50,000 invested in the Fund on the first day of the period where a performance fee was calculated, has made no transactions and was fully invested during that period. Please note, the Fund's returns in these examples exclude the impact of the performance fee.*

| Performance fee worked examples  |  |
|--|--|
| Scenario   | Performance Fee  |
| Scenario 1   |  |
| <ul style="list-style-type: none"> <li>Fund's return is 5%</li> <li>Benchmark return is 5%</li> <li>The Fund return in excess of the Benchmark is 0%</li> </ul>  | No performance fee is charged  |
| Scenario 2   |  |
| <ul style="list-style-type: none"> <li>Fund's return is 7%</li> <li>Benchmark return is 2%</li> <li>The Fund return in excess of the Benchmark is 5%</li> </ul>  | A performance fee of \$375 is charged<br>( $\$50,000 \times 5\% \times 15\% = \$375$ )             |
| Scenario 3   |  |
| This is a two period example, the hypothetical investor is invested throughout   | No performance fee is charged  |
| Period 1 <ul style="list-style-type: none"> <li>Fund's return is -3%</li> <li>Benchmark return is -1%</li> <li>The Fund return in excess of the Benchmark is -2%</li> </ul>  |  |
| Period 2 <ul style="list-style-type: none"> <li>Fund's return is 6.19%, two period return now 3%</li> <li>Benchmark return is 2.02%, two period return now 1%</li> <li>The Fund return in excess of the Benchmark since the last Relative High Water Mark is 2%</li> </ul> | A performance fee of \$150 is charged in Period 2<br>( $\$50,000 \times 2\% \times 15\% = \$150$ ) |

## Soft commissions

Auscap may have soft commission arrangements in place with brokers and counterparties it uses to execute transactions. Auscap may receive a benefit based on certain metrics, such as value of trades executed through the respective broker or counterparty. Benefits received may include, among other things: research and information services, portfolio risk and trade analysis or particular trade execution capabilities. Auscap may choose to use soft commissions to pay for other direct expenses properly incurred in managing the Fund. While the benefits of such arrangements are generally used to assist Auscap in managing the Fund, Auscap is entitled to retain, and is not accountable in any way to the Fund or to any unitholder for, soft commissions.

## Fees waiver, deferral or reduction

Subject to the Corporations Act, Auscap retains the absolute discretion to rebate, waive, defer or reduce all or any part of any fees applicable to the units in the Fund for certain unitholders and/or pay all or part of such fees to third parties for services related to the placement of units in the Fund.

## Differential fees and rebates

Auscap may, in its sole discretion and in accordance with relevant ASIC policy and the Corporations Act, negotiate a rebate or waiver of the management fee and/or performance fee of the Fund with 'wholesale clients' (as defined in the Corporations Act), including IDPS operators. Any fee rebate or waiver is subject to Auscap determining that the giving of the rebate or waiver satisfies the requirements of ASIC policy and the Corporations Act. Reduced fees do not adversely affect the fees paid or to be paid by unitholders who are not entitled to the fee arrangements.

## Increases to fees and other costs

The Fund's Constitution permits higher fees to be charged as well as other fees which are not currently levied. Accordingly, Auscap may increase or commence charging the fees set out below without the consent of unitholders up to the maximum amount. Under the Fund's Constitution, the maximum fees are a maximum management fee of 4% of the gross value of the Fund's assets, a maximum performance fee of 30% of Outperformance (as defined in the Constitution), a maximum application fee of 5% of the application monies received and a maximum redemption fee of 2% of the amount payable for the redemption of units. Currently, Auscap does not have any intention to change the fee structure outlined in the Fund's PDS. Auscap will give 30 days' written notice in advance of any increase in fees and costs charged by the Fund.

## Indirect Investors

Indirect Investors will incur the fees and expenses applicable to the IDPS that they invest in the Fund through, as well as the Fund's fees and expenses. As well as reading the PDS and this Guide, Indirect Investors should read their IDPS operator's offer document, which explains the fees payable by the Indirect Investor to the IDPS operator.

## 5. How managed investment schemes are taxed

There are taxation implications when investing, withdrawing and receiving income from the Fund. The following summary of taxation matters is a general guide only and does not constitute tax advice. In particular, it applies where investors are residents of Australia for income tax purposes and hold their investment in the Fund on capital account for income tax purposes. This summary

does not apply where investors are not resident of Australia for income tax purposes or where any gain in respect of the disposal of units in the Fund would be regarded as ordinary income or otherwise taxed on revenue account.

The summary is based on the tax laws applicable as at the date of this Guide. The Australian tax laws are subject to change, and the tax treatment applicable to particular investors may differ. It is recommended that all investors seek their own professional advice on the taxation implications of investing in the Fund.

## Taxation of the Fund and Australian resident investors

The Fund should be treated as an Australian resident for income tax purposes. Auscap, as the Responsible Entity of the Fund, intends to make an irrevocable election to apply the Attribution Managed Investment Trust (**AMIT**) regime to the Fund. This regime will continue to apply, subject to the Fund continuing to satisfy the relevant eligibility requirements.

The Fund also intends to make an irrevocable election to treat gains and losses on the sale of eligible assets as capital gains and losses (the **MIT CGT election**). This election will continue to apply for all years where the Fund qualifies as a Managed Investment Trust (**MIT**). By making the election, the gains and losses from certain eligible assets will be taxed under the capital gains tax (**CGT**) regime. Eligible assets include shares and non-share equity interests, units in unit trusts, and land or interests in land, and options over these assets.

Where the Fund meets the AMIT requirements for a particular income year, it should generally not be liable to pay income tax where the Responsible Entity properly attributes all of the Fund's taxable income and tax offsets (described in the AMIT regime as **Trust Components**) on a fair and reasonable basis.

Australian resident investors will be subject to tax on the Trust Components of the Fund which are attributed to them. This may be comprised of dividend income, franking credits, foreign income, foreign income tax offsets, interest income, other assessable Australian sourced income and revenue and capital gains on the sale of investments. The tax payable (if any) depends on the investor's individual tax profile and applicable tax rate. The amount attributed to investors will be advised in an AMIT Member Annual Statement (**AMMA Statement**). The AMMA Statement will set out the amount which has been attributed to an investor (and where relevant, its components) and other relevant tax information.

If an investor disagrees with Auscap's attribution of income, the investor can challenge the attribution amount by notifying the Commissioner of Taxation. If an investor decides to take this course, it is important that the investor obtain professional tax and legal advice. We request that the investor contact Auscap before notifying the Commissioner.

The cost base of an investor's holdings may be increased or decreased in certain situations such as where the distribution is less than or more than certain components attributed to investors. The amount of any increase or decrease will be provided to investors on their AMMA Statement.

It is noted that under the AMIT regime, cash does not need to be paid to investors equal to amounts attributed. Where the Fund attributes taxable amounts to investors that are not paid in cash an upwards cost base adjustment can arise.

### Where the Fund is not an AMIT

Where the Fund does not satisfy the AMIT eligibility requirements the Fund itself should not be liable to pay Australian income tax in relation to its net taxable income where the Fund's investors

are presently entitled to the Fund's net taxable income each year. Rather, each investor should include their share of the Fund's net taxable income in their assessable income irrespective of the amount of cash distributed to them or whether it is reinvested or actually paid in a subsequent year. The Fund's net taxable income may be comprised of dividend income, franking credits, foreign income, foreign income tax offsets, interest income, other assessable Australian sourced income and revenue and capital gains on the sale of investments.

In calculating the Fund's net taxable income, the cash component of any franked dividend income should be grossed up to include franking credits relating to that dividend income and the cash component of any foreign income that has been subject to tax in another jurisdiction should be grossed up to include foreign income tax offsets relating to that foreign income. Finally, the Fund's net taxable income should be determined after having taken into account any tax deductible expenditure incurred by the Fund.

The Fund will provide an annual distribution statement to investors each year to inform them of their share of the net taxable income of the Fund, including the components that make up that share.

### Public trading trust rules

The Fund does not intend to derive income other than from an "eligible investment business". Accordingly, it should not be subject to tax as a public trading trust.

### Losses

Where the Fund is in a net capital loss or tax loss position in any income year, these losses are quarantined at the level of the Fund and cannot be passed on to investors.

However, the Fund may be able to utilise those losses to reduce its capital gains (in the case of carried forward capital losses) or taxable income (in the case of carried forward tax losses) in subsequent income years. Note however that the ability to use tax losses requires certain conditions to be satisfied.

### Franked dividends and franking credits

Generally, an investor's share of the Fund's Trust Components may include franked dividend income. Investors should include the franked dividend income in their assessable income.

Where franking credits are attached to dividends received by the Fund, these should flow indirectly to an investor, provided that the investor is attributed franked distributions that form part of the Fund's Trust Components and the Fund satisfies the "qualified person" test in relation to the dividend.

Where the Fund is not an AMIT, where franking credits are attached to dividends received by the Fund, these should flow indirectly to an investor, provided that the investor is presently entitled to franked distributions that form part of the distributable income of the Fund and:

- the Fund satisfies the "qualified person" test in relation to the dividend;
- the Fund is a fixed trust; and
- the Australian resident investor satisfies the "qualified person" test in relation to their units in the Fund.

### Foreign income and foreign income tax offsets

Generally, an investor's share of the Fund's Trust Components may include foreign income (which will generally represent foreign dividends for Australian tax purposes paid to the Fund as well as foreign sourced revenue gains). Investors should include the foreign income, including any foreign income tax offsets attached

to that income, in their assessable income and may be entitled to reduce the tax that they have to pay by some or all of their share of the foreign income tax offset, subject to certain limits.

### Capital gains

If an investor's share of the Trust Components of the Fund includes an amount that consists of discounted capital gains derived by the Fund, the investor needs to first 'gross up' the discounted capital gain (by multiplying it by 2). However, after grossing up any discounted capital gains, investors may be able to reduce the capital gains distributed by the Fund by any capital losses which are available to them. Furthermore, after applying any loss, individual, trust and complying superannuation fund investors may then be entitled, in determining the net capital gain that is to be included in their assessable income, to discount that capital gain by 50% for individuals and trusts (subject to certain conditions) and 33.3% for complying superannuation funds.

### Non-assessable distribution payments

Distributions of non-assessable amounts (typically referred to as 'Other Non-Attributable Amounts' or 'Tax Deferred' amounts) are generally not subject to tax. Although the receipt of non-assessable amounts are generally not subject to tax, the receipt of certain non-assessable amounts may have CGT consequences. Broadly, the receipt of certain non-assessable amounts may reduce the cost base of the investor's investment in the Fund. If the cost base reduces to zero, any additional non-assessable receipts may give rise to an immediately taxable capital gain. If the cost base is not reduced to zero, the reduction to the cost base and reduced cost base may result in either an increased capital gain or a reduced capital loss on the subsequent disposal of the units in the Fund.

### Disposal of units by Australian resident investors

Where an investor redeems its units, Auscap may determine after year end the amount of the Fund's Trust Components or net taxable income that is referable to those redeemed units. The redemption proceeds may include and comprise capital and income in proportions determined by Auscap.

Any taxable capital gain or assessable income arising from the disposal (including redemption) of an investment in the Fund may form part of the exiting Australian resident investor's assessable income. To the extent the disposal gives rise to a capital gain, investors that are individuals, trusts (subject to certain conditions) and complying superannuation funds may be eligible for the capital gains tax discount if their investment (i.e. their units) has been held for at least 12 months and the investor holds their units in the Fund on capital account. Any capital losses arising from the disposal of the investment may be used to offset other capital gains the investor may have derived.

### Goods and Services Tax

References to GST in the PDS and this Guide are to GST payable in Australia.

The Fund is registered for GST. The acquisition and disposal of units in the Fund by investors should not be subject to GST. Similarly, the distributions paid by the Fund should not be subject to GST. GST is payable on some ongoing expenses, however the Fund may be able to claim a RITC of at least 55% of the GST paid, depending on the precise nature of the expenses. All fees and expenses are quoted inclusive of GST.

### Duty

The issue or redemption of units in the Fund should not attract any duty. Duty may be payable on the transfer of units in the Fund. Investors should confirm the duty consequences of transferring units in the Fund with their taxation adviser.

## Tax File Numbers and Australian Business Numbers

On the Application Form, the investor may provide the Responsible Entity with a Tax File Number (TFN), TFN exemption or Australian Business Number (ABN). It is not compulsory to quote a TFN, TFN exemption or ABN (as applicable). However, if not provided, then the Responsible Entity is required to withhold tax at the top marginal tax rate plus the Medicare levy and other levies as applicable, on gross payments including distributions of income to the investor or on amounts attributed to the investor (deemed payments). The investor may be able to claim a credit in their tax return for any TFN/ABN tax withheld. By quoting their TFN or ABN on their application form for the Fund, the investor authorises Auscap to apply it in respect of all the investor's investments in the Fund.

## Taxation of non-resident investors

The tax rules applying to a non-resident investor differ to those applying to a resident investor. Non-resident investors may also be subject to tax in the country in which they reside, but may be entitled to a credit for some or all of the tax deducted in Australia.

Appropriate deductions of Australian withholding taxes will be made from attributions / distributions of Australian sourced taxable income for non-resident investors. The rate of withholding tax will depend on the composition of the attribution / distribution and on whether the non-resident investor is a resident of a country with which Australia has a Double Tax Agreement or has an address which is in an exchange of information country. Attributions / distributions to non-resident investors from sources wholly outside Australia will generally be exempt from Australian withholding tax.

Non-residents seeking to invest in the Fund should obtain tax advice in relation to their specific circumstances.

## 6. Other information

### Anti-money laundering and counter-terrorism financing laws

The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (AML Law), and other applicable anti-money laundering and counter terrorism laws, regulations and guidance which apply to Auscap, regulates financial services and transactions in order to detect and prevent money laundering and terrorism financing.

Under the AML Law, Auscap is required to:

- verify a prospective investor's identity before providing services and to re-identify an investor if we consider it necessary to do so; and
- keep a record of any documentation that prospective investors and investors supply relating to the verification of their identity for 7 years.

Auscap has implemented a number of measures and controls to comply with AML Law, including carefully identifying and monitoring prospective investors and investors. As a result of the implementation of these measures and controls:

- Auscap and any representative or agent acting on its behalf, such as the Administrator, reserves the right to request such information as is necessary to verify your identity, and you may also be asked for the source of your application monies;
- transactions may be delayed, blocked, frozen or refused where Auscap has reasonable grounds to believe that the transaction breaches the AML Law or sanctions of Australia or any other country. Applications cannot be processed unless all necessary information is provided; and



- where transactions are delayed, blocked, frozen or refused, Auscap is not liable for any loss a prospective investor or investor suffers (including consequential loss) as a result of its compliance with the AML Law as it applies to Auscap.

Auscap has certain reporting obligations under the AML Law and is not permitted to inform prospective investors and investors that any such reporting has taken place.

### Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (**FATCA**) is a US tax law aimed at improving tax information reporting regarding US persons in respect of their offshore investments to the United States Internal Revenue Service (**IRS**). Australia has signed an Inter-Governmental Agreement (**IGA**) with the US to facilitate the implementation of FATCA by Australian financial institutions. To comply with FATCA requirements, Auscap (as an Australian Financial Institution):

- may require investors to provide certain information regarding their identification and tax residence and will undertake certain due diligence procedures with respect to investors in the Fund to determine their status for FATCA reporting purposes. This information may be required at the time an application is made for the issue of units in the Fund or at any time after the units have been issued; and
- will report annually to the IRS, via the Australian Taxation Office (**ATO**), in relation to relevant investors' financial information required by the ATO (if any) in respect of any investment in the Fund.

Accordingly, by making an application to invest in the Fund, prospective investors agree to provide Auscap with certain identification and related information in order to enable it to comply with its obligations in connection with FATCA or similar reporting regimes and any related legislation and/or regulations.

### OECD Common Reporting Standard

Australia has implemented the OECD Common Reporting Standard for the Automatic Exchange of Financial Account Information (**CRS**). Auscap, as an Australian Financial Institution, is required to collect certain information about investors and may be required to provide it to the ATO. The ATO may pass this information on to tax authorities in other jurisdictions who have adopted the CRS.

The CRS requirements are similar to those which exist under FATCA. Under CRS, however, there are a larger number of countries in respect of which the ATO may provide information to the respective tax authorities. By making an application to invest in the Fund, prospective investors agree to provide Auscap with certain identification and related information in order to enable it to comply with its obligations in connection with the CRS.

### Conflicts of interest

Auscap has established internal policies and procedures to ensure that any conflicts of interest in relation to the Fund are adequately identified and appropriately managed. Where Auscap considers that a particular conflict of interest is likely to have a materially adverse effect on investors in the Fund, it will seek to implement adequate arrangements to mitigate, prevent and/or minimise (where practicable) the conflict of interest.

A copy of the conflicts of interest policy is available free of charge by contacting Auscap.

### Privacy policy

Privacy laws apply to the handling of personal information by Auscap. Auscap may collect personal information from you to

support the ongoing administration and legal compliance of your investment in the Fund. The Corporations Act and AML Law also require Auscap to collect some personal information about investors. Personal information may be used to advise you of new developments relevant to your investment in the Fund and for the general purposes of facilitating your participation and investment in the Fund and performing related administrative and organisational functions and tasks. If Auscap is unable to collect all the personal information required, we may not be able to assess your application for the Fund or administer your investment.

Auscap may disclose your personal information to external parties who provide services to Auscap in relation to the Fund. For example, this may include the Administrator or its associates, subcontractors, related group entities or related corporate bodies to the extent that any of these are involved with the Fund, or other parties such as providers of printing or postal services. This may involve your personal information being provided to such external parties in overseas locations such as India. Auscap will not otherwise disclose your personal information to any other external party unless authorised or required by law, with your consent or where Auscap is satisfied that you would reasonably expect Auscap to use or disclose your personal information in relation to any of the general purposes referred to above.

Any personal information provided to the Administrator will be collected and handled in accordance with the Administrator's privacy policy, a copy of which can be found at [www.apexgroup.com](http://www.apexgroup.com) or posted/emailed to you if you contact the Administrator on 1300 133 451 or [registry@apexgroup.com](mailto:registry@apexgroup.com).

By submitting paperwork relating to your investment in the Fund, you consent to your personal information being collected and handled by Auscap in accordance with its privacy policy and by the Administrator in accordance with its privacy policy.

You may be entitled to gain access to your personal information. Investors in the Fund have the right to ask Auscap or the Administrator to correct information about them which is inaccurate, incomplete, out of date, irrelevant or misleading. Auscap's privacy policy contains information about how investors may access their personal information and seek correction of such information, how to complain about a breach of privacy laws and how Auscap will deal with such a complaint. A copy of Auscap's privacy policy can be found at [www.auscapam.com/privacy-policy](http://www.auscapam.com/privacy-policy) or posted/emailed to you by contacting Auscap on +61 2 8378 0800 or [info@auscapam.com](mailto:info@auscapam.com).

### Authorised representatives

#### *Appointment of authorised representative to operate account*

You may elect to appoint an authorised representative to operate your account in a manner as directed by Auscap. Only unitholders in the Fund can appoint authorised representatives.

In appointing an authorised representative, you release, discharge, and agree to indemnify Auscap from and against any and all losses, liabilities, actions, proceedings, account claims and demands arising from Auscap acting on the instructions of your authorised representative.

#### *Powers of an authorised representative*

An authorised representative can, among other things:

- apply for additional units in the Fund;
- redeem all or part of your investment in the Fund; and
- enquire as to the status of your investment in the Fund and obtain copies of any statements to which you are entitled.

Redemption payments will only be made to unitholders in the Fund. No redemption payments will be made to third parties, including authorised representatives. If a company is appointed as an authorised representative, the powers will extend to any director and authorised officer of the company. If a partnership is appointed as an authorised representative, the powers will extend to all partners. Neither the Administrator nor Auscap accept any responsibility or liability for any loss caused as a result of non-receipt or ineligibility of any appointment of an authorised representative or for any loss caused in respect of any action taken as a consequence of an instruction from an authorised representative or believed in good faith to have originated from the authorised representative.

### **Warning Statement for New Zealand investors**

1. This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
2. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.
3. There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

4. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
5. Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.
6. The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
7. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

### **Currency exchange risk**

1. The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.
2. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

### **Dispute resolution process**

The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.