



**FORTLAKE**  
ASSET MANAGEMENT

Fortlake Real-Higher Income Fund

ARSN: 645 065 818

# Product Disclosure Statement

Fortlake Asset Management Pty Ltd  
ABN 30 643 640 939

Issued by  
Trustees Australia Limited  
ABN 63 010 579 058  
AFSL Licence 260 038

October 2021

Trustees Australia Limited ABN 63 010 579 058 AFS Licence No. 260 038 (**Trustees Australia, Responsible Entity, RE, we or us**) is the Responsible Entity of Fortlake Real-Higher Income Fund (**the Fund**) and issuer of this PDS. This PDS has not been lodged with the Australian Securities & Investments Commission (ASIC) and is not required to be so lodged. ASIC takes no responsibility for the contents of this PDS.

The latest current copy of this PDS is available to be downloaded from [www.fortlake.com.au](http://www.fortlake.com.au). If you make this PDS available to another person, you must give them the entire PDS, including the application form.

This PDS is also available to investors who invest through an IDPS (such as a master trust or wrap account). Different conditions may apply to such investors so please refer to the section "Investing through a master trust or wrap account".

This PDS is not an offer or invitation in relation to the Fund in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. New Zealand investors should refer to the section "Information for New Zealand investors". All references to \$ or amounts are to Australian dollars.

Trustees Australia has authorised Fortlake Asset Management Pty Ltd ABN 30 643 640 939 (**Fortlake or the Investment Manager**) to provide investment and other services to the Fund, pursuant to an investment management agreement entered into between Trustees Australia and Fortlake.

This PDS is current as at 5 October 2021. Information in this PDS is subject to change from time to time. To the extent that the change is not materially adverse to investors, it may be updated by a notice of the change on the Fund's website at [www.fortlake.com.au](http://www.fortlake.com.au). If the change is materially adverse to investors, Trustees Australia will notify affected investors and supplement or replace this PDS. A paper copy of any updated information will be provided free of charge on request.

Neither Trustees Australia nor Fortlake promise that you will earn any return on your investment or that your investment will gain or retain its value. No company other than Trustees Australia and Fortlake makes any statement or representation in this PDS.

This PDS has been prepared without taking into account your objectives, financial situation or needs. You should consider the appropriateness of the Fund having regard to your own objectives, financial situation and needs and the Fund's Target Market Determination (**TMD**). The TMD is available to be downloaded from [www.fortlake.com.au](http://www.fortlake.com.au). You should read the entire PDS, and speak to a financial adviser, before proceeding to acquire or dispose of units in the Fund.

## **SERVICE PROVIDERS**

### **Responsible Entity**

Trustees Australia Limited ABN 63 010 579 058 (AFSL 260 038)  
Level 1, 262 Adelaide Street  
Brisbane QLD 4000

### **Investment Manager**

Fortlake Asset Management Pty Ltd ABN 30 643 640 939  
Level 5, 66 Clarence Street  
Sydney NSW 2000

### **Administrator**

Link Fund Solutions Pty Limited ABN 44 114 914 215  
Level 12, 680 George Street  
Sydney NSW 2000

### **Prime Broker & Custodian**

J.P. Morgan Securities LLC ABN 37 109 293 610  
277 Park Avenue New York, NY 10172  
United States

### **Legal Advisers**

Ernst & Young ABN 75 288 172 749  
200 George Street  
Sydney NSW 2000

### **Auditor**

Ernst & Young ABN 75 288 172 749  
200 George Street  
Sydney NSW 2000



**What's in this PDS?**

We hope you find this PDS easy to use. We encourage you to read it all before you make any investment decision.

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## FUND SNAPSHOT

<b>FEATURE</b>	<b>SUMMARY</b>
FUND NAME	Fortlake Real-Higher Income Fund
INVESTMENT MANAGER OF THE FUND	Fortlake Asset Management Pty Ltd ABN 30 643 640 939 CAR #001284204 CAR #001283388
RESPONSIBLE ENTITY OF THE FUND	Trustees Australia Limited ABN 63 010 579 058 (AFSL 260 038)
ADMINISTRATOR	Link Fund Solutions Pty Limited ABN 44 114 914 215
PRIME BROKER & CUSTODIAN	J.P. Morgan Securities LLC ABN 37 109 293 610
INVESTMENT OBJECTIVE <sup>1</sup>	The Fund's investment objective is to target strong returns above the RBA cash rate after allowing for inflation, commensurate with a moderate level of risk.
BENCHMARK	RBA cash rate
KEY RISKS	<p>Some of the key risks in relation to an investment in the Fund are summarised below. Please refer to the "What are the significant risks?" section for a more comprehensive summary of potential risks.</p> <p>Key risks specific to an investment in the Fund include:</p> <ul style="list-style-type: none"> <li>• <b>Manager Skill</b> The Fund relies heavily on the methodology designed by the Investment Manager.</li> <li>• <b>Leverage</b> The Investment Manager's use of leverage can magnify both the gains and losses and investors may experience increased volatility in the value of their investments.</li> <li>• <b>Liquidity Risk</b> The Investment Manager invests in government or government related bonds and may invest opportunistically in short-term investment-grade bonds. Investments in bonds may suffer from a lack of liquidity during the term of the bond, or if there is a thin market for the particular bonds.</li> </ul>
APIR Code	TAL0284AU

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<sup>1</sup> There is no guarantee that the Fund's investment objective will be achieved. The investment objective is not intended to be a forecast. It is merely an indication of what the Fund aims to achieve over the medium to long term. The Fund may not be successful in meeting this objective. Returns are not guaranteed.



SUGGESTED INVESTMENT PERIOD <sup>2</sup>	2-5 year period
FUND INCEPTION	18 September 2020
ENTRY FEES	Nil
EXIT FEES	Nil
INVESTMENT MANAGEMENT FEE	0.52% p.a. (incl. GST)
BUY / SELL SPREAD	0.00 / 0.15%
MINIMUM INITIAL INVESTMENT	\$1,000
MINIMUM ADDITIONAL INVESTMENT	\$1,000
MINIMUM WITHDRAWAL	\$1,000
MINIMUM BALANCE	\$1,000
UNIT PRICING FREQUENCY	Daily
APPLICATION PROCESSING	Daily, 2pm Sydney time, after the end of the offering period. Please refer to “How to invest” for more information.
REDEMPTION PROCESSING	Withdrawal requests are required to be received by 2pm Sydneytime on the day of redemption.
INCOME DISTRIBUTION FREQUENCY	Any income distributions (if any) are generally paid quarterly. Investors can elect for distributions to be paid in cash or to be automatically reinvested into the Fund. Please refer to “Distributions?” for more information.

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<sup>2</sup> This suggested investment period may not be appropriate for you at all times or suit your particular needs. You should regularly review all aspects of your investments.

## DISCLOSURE PRINCIPLES

PRINCIPLE	THE DETAIL
<p>DISCLOSURE PRINCIPLE 1</p> <p><b>Investment Strategy</b></p>	<p><b>The investment strategy</b></p> <p>The strategy is quantitative led and seeks to generate real returns in the more liquid parts of the fixed income market using specialised techniques only available to institutional grade fixed income managers. The Investment Manager seeks to target areas of the fixed income market that have a lower probability of default (<b>POD</b>). The Investment Manager only invests in areas where it deems it has a competitive advantage to other fixed income managers.</p> <p><b>The investment strategy explained</b></p> <p>The focus of the Fund is fixed interest investments. The Fund’s investment strategy utilises a variety of institutional techniques, including a combination of inflation hedges, overlays, arbitrage strategies and short-to-medium term investment-grade bond opportunities to generate real returns above the RBA cash rate. The focus and style of the Investment Manager is to seek out lower POD opportunities in fixed income markets and then use specialised techniques to deliver returns to investors using a variety of return sources that have market-based correlations.</p> <p>The Fund’s investment strategy may change from time to time. The Investment Manager will notify investors of any changes to investment strategy in accordance with the requirements in the Corporations Act.</p> <p><b>Investment universe</b></p> <p>The investment universe is comprised mainly of investment-grade corporate bonds, asset backed securities inflation derivatives, credit derivatives, interest rate derivatives, bank bills and Negotiable Certificates of Deposit (<b>NCDs</b>) issued by larger Australian banks. In addition, the Fund may also use derivatives to gain additional exposure to non-Australian interest rates. Fortlake aims to hedge any foreign currency exposure back to Australian dollar.</p> <p><b>Key dependencies or assumptions</b></p> <p>The Fund relies heavily on the effectiveness of the methodology described in the “Fortlake’s investment process” section to deliver positive returns. If the methodology does not work as anticipated, the Fund could underperform or incur losses.</p> <p>For further information regarding the risks associated with the Fund’s investment strategy, refer to ‘What are the significant risks?’.</p> <p><b>Diversification and position limits</b></p> <p>The portfolio will typically contain 20 to 70 positions. The portfolio will generally contain derivative positions as well, particularly where use of the derivative enhances the theme or strategy of the portfolio.</p> <p>Interests in the Fund will be issued in Australian dollars; however, the Fund will have underlying positions in US dollars and other currencies which will generally be hedged back to AUD.</p> <p>The Fund will generally have the following asset allocations at all times:</p> <ul style="list-style-type: none"> <li>• Weighted average credit weighting of the bond portfolio within the Fund no lower than BBB-</li> <li>• Global government and corporate bond exposure of 0% - 15% of net asset value of the Fund</li> <li>• Australian corporate bonds of 70% - 100% of net asset value of the Fund</li> <li>• Australian government bonds of 0% - 10% of net asset value of the Fund</li> </ul>



PRINCIPLE	THE DETAIL
	<ul style="list-style-type: none"> <li>The Fund may use derivatives to gain access to the above investment exposures and these derivatives may reference sub- investment grade issuers. Refer to disclosure principles 6 (leverage) and 7 (derivatives) below.</li> </ul> <p><b>Risks</b></p> <p>Please refer to “What are the significant risks?” for details about risks of investing in the Fund.</p> <p><b>Is my capital protected?</b></p> <p>The return of capital and the performance of the Fund are not guaranteed by any person or organisation, including the InvestmentManager and the Responsible Entity.</p> <p><b>Risk management strategy</b></p> <p>The Investment Manager continually monitors risk across four key dimensions: (i) Portfolio Exposures; (ii) Structure; (iii) Operations; and (iv) Commercial.</p> <p>Portfolio Exposures relates to the individual and aggregate investment and currency exposures contained in the Fund’s long portfolio, short portfolio and the resulting net exposures.</p> <p>Structure relates to the Fund’s counterparties for foreign exchange forward transactions and prime broking services; as well as the oversight of the legal entities relating to the Fund and the Investment Manager.</p> <p>Operations relates to the Investment Manager’s research, trading and accounting systems, the oversight of the Fund’s service providers and other matters of regulation and compliance.</p> <p>Commercial relates to the internal workings of the Investment Manager, including research, finance, human resources and communications functions.</p> <p>The Investment Manager conducts a formal risk review of these dimensions on a quarterly basis.</p> <p><b>For what type of investor is the Fortlake Real-Higher Income Fund appropriate?</b></p> <p>Investors seeking to target returns above the RBA cash rate where the investor has a medium investment timeframe, moderate risk/return profile and could need daily access to capital.</p> <p>Please refer to the TMD of the Fund made available on <a href="http://www.fortlake.com.au">www.fortlake.com.au</a> for more information about the class of investors which likely objectives, financial situation and needs would be consistent with the key attributes of the Fund.</p> <p>Fortlake Asset Management Pty Ltd ABN 30 643 640 939 is the investment manager for the Fund. Fortlake is an Australian incorporated company. Fortlake blends its talented and experienced team of individuals with a combination of global business insights and investment philosophy.</p> <p>Trustees Australia and Fortlake have signed an investment management agreement, which is in an industry standard format and provides for termination of the investment manager in a number of circumstances including insolvency, breach of an obligation, representation, warranty or undertaking under the agreement or if Trustees Australia is required to terminate to comply with relevant law. There are no penalty pay outs in the event the investment management agreement is terminated. There are no unusual or onerous (from an investor’s perspective) terms in the investment management agreement. Fortlake is responsible for managing the portfolio in accordance with the investment management agreement and under this agreement, is required to act in the best interests of investors in performing its services. There have been no adverse regulatory findings against Fortlake or its personnel.</p>





PRINCIPLE	THE DETAIL
	<p>There are several key investment personnel who have day to day responsibility for the running of the Fund.</p> <p>The key persons, including their relevant qualifications and commercial experience, are:</p> <p><b>Dr Christian Baylis, Founder, Chief Investment Officer</b></p> <p>Christian is a highly regarded Australian-based manager with broad experience across global fixed income and derivatives strategies, having worked previously at UBS Asset Management and the Reserve Bank of Australia (RBA).</p> <p>Christian managed in excess of \$8 billion AUM and was the lead Portfolio Manager in the UBS Australian Fixed Income team for the UBS Cash Plus Fund, the Insurance and Asset Liability Management book of business and ran a complex suite of overlay strategies for large cross-border liability clients. Christian was also a member of the Global Multi Strategy Committee and was appointed as the Australian representative for the Global Dynamic Fund, the core global unconstrained Fixed Income offering for UBS Asset Management.</p> <p>Christian was also the Head of Derivative Strategy, Inflation Linked Assets and Credit Trading across the Australian Fixed Income business, managing in excess of \$26 billion. This role incorporated oversight of Sector Strategy - incorporating Semi-government and Sovereign Supra National Agencies (SSAs) and the development of the associated ESG framework for these assets. As a member of the Global Multi Strategy Committee Christian was actively involved in the macro analysis and research of fixed income markets for the global Fixed Income business.</p> <p>Christian joined UBS Asset Management in March 2011. Whilst managing the UBS Cash-Plus Fund from March 2011 to May 2020, Christian obtained the only 'Highly Recommended' rating from Zenith for consecutive years 2017 – 2020 for the Short-Term Credit category.</p> <p>Prior to this, he was a Senior Analyst at the Reserve Bank of Australia (RBA), managing the Bank's investment portfolio, liquidity and liability profile. Prior to his role at the RBA, Christian worked for Standard and Poor's, as a Rating Specialist conducting rating assessments and research.</p> <p>Christian has a PhD in Econometrics from Monash University and was a recipient of the distinguished Exceed First Class Honours award, receiving a perfect GPA. Christian won the Australian Postgraduate Scholar Award at both University of New South Wales (UNSW) and the University of Sydney (USYD) for his work in the Econometrics field and was a visiting scholar at Monash University in the Econometrics faculty. Christian was also the recipient of the prestigious Capital Markets CRC PhD Scholarship where his work focused on alternative methods of inflation modelling, probability density functions and option implied distributions.</p> <p>Christian will spend approximately 90% of the time executing the investment strategy.</p> <p><b>Dr Kylie-Anne Richards, Executive Director</b></p> <p>Kylie-Anne joined UTS in January 2019 after completing her PhD (Mathematics) on Limit Order Book Dynamics at the University of NSW. She was awarded the QRSLab Boronia Managed Funds PhD Scholarship in 2011. Kylie-Anne also holds a Master's degree in Finance from the University of Hone Kong. Her research and teaching interests are in financial markets, sustainable finance, green finance, ESG, high frequency finance, market microstructure, statistics and econometrics.</p> <p>Kylie-Anne has had extensive industry experience both domestically and overseas. She began her career as a Quantitative Analyst at Investment Technology Group. Kylie-Anne was Head of Financial Engineering for Asia Pacific at Macquarie Group in Hong Kong and subsequently, Head of Indexation and Quantitative Trading</p>



PRINCIPLE	THE DETAIL
	<p>Research at CLSA in Sydney.</p> <p>Most recently she held the position of Director, Portfolio Manager at QTR Capital, a proprietary trading business.</p> <p>Dr Richards will spend approximately 90% of the time executing the investment strategy.</p> <p><b>Dr Nalin Prasad, Member of the Investment Team</b></p> <p>Dr Prasad previously worked at the Reserve Bank of Australia (RBA) as an Analyst across the Bank's investment portfolio where he conducted research on behalf of the investment committee. He was most recently a visiting Fellow at the University of Sydney (USYD) Business School where his research focus specialised on volatility spillovers and the impact of macroeconomic news in financial markets.</p> <p>Dr Prasad is CFA Charter Holder, a Certified FRM Holder and a CPA. He completed his Bachelor Degree in Business (Accounting) from UWS with First Class Honours, was awarded the University Medal and was a recipient of the Australian Postgraduate Award (USYD). He also holds a Master of Engineering Studies degree where he majored in Software and Information Systems engineering and a Bachelor Degree in Computer Engineering</p> <p>Dr Prasad will spend approximately 90% of the time executing the investment strategy</p> <p><b>Dr Hoang Lan Do, Member of the Investment Team</b></p> <p>Dr Do was most recently an academic scholar at the University of New South Wales (UNSW) where her research and lecturing specialisation was on the topic of Capital Structures in Corporate Finance. Her lecturing career extended across Banking Capital, Financial Markets and Financial Econometrics. Prior to this Dr Do was the Financials Analyst at Vietnamese Investment Group (VIG) and has also been founding partner in variety of Fintech start up opportunities.</p> <p>Dr Do was awarded the University Medal at the University of Technology Sydney (UTS) for her work in the field of Finance and was awarded the KPMG scholarship award for all round academic excellence.</p> <p>Dr Do will spend approximately 90% of the time executing the investment strategy.</p> <p><b>Hang Nguyen PhD, Risk and Actuarial – Member of the Investment Team</b></p> <p>Hang was most recently an Actuarial Executive for Bao Viet Life Insurance (BVL), one of the largest life insurers in the Asia Pacific region. BVL is co-owned by HSBC and State Capital Investment Corporation (SCIC) and will soon incorporate Sumitomo Life. Hang was also a machine learning engineer and a Mathematician for a large slot gaming corporation.</p> <p>Prior to this Hang was a Data Scientist for Verizon Corporation. Hang is a Capital Markets CRC PhD scholar at the University of New South Wales (UNSW) and visiting scholar at the Rozetta Institute where her work was focused on market microstructure and machine learning on annuity products. Hang has recently worked at the school of Risk and Actuarial Science at UNSW and is considered a leading authority in the Mathematics field based on peer review. Hang holds a Masters in Applied Mathematics and Statistics from Stony Brook University, New York and has a B.A. in Mathematics and Economics.</p> <p>Hang will spend approximately 90% of the time executing the investment strategy.</p>



PRINCIPLE	THE DETAIL						
	<p>The Fund is structured as a registered managed investment scheme and a unit trust.</p> <p>The Responsible Entity of the Fund is Trustees Australia. The Investment Manager of the Fund is Fortlake.</p> <p>Other key service providers include Link Fund Solutions Pty Limited, the Administrator of the Fund, J.P. Morgan Securities LLC, the Prime Broker and Custodian of the Fund and Ernst &amp; Young, the auditors of the Fund.</p> <p>All key service providers of the Fund are appointed on arms' length commercial terms. Service providers are largely based in Australia.</p> <p>For further information in relation to the Prime Broker and Custodian, please refer to "The Prime Broker and Custodian".</p> <p>Trustees Australia ensures compliance of its service providers with their obligations under the relevant service agreements and laws by monitoring performance, and by conducting reviews in accordance with its service provider monitoring program.</p> <p>There are risks of holding assets through third party service providers such as the Prime Broker. These risks are outlined in the section "What are the significant risks?" and "Counterparty risk".</p> <p>For information on fees and costs associated with an investment in the Fund, please refer to "Fees and other costs".</p>						
<p>DISCLOSURE PRINCIPLE 2 <b>Investment Manager</b></p>	<p>Below is a table summarising the Fund's assets, location of assets and custody arrangements.</p> <table border="1" data-bbox="470 1086 1420 1545"> <thead> <tr> <th data-bbox="470 1086 766 1131">Assets</th> <th data-bbox="766 1086 1069 1131">Location of Assets</th> <th data-bbox="1069 1086 1420 1131">Prime Broker &amp; Custodian</th> </tr> </thead> <tbody> <tr> <td data-bbox="470 1153 766 1545">Investment-grade corporate bonds, Commonwealth Government Bonds, Semi-Government Bonds, inflation derivatives, interest rate derivatives, bank bills and Negotiable Certificates of Deposits (NCDs) issued by larger Australian Banks.</td> <td data-bbox="766 1153 1069 1545">Australia, North America, UK/EMEA, Asia Pacific</td> <td data-bbox="1069 1153 1420 1545">J.P. Morgan Securities LLC</td> </tr> </tbody> </table> <p>Interests (i.e., units) in the Fund are valued daily and the net asset value is determined in accordance with the constitution and applicable industry standards.</p> <p>Please refer to the "The Fund's Investment Process" section for information on the geographical exposures of the Fund's investments.</p> <p>Please refer to the "Disclosure Principle 1 Investment Strategy" section for more information on asset allocation.</p>	Assets	Location of Assets	Prime Broker & Custodian	Investment-grade corporate bonds, Commonwealth Government Bonds, Semi-Government Bonds, inflation derivatives, interest rate derivatives, bank bills and Negotiable Certificates of Deposits (NCDs) issued by larger Australian Banks.	Australia, North America, UK/EMEA, Asia Pacific	J.P. Morgan Securities LLC
Assets	Location of Assets	Prime Broker & Custodian					
Investment-grade corporate bonds, Commonwealth Government Bonds, Semi-Government Bonds, inflation derivatives, interest rate derivatives, bank bills and Negotiable Certificates of Deposits (NCDs) issued by larger Australian Banks.	Australia, North America, UK/EMEA, Asia Pacific	J.P. Morgan Securities LLC					
<p>DISCLOSURE PRINCIPLE 3 <b>Fund Structure</b></p>	<p>The Fund generally permits redemptions daily on each Business Day. Withdrawal requests are required to be received by 2pm Sydney time on the day of redemption, for processing using the unit price effective for the day of redemption.</p> <p>It is expected that the Fund will be able to meet redemptions in normal market conditions. In a rapidly moving market investors could experience a deferral or scaling back to a partial payment of their redemption plus a deferral of the outstanding amount.</p> <p>The constitution of the Fund and the Corporations Act permit deferral of redemptions in certain circumstances. Please refer to the section "Withdrawing your</p>						



PRINCIPLE	THE DETAIL												
	<p>investment” for further information. The Responsible Entity is also permitted to defer redemptions if it receives, an individual redemption request that represents more than 5% (for an individual member) or redemptions received over a period of 5 consecutive businessdays for more than 10% (in aggregate) of the number of units in issue. This is commonly referred to as ‘gating’. The Responsible Entity also has the discretion to waive these ‘gating’ rights.</p> <p>Please refer to the section “What are the significant risks?” and “Liquidity” for more information on liquidity.</p>												
<p>DISCLOSURE PRINCIPLE 4</p> <p><b>Valuation, location and custody of assets</b></p>	<p>Fortlake may leverage the Fund's capital because it believes that the use of leverage may enable the Fund to achieve a higher rate of return. Accordingly, the Responsible Entity may pledge the Fund's securities in order to borrow additional funds for investment purposes. The Fund may also leverage its investment return with derivatives and short sales. The amount of borrowings which the Fund may have outstanding at any time may be substantial in relation to its capital. Leverage can magnify both the gains and losses and investors may experience increased volatility in the value of their investments.</p> <p>Leverage may be employed via the prime broking relationship with J.P. Morgan Securities LLC or other trading counterparties, who impose a strict set of leverage limits, asset class criteria restrictions as well as concentration risk calculations on Fortlake.</p> <p>The Prime Broker or other counterparties may enter into leveraged transactions with the Fund (e.g., short selling or derivatives) and may hold some assets of the Fund as collateral for those transactions.</p> <p>Please refer to the “What are the significant risks?” section for more information on leverage.</p> <p><b>Worked example of impact of leverage on investment returns and losses</b></p> <p>The following table provides examples of two different scenarios of the Fund’s performance and their theoretical outcome if the Fund was at its maximum gross market exposure (2.5x) with no protection through short selling. At the Fund’s maximum gross market exposure, this means that for every \$1 of the Fund’s Net Asset Value, the Fund is leveraged \$2.50. Note that this example does not take into account borrowing or trading costs.</p> <p>The examples use an investment of \$50,000 and the maximum anticipated and allowed leverage of 2.5x:</p>												
<p>DISCLOSURE PRINCIPLE 5</p> <p><b>Liquidity</b></p>	<table border="1" data-bbox="475 1503 1374 1733"> <thead> <tr> <th data-bbox="475 1503 699 1599">RETURN ON INVESTMENTS</th> <th data-bbox="703 1503 922 1599">TOTAL GROSS PORTFOLIO EXPOSURE</th> <th data-bbox="927 1503 1145 1599">TOTAL PORTFOLIO GAIN/(LOSS)</th> <th data-bbox="1150 1503 1374 1599">TOTAL PORTFOLIO VALUE</th> </tr> </thead> <tbody> <tr> <td data-bbox="475 1606 699 1666">Portfolio return +10%</td> <td data-bbox="703 1606 922 1666">\$125,000</td> <td data-bbox="927 1606 1145 1666">\$12,500</td> <td data-bbox="1150 1606 1374 1666">\$62,6500</td> </tr> <tr> <td data-bbox="475 1673 699 1733">Portfolio return -10%</td> <td data-bbox="703 1673 922 1733">\$125,000</td> <td data-bbox="927 1673 1145 1733">(\$12,500)</td> <td data-bbox="1150 1673 1374 1733">\$37,500</td> </tr> </tbody> </table>	RETURN ON INVESTMENTS	TOTAL GROSS PORTFOLIO EXPOSURE	TOTAL PORTFOLIO GAIN/(LOSS)	TOTAL PORTFOLIO VALUE	Portfolio return +10%	\$125,000	\$12,500	\$62,6500	Portfolio return -10%	\$125,000	(\$12,500)	\$37,500
RETURN ON INVESTMENTS	TOTAL GROSS PORTFOLIO EXPOSURE	TOTAL PORTFOLIO GAIN/(LOSS)	TOTAL PORTFOLIO VALUE										
Portfolio return +10%	\$125,000	\$12,500	\$62,6500										
Portfolio return -10%	\$125,000	(\$12,500)	\$37,500										
<p>DISCLOSURE PRINCIPLE 6</p> <p><b>Leverage</b></p>	<p>While the Fund primarily invests in fixed interest bonds, Fortlake may, in its discretion, invest in derivatives and/or exchange traded funds to gain an intended exposure or manage a particular risk.</p> <p>Derivatives (both exchange traded and over the counter) may be used in the management of the Fund for purposes including the following:</p> <ul style="list-style-type: none"> <li>• managing investment risk and volatility of a security or market;</li> <li>• managing actual and anticipated interest rate risk and credit exposure;</li> <li>• managing currency risk and adjusting currency exposure;</li> </ul>												



PRINCIPLE	THE DETAIL
	<ul style="list-style-type: none"> <li>• achieving asset exposures without buying or selling the underlying securities;</li> <li>• creating short exposure to a security or market where permitted;</li> <li>• generating additional income;</li> <li>• adding to the gearing levels of the Fund’s portfolio;</li> <li>• managing strategic and tactical asset allocation strategies; or</li> <li>• taking advantage of price differences (known as arbitrage).</li> </ul> <p>The primary over the counter derivative counterparty used is J.P. Morgan Securities LLC, who is the Fund’s Prime Broker. The Investment Manager prefers to have multiple counterparties available for derivative transactions to ensure its liquidity, risk management and execution processes are optimised. The Investment Manager only trades with institutional counterparties with a broad market coverage.</p> <p>Please refer to the “What are the significant risks?” section for more information on the use of derivatives.</p>
<p>DISCLOSURE PRINCIPLE 6 <b>Leverage</b></p>	<p>Short selling may be undertaken by the Fund as part of the investment strategy. The Fund may engage in short selling by borrowing bonds through the Prime Broker and providing the required collateral.</p> <p>Fortlake will engage in short-selling in accordance with the rules of the particular market on which it is trading (for example, it will comply with relevant reporting requirements and, where “naked” short selling is prohibited, Fortlake will not engage in such practice).</p> <p>The risks of short selling are set out in the section “What are the significant risks?”. Short selling risk is managed by Fortlake through size and by the use of the Prime Broker.</p>
<p>DISCLOSURE PRINCIPLE 7 <b>Derivatives</b></p>	<p>The Fund processes withdrawals on a daily basis. Withdrawal requests are required to be received by 2pm Sydney time on the day of redemption, for processing using the unit price effective for the day of redemption.</p> <p>The process for making withdrawals and limitations in relation to withdrawals are set out in the section “Withdrawing your investment”. In some circumstances, such as when the Fund is illiquid, investors may not be able to withdraw from the Fund. If the withdrawal requirements are altered, you will be notified in writing. Please also refer to the section “What are the significant risks?” and “Liquidity” for more information on liquidity.</p>
<p>DISCLOSURE PRINCIPLE 8 <b>Short Selling</b></p>	<p>Short selling may be undertaken by the Fund as part of the investment strategy. The Fund may engage in short selling by borrowing bonds through the Prime Broker and providing the required collateral.</p> <p>Fortlake will engage in short-selling in accordance with the rules of the particular market on which it is trading (for example, it will comply with relevant reporting requirements and, where “naked” short selling is prohibited, Fortlake will not engage in such practice).</p> <p>The risks of short selling are set out in the section “What are the significant risks?”. Short selling risk is managed by Fortlake through size and by the use of the Prime Broker.</p>
<p>DISCLOSURE PRINCIPLE 9 <b>Withdrawals</b></p>	<p>The Fund processes withdrawals on a daily basis. Withdrawal requests are required to be received by 2pm Sydney time on the day of redemption, for processing using the unit price effective for the day of redemption.</p> <p>The process for making withdrawals and limitations in relation to withdrawals are set out in the section “Withdrawing your investment”. In some circumstances, such as when the Fund is illiquid, investors may not be able to withdraw from the Fund. If the withdrawal requirements are altered, you will be notified in writing. Please also refer to the section “What are the significant risks?”</p>



PRINCIPLE	THE DETAIL
	and "Liquidity" for more information on liquidity.

**DISCLOSURE BENCHMARKS**

This PDS addresses the following two disclosure benchmarks:

BENCHMARK	MET OR NOT MET?
<p><b>BENCHMARK 1</b></p> <p><b>Valuation of assets</b></p> <p>This benchmark addresses whether valuations of the Fund's non-exchangetraded assets are provided by an independent administrator or an independent valuation service provider.</p>	<p>The Fund meets the valuation of assets benchmark. Any non-exchange traded assets (such as over the counter derivatives) are valued by the Administrator who is unrelated to the Fund.</p>
<p><b>BENCHMARK 2</b></p> <p><b>Periodic reporting</b></p> <p>This benchmark addresses whether we provide periodic disclosure to our investors of certain key Fund information on an annual and monthly basis.</p>	<p>The Fund meets this benchmark.</p> <p>The following information will be made available to investors in the Fund on a monthly basis:</p> <ul style="list-style-type: none"> <li>• net asset value of the Fund and price of units; and</li> <li>• net return on the Fund's assets after fees, costs and relevant taxes.</li> </ul> <p>We will advise investors should there be any changes to the following:</p> <ul style="list-style-type: none"> <li>• any changes to key service providers including any change in related party status in respect of the Fund more generally;</li> <li>• any material changes to the risk profile and strategy of the Fund more generally; and</li> <li>• any material changes related to the primary investment personnel responsible for the Fund more generally.</li> </ul> <p>The following information will be provided to investors in the Fund on an annual basis:</p> <ul style="list-style-type: none"> <li>• asset allocation to each asset type;</li> <li>• liquidity profile at the end of the relevant period;</li> <li>• maturity profile of liabilities at the end of the relevant period;</li> <li>• the gross exposure as a measure of the leverage ratio at the end of the relevant period;</li> <li>• details on derivative counterparties engaged; monthly returns and annual investment returns</li> </ul>

## **WHAT ARE THE BENEFITS OF INVESTING IN THE FUND?**

### **Benefits of investing in the Fund**

The Fortlake Real-Higher Income Fund's key benefits include the following:

- The Investment Manager is highly specialised, with deep knowledge and experience in fixed interest investments;
- Investors have access to Fortlake's investment methodology which is designed to
- produce returns and protect investors against inflation risk;
- Investors have access to a diversified portfolio of Investment Grade fixed interest investments.

## **THE FUND'S INVESTMENT PROCESS**

### **Fortlake's investment process**

Investors in the Fund have the benefit of accessing Fortlake's specialised investment process. The Investment Manager utilises a Trade Meritocracy Framework (TMF) to build its portfolio, which includes the following stages:

- Stage 1 – Universe and Opportunity Set

The Investment Manager identifies a shortlist of potential investments (the investment universe) which fit the Fund's investment parameters. This process involves analysing a range of investment instruments and forming a view as to their relative merits (including any discount to their intrinsic value), based on their risks and potential return, commensurate with the Fund's target return. Once the Investment Manager has completed this analysis, it uses this data to optimise capital allocation and weight the portfolio.

- Stage 2 – Factor Audit

Once the investment universe is defined, each of the potential investments is subject to further analysis and modelling through repeated simulation. This stage involves scrutinising the performance of the potential investments across a range of factors. Such factors may include macroeconomic factors or investment specific factors like volatility or momentum. Potential investments are ranked across each factor with a view of identifying opportunities and areas for further optimisation. The factors used in this stage may change over time and themselves are evaluated regularly by the Investment Manager to ensure effectiveness.

- Stage 3 – Implementation Review

Once the investments and allocations have been confirmed, the Investment Manager considers the most effective means of implementing the investment. For example, in some circumstances, the Investment Manager may elect to trade in a bond directly, and in others, it may elect to instead trade via a derivative. In determining this, the Investment Manager will have regard to the potential merits and risks associated with each approach.

- Stage 4 – Execution Review

Once the most appropriate means of implementation has been identified, the Investment Manager determines the optimal means of executing the trade. This includes an evaluation of the potential trading counterparties, informed by the Investment Manager's previous knowledge and experience with the counterparties.

- Stage 5 – Post Execution Review

When the Investment Manager executes a trade (and thereafter), it analyses how the market responds to its trade. The Investment Manager uses this data to develop a profile on counterparty firms and the market, which it uses to better inform trading strategy and counterparty selection in the future.

- Stage 6 – Live Monitor

The portfolio is then subject to ongoing monitoring and evaluation. The data collected at this stage is used to evaluate the sufficiency of the model and identify further areas of optimisation.

**Labour and environmental, social or ethical considerations**

In buying, selling or retaining underlying investments, Fortlake does not generally take into account labour standards or environmental, social or ethical (ESG) considerations. However, to the extent that Fortlake believes those matters may affect the value or performance of an underlying investment they may be considered. Fortlake does not apply a predetermined view as to what constitutes labour standards or environmental, social or governance considerations. These will be determined on a case-by-case basis for the Fund.

**The Fund’s Geographic exposure**

The Fund may invest corporate bonds or other debt instruments issued by foreign corporations. The Fund will typically have geographical exposures of:

GEOGRAPHIC LOCATION	GROSS EXPOSURE RANGE
North America	7.5%
UK/EMEA	7.5%
Asia Pacific (predominantly Australia)	85%

We note that these geographical allocations are guidelines only and may be varied at the discretion of Fortlake having regard to the best interests of investors and the investment strategy of the Fund.

**What corporate governance processes are in place to manage my investment?**

Under the Corporations Act 2001 (Cth) and the Fund documents, investors are provided with several layers of oversight providing a robust and appropriate corporate governance structure. The structure provides additional investor safeguards through the separation of duties, specialisation of expertise, clear lines of responsibility and layered approval processes.

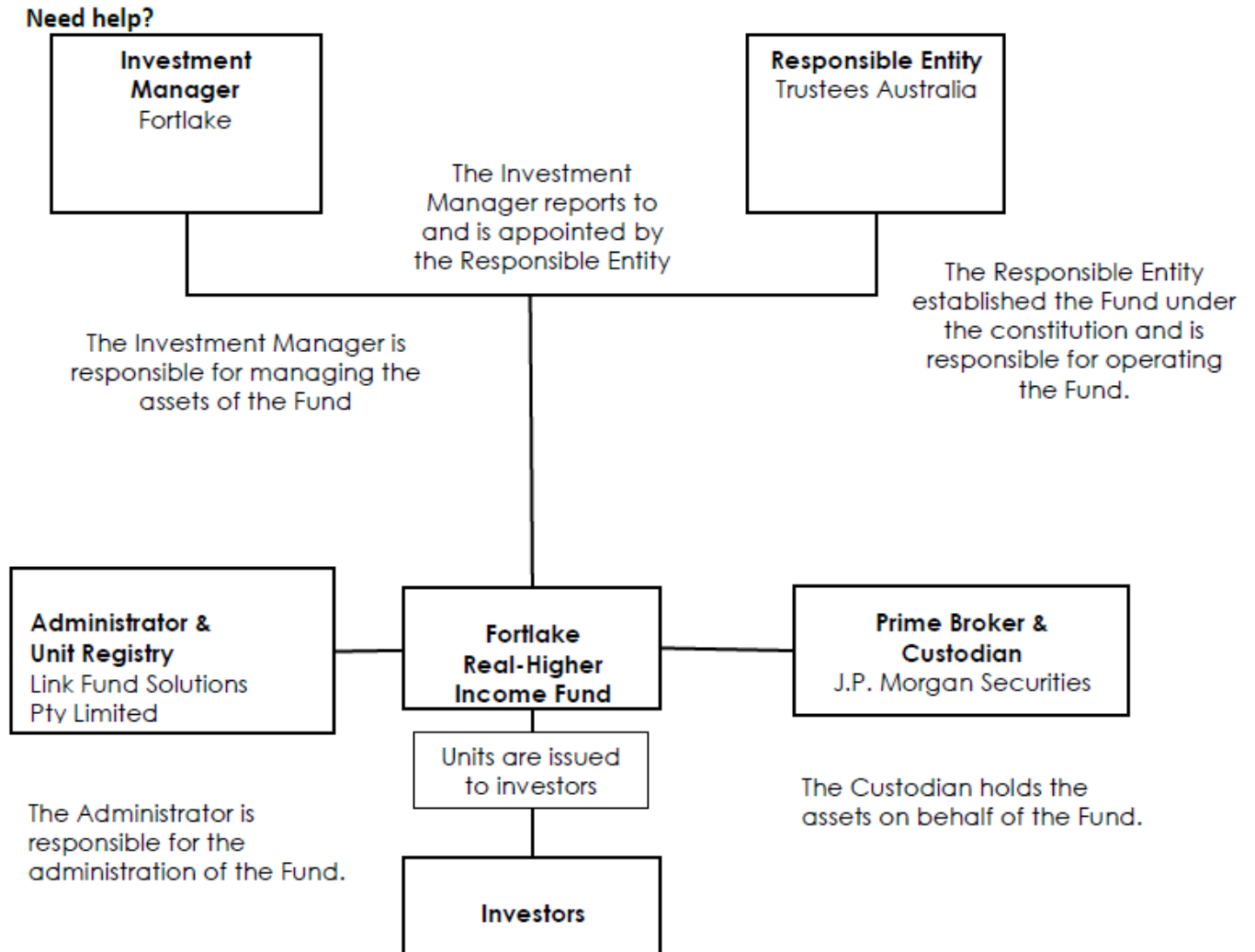
The Fund is operated by a responsible entity who holds an appropriate Australian financial services licence. The Responsible Entity of the Fund is Trustees Australia. Trustees Australia has appointed Fortlake as Investment Manager, Link Fund Solutions Pty Limited as Administrator and J.P. Morgan Securities LLC as the Prime Broker and Custodian, to hold the assets of the Fund.

Like most Australian managed investment schemes, the Fund is a unit trust. In exchange for your invested money, you are issued units. Certain rights (such as a right to any income and a right to vote) attach to your units. You may also have obligations in respect of your units. The rights and obligations attached to units are set out in the Fund’s constitution.



**The structure of the Fund**

The following diagram summarises the management and governance structure of the Fund:



### **Need help?**

If you need advice about investing generally, then speak to a financial adviser. ASIC can help you check if they're licensed.

ASIC's website can be found at <http://www.asic.gov.au>.

If you have questions about the Fund, speak to your financial adviser or contact us by email (at [enquiries@fortlake.com.au](mailto:enquiries@fortlake.com.au)).

### **WHAT ARE THE SIGNIFICANT RISKS?**

Investing in the Funds carries various risks. Investors may lose capital, or the Fund may underperform other investments. Investors should expect that the Funds' unit prices, and total returns, may materially fluctuate over time.

#### **About risk and return**

Investors should be aware that there is no guarantee that the implementation of the investment objective or process will not result in losses to investors. The return of capital and the performance of the Fund are not guaranteed by any person or organisation, including the Investment Manager, the Responsible Entity, the Prime Broker or the Custodian. Therefore, each investor should carefully consider the risks of investing and, where necessary, seek professional advice as to the suitability of investing in the Fund. Some risks of investing in the Fund include, but are not limited to:

#### **Manager Skill**

The Fund relies heavily on the methodology designed by the Investment Manager to outperform other investment options. If the Investment Manager makes the wrong decisions, the Fund can have negative returns.

Investment managers can be wound up or liquidated, they can cease to manage the relevant fund and be replaced, their investment methodology can change, they can poorly manage operational risks and their funds can perform poorly.

If any of these events occurred in respect of Fortlake, Trustees Australia would do all things reasonably practicable to seek a new investment manager, with a similar investment profile if thought appropriate or look to wind up the Fund.

#### **Key Person Risk**

Only a small number of investment professionals are responsible for managing the Fund and their personal circumstances can change. From time to time, there may be changes to the personnel of the Investment Manager. Such changes may include key personnel and may have an impact on investment returns of the Fund.

#### **Market Risk**

Generally, the investment return on a particular asset is correlated to the return on other assets from the same market, region or asset class. However, certain events may have a negative effect on the price of all types of investments within a particular market. These events may include changes in economic, social, technological or political conditions, as well as market sentiment, the causes of which may include changes in governments or government policies, political unrest, wars, terrorism, pandemics and natural, nuclear and environmental disasters. The duration and potential impacts of such events can be highly unpredictable, which may give rise to increased and/or prolonged market volatility, which could impair the Fund's profitability or result in losses.

#### **Leverage**

The Investment Manager may leverage the Fund's capital because it believes that the use of leverage may enable the Fund to achieve a higher rate of return. Accordingly, the Responsible Entity may pledge the Fund's investments in order to borrow additional funds for investment purposes.

The Fund may also leverage its investment return with derivatives. The amount of borrowings which the Fund may have outstanding at any time may be substantial in relation to its capital. Leverage can magnify both the gains and losses and investors may experience increased volatility in the value of their investments.

### **Liquidity**

The Investment Manager invests in government or government related bonds and may invest opportunistically in short-term investment-grade bonds. Investments in bonds may suffer from a lack of liquidity during the term of the bond, or if there is a thin market for the particular bonds.

### **Diversification**

The Investment Manager intends to seek to diversify the Fund's investments as it deems appropriate and consistent with the Fund's investment objective. If the Fund's investment portfolio is concentrated in a small number of investments, the portfolio will be subject to a greater level of volatility.

### **Derivatives Risk**

Derivatives, such as options, futures and swaps, may be used by the Investment Manager for hedging and non-hedging purposes, such as:

- To manage particular risks (e.g., currency risks);
- When it is more efficient to execute a particular thematic via the derivative; or
- To reduce risk or gain exposure to other types of investments when appropriate.

The risks of using derivatives might include: the value of the derivative failing to move in line with the underlying asset, potential illiquidity of the derivative, the possibility that the derivative position is difficult or costly to reverse, the derivative not performing as expected, and counterparty risk.

### **Short Selling Risk**

The Investment Manager may engage in short selling. Selling fixed income securities short creates the risk of losing an amount greater than the initial investment and can also involve borrowing and other costs which may reduce profits or create losses.

### **Counterparty Risk**

Counterparty risk is the risk of loss caused by another party defaulting on its financial obligations either because they become insolvent or cannot otherwise meet their obligations to the Fund. A party defaulting on its obligations could subject the Fund to substantial losses because the Fund will still be required to fulfil its obligations on any transactions which were to have substantially offset other contracts.

### **Currency Risk**

At the date of this Information Memorandum, it is intended that the functional currency of the Fund's principal trading account will be Australian dollars, although the Responsible Entity retains the discretion to change this. The Fund will have exposure to investments which are denominated in currencies other than the functional currency. If the value of foreign currencies changes relative to the functional currency, the value of the investments of the Fund may change. There is a risk that the value of investments of the Fund will change due to movements in the exchange rate between the local currency and the Australian dollar. The Investment Manager intends to manage this by hedging back to Australian dollar.

### **Interest Rate Risk**

Interest rates and bond prices have an inverse relationship. Changes in interest rates can have a direct impact on bond prices and the returns available on the investments of the Fund. They can also have an indirect positive or negative impact on the relative attractiveness of fixed income instruments to other asset classes, or on the capacity to service any borrowings by the Fund.

### **Foreign Taxation**

The Fund may invest in markets located in many jurisdictions around the world with different tax regimes, some of which may subject the Fund to withholding or other taxation, which may impact the Fund's returns.

### **Fund Risk**

Common risks associated with most managed funds include the risk that the Responsible Entity may be terminated, the fees and expenses could change or the Responsible Entity or the Investment Manager could change. The Responsible Entity has the discretion to compulsorily redeem Units. In addition, the results of investing in the Fund may lead to different results compared with investing directly in securities because of income or capital gains accrued in the Fund and the consequences of other investors investing in, or withdrawing from, the Fund.

### **Service Provider Risk**

The Fund relies on external service providers in connection with its operations. Services include prime brokerage/custody, fund administration and middle office. 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 to the activities of the Fund.

### **Legal, Regulatory & Tax Risk**

Legal, regulatory and tax changes could occur during the term 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 (including taxation) policies, regulations and laws, or changes in generally accepted accounting policies or valuation methods.

### **Credit risk**

The Fund will invest in bonds and other debt instruments. The creditworthiness of the issuers of the bonds or debt instruments is not guaranteed. There may be instances where issuers of bonds are unable to meet their debt obligations under the bonds. Such failure to meet debt obligations may impair the Fund's profitability or result in losses.

### **Withdrawal Risk**

If market events reduce the liquidity of the Fund's investments, the generally applicable timeframe for meeting withdrawal requests may not be met. In addition, if an investor or a group of investors seek to make large withdrawals, then selling assets to meet those withdrawals 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 withdrawals to allow sufficient time for liquidation of assets to meet withdrawals. It may also be necessary to distribute capital of the Fund by way of an in-specie distribution of the underlying assets to investors.

## FEES AND OTHER COSTS

### DID YOU KNOW?

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

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

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

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

### TO FIND OUT MORE

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

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

Taxes are set out in another part of this document. You should read all the information about fees and costs because it is important to understand their impact on your investment.

### Fees and costs summary

<b>Fortlake Real-Higher Income Fund</b>		
<b>Type of fee or cost</b>	<b>Amount</b>	<b>How and when paid</b>
<b>Ongoing annual fees and costs</b>		
<i>Management fees and costs</i> The fees and costs for managing your investment <sup>1</sup>	0.82% p.a. (incl.GST) of the net asset value of the Fund	The management fees accrue daily and deducted from the Fund monthly. Indirect costs are deducted from the Fund when incurred.
<i>Performance fees</i> Amounts deducted from your investment in relation to the performance of the product	Nil	Not applicable
<i>Transaction Costs<sup>1</sup></i> The costs incurred by the scheme when buying or selling assets	0.02% (incl.GST) of the net asset value of the Fund	Transaction costs for the Fund are paid out of the assets of the Fund.
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the product)</b>		
<i>Establishment Fee</i> The fee to open your investment	Nil	Not applicable
<i>Contribution Fee</i> The fee on each amount contributed to	Nil	Not applicable



<b>Fortlake Real-Higher Income Fund</b>		
<b>Type of fee or cost</b>	<b>Amount</b>	<b>How and when paid</b>
your investment		
<i>Buy-sell spread</i> <sup>1</sup> An amount deducted from your investment representing costs incurred in transactions by the scheme	0%/-0.15%	A buy spread may not be charged when entering the Fund (buying units), but a sell spread may be charged when selling units.
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	Not applicable
<i>Exit fee</i> The fee to close your investment	Nil	Not applicable
<i>Switching fee</i> The fee for changing investment options	Not applicable	Not applicable

<sup>1</sup> As the Fund is a new product, this is Trustees Australia's reasonable estimate of the costs for the period since commencement to 30 June 2021 and adjusted to reflect a 12-month period.

**Example of annual fees and costs**

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

<b>EXAMPLE – Fortlake Real-Higher Income Fund</b>		<b>BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR</b>
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
<b>PLUS</b> Management fees and costs	0.82% p.a.	<b>And</b> , for every \$50,000 you have in the Fortlake Real Higher Income Fund, you will be charged or have deducted from your investment \$410.
<b>PLUS</b> Performance fees	Nil	<b>And</b> , you will be charged or have deducted from your investment \$0 in performance fee each year
<b>PLUS</b> Transaction costs	0.02% p.a.	<b>And</b> , you will be charged or have deducted from your investment \$10 in transaction costs
<b>EQUALS</b> Cost of Fortlake Real-Higher Income Fund	0.84% p.a.	If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs in the range of: <b>\$420<sup>^</sup></b> <b>What it costs you will depend on the investment option you choose and the fees you negotiate.</b>

<sup>^</sup>This example assumes the additional \$5,000 was invested at the end of the year and therefore does

not impact the fees charged for the year.

Investors should note that the Corporations Act requires that when calculating management costs in this table we must assume that the value of your investment remains at \$50,000 and the Fund's unit price does not fluctuate. Management costs actually incurred will depend on the market value of your investment and the timing of your contributions (including any reinvestment of distributions) during any 12-month period. The example assumes no abnormal expenses are incurred, no additional service fees are incurred by you and that fees are not individually negotiated with us.

Totals may vary from the expected number due to rounding.

## **ADDITIONAL EXPLANATION OF FEES AND COSTS**

All fees are expressed as a percentage of net asset value of the Fund excluding accrued fees. All fees are inclusive of GST and net of any RITC.

### **About management fees and costs**

Management costs comprise the additional fees or costs that investors incur by investing in the Fund, rather than investing directly in the underlying assets. These include Fortlake's management fees, administrator fees, indirect costs, audit costs, legal costs, distribution costs and administration and custody fees. Management costs do not include contribution fees, transactional costs, operational costs, additional service fees, establishment fees, switching fees, exit fees, withdrawal fees, performance fees or incidental fees.

### **Management fees**

The Investment Manager is entitled to a management fee of 0.52% per annum of the net asset value of the Fund (inclusive of GST) calculated daily, and payable monthly in arrears. The management fee is charged for acting as Investment Manager of the Fund including managing its investments.

### **Indirect costs**

Indirect costs are costs incurred in managing the Fund which directly or indirectly reduce the return on a product. Trustees Australia is entitled under the constitution to be reimbursed out of the Fund's assets for the expenses incurred in the proper performance of its duties as the responsible entity of the Fund include the fee charged by the Administrator. Abnormal expenses are expected to occur infrequently and may include (without limitation) costs of litigation to protect investors' rights, costs to defend claims in relation to the Fund, investor meetings and termination and wind-up costs.

### **Performance Fee**

The Fund does not charge a performance fee.

### **About Transaction costs**

Transaction costs include brokerage, buy-sell spread, settlement costs, clearing and stamp duty costs, and the costs of derivatives used for hedging purposes.

When you invest in the Fund, Fortlake may incur expenses in buying and selling investments (for example, brokerage and custody costs). Fortlake may also incur costs resulting from trading certain derivative products for hedging purposes. Fortlake will also incur costs in selling investments to meet withdrawal requests. This adjustment ensures that the existing investors do not pay costs associated with other investors acquiring/withdrawing units from the Fund. The buy-sell spread is reflected in the issue/withdrawal price.

The transaction costs shown in the Fees and costs summary above are net of any amount recovered by the buy/sell spread. Fortlake's estimates of the total gross transaction costs for the Fund is 0.07% for the year ended 30 June 2021.

While the Fund is a new product, having been offered for less than a full financial year, the costs have been based on a reasonable estimate of the costs for the period since commencement and adjusted to reflect a 12-month period. In practice, your investment balance, the Fund's volume of trading and the number and value of applications and withdrawals processed will vary from year to year.

Transaction costs such as brokerage, and settlement costs are incurred when the Fund acquires or disposes of assets. The amount of these costs for the Fund will vary from year to year depending of the volume and value of trades undertaken for the Fund.

Transaction costs for the Fund are paid out of the assets of the Fund and are not fees paid to Fortlake.

### **Recovery through the Buy-sell spread**

A buy-sell spread is an adjustment to the unit price reflecting our estimate of the transaction costs that may be incurred as a result of the purchase/sale of assets arising from the issue/withdrawal of units. The buy-sell spread aims to ensure that non-transacting investors do not pay the transaction costs associated with an investor entering or exiting the Fund. The buy and sell cost

are not fees paid to Fortlake – they are retained in the Fund to cover transaction costs as they are incurred. The buy costs are built into the Fund’s entry unit price and the sell costs are built into the exit unit price. The buy-sell spread will impact the return on your investment and is an additional cost to transacting investors.

As at the date of this PDS, our buy-sell spread is estimated to be 0.15% of the unit price (that is +0.00% on the entry price and -0.15% on the exit price). So, if the net asset value of each unit is \$1.00, on entry we do not adjust the issue price, but on exit, we adjust the withdrawal price down approximately 0.15% down (down 0.15 cents). The buy-sell spread is not paid to Trustees Australia or Fortlake. The current buy/sell spread is available on [www.fortlake.com.au](http://www.fortlake.com.au).

\* Our discretion in determining the buy-sell spread is carried out in accordance with documented policies – copies of which are available from us at no charge.

### **Can the fees change or be updated?**

Yes, all fees can change. Reasons might include changing economic conditions, indexation arrangements and changes in regulation. However, we will give you 30 days’ written notice of any increase to fees where practicable. The constitution for the Fund sets the maximum amount we can charge for all fees. If we wished to raise fees above the amounts allowed for in the Fund’s constitution, we would need the approval of investors in accordance with the terms of the constitution.

Please refer to our website for any updates on our estimates of any fees and costs (including indirect costs and transaction costs). Past performance is not an indicator of future performance and fees, or costs may change in future years.

### **Adviser remuneration**

No commissions will be paid by us to financial advisers. Additional fees may be paid by you to your financial adviser if one is consulted. You should refer to the Statement of Advice they give you in which details of the fees are set out.

### **Can fees be different for different investors?**

The law allows us to negotiate fees with “wholesale” investors or otherwise in accordance with ASIC requirements. The size of the investment and other relevant factors may be taken into account. We generally don’t negotiate fees. However, we may negotiate fees with very large wholesale clients only. The terms of these arrangements are at our discretion.

Fortlake may also rebate some of its management fees to investors who are Fortlake employees.

### **Government charges and taxation**

Government taxes such as GST are applied to your account as appropriate. In addition to the fees and costs described in this section, standard government fees, duties and bank charges may also apply such as stamp duties. Some of these charges may include additional GST and will apply to your investments and withdrawals as appropriate. Please refer to the ‘What about Tax?’ section of the PDS.



## HOW TO INVEST

Application requests will generally be processed daily using the unit price effective for the day. If your application request is received before 2pm Sydney time on the relevant business day, it will be processed using the unit price effective for the end of the day. If an application request is received after this time, it is treated as having been received the following business day.

You need to invest a minimum of \$1,000 using the application form accompanying this PDS and post it to:

LINK Market Services  
PO Box 3721  
Rhodes NSW 2138  
Australia

If applications are rejected, investors' application money will be refunded in full without interest.

Trustees Australia may reduce or waive the minimum investment amount.

Trustees Australia does not earn interest on application monies held prior to the time we issue units to you.

Additional investments can be made at any time in writing using the additional investment form accompanying this PDS. The minimum amount for additional investments is \$1,000.

If we receive a payment from an investor for less than \$1000, Trustees Australia maintains discretion to reject the payment and return the amount to the investor.

See the section, "Investing through a master trust or wrap account" for more information and for arrangements that apply to investors using a master trust or wrap account service to invest.

## INVESTING THROUGH A MASTER TRUST OR WRAP ACCOUNT

If you invest through a master trust or a wrap account, generally the operator of that service is considered the investor in the Fund. It follows that the operator has the rights of an investor and can exercise them in accordance with their agreements with you. This means, for example, that you generally cannot vote on units held in the Fund. We are not responsible for the operation of any master trust or wrap account through which you invest. Indirect investors complete the application forms for the master trust or wrap account and receive reports from that operator, not from us.

The minimum investment, balance and withdrawal amounts may be different. You should also take into account the fees and charges of the master trust or wrap account operator as these will be in addition to the fees paid in connection with an investment in the Fund.

You can however still rely on the information in this PDS. In addition to reading this PDS, you should read the document that explains the master trust or wrap account.

All investors (regardless of whether you hold units in the Fund directly or hold units indirectly via a master trust or wrap account) are able to access Trustees Australia's complaints procedures outlined in the "Enquiries and Complaints" section below.

## WITHDRAWING YOUR INVESTMENT

### When you wish to withdraw

There is generally a minimum withdrawal amount of \$1,000 and a minimum balance of \$1,000 applies to the Fund.

If you want to withdraw your money, simply contact us in writing and tell us how much you need to withdraw, specify your investor number and ensure your instructions are signed. This is called a redemption request. Redemption requests can be sent to:

LINK Market Services  
PO Box 3721  
Rhodes NSW 2138 Australia

Alternatively, you can send a redemption request by email to [fortlake@linkmarketservices.com.au](mailto:fortlake@linkmarketservices.com.au).

If you would like to send a redemption request by post or email, please be aware of the following requirements:

- all instructions must be legible;
- instructions must bear your investor number and signature; and
- redemption proceeds will only be transferred to the financial institution account previously notified to us in writing.

To use this service, you will need to accept full responsibility (to the extent permitted by law) for loss arising from us acting upon scanned instructions which comply with these security processes, and you also agree to release and indemnify us in respect of any liability arising from us acting on scanned instructions (including future instructions), even if those instructions are not genuine. Also, you agree that neither you nor any other person has any claim against us in relation to a payment made or action taken under the facsimile or scanned instruction service if the payment is made in accordance with these conditions. These terms and conditions are additional to any other requirements for giving redemption instructions.

The Fund generally processes redemptions on a daily basis. Daily redemption requests are required to be received by 2pm Sydney time on the day of redemption, for processing using the unit price effective for the day of redemption. Any withdrawal requests received after that time or on a day that is not a business day will be processed on the price effective on the following business day.

Normally once we decide you can withdraw your money, we process the request within 3 business days of the request (although the constitution for the Fund allows us 21 days) and pay funds to your account.

You will be notified of any material changes to your withdrawal rights through the Fund website where there is a material change to your withdrawal rights.

Please note that units in the Fund are not listed on any stock exchange like the ASX, so you can't sell your units through a stockbroker.

### **Some detail about withdrawals and how much we pay**

How much money you receive for each unit depends on the withdrawal price. We calculate unit prices in three steps:

Firstly, we calculate the value of the investments of the Fund and take away the value of the liabilities as defined in the Fund's constitution. Secondly, we divide the result of this by the number of units we have on issue to obtain a unit mid-price. Thirdly, we make an adjustment (up for the entry price, to take account of the costs of buying investments or down for the exit price to take account of the costs of realising investments) called the buy-sell spread. The buy-sell spread does not represent a fee to Trustees Australia or Fortlake and is discussed in more detail in the section "Additional explanation of fees and costs".

These steps produce a per unit price.

We have a documented policy in relation to the guidelines and relevant factors taken into account when calculating unit prices. We call this our unit pricing policy. We keep records of any decisions which are outside the scope of the unit pricing policy, or inconsistent with it. A copy of the unit pricing policy and records is available free on request.

We can withhold from amounts we pay you, any amount you owe us, or we owe someone else relating to you (for example, the tax office).

We generally pay all withdrawal proceeds in cash, directly to your bank account but we are permitted under the constitution for the Fund to pay proceeds in kind (i.e., in specie share transfer).

Where we have made a payment to your bank account, we maintain no responsibility for the time your bank takes to receive the funds.

### **Payments can be delayed**

In certain circumstances, such as a freeze on withdrawals or where the Fund is illiquid (as defined in the Corporations Act), you may have to wait a longer period of time before you can redeem your investment.

If the Fund is not sufficiently liquid, then you will only be permitted to withdraw if we make a withdrawal offer to all investors in accordance with the Fund's constitution and Corporations Act.

We can delay withdrawal of your money for 21 days or such period as considered appropriate in our view in all the circumstances if:

- there are not enough investments which we can easily turn into cash (the law dictates this). We don't anticipate the Fund would ever become illiquid but if it did, the law says we can (if we wish) make some money available, and requires us to allocate it on a pro rata basis amongst those wanting to exit; or
- we receive a quantity of withdrawal requests representing more than 10 per cent of the value of the investments of the Fund. In this case we can stagger withdrawal payments.

In certain circumstances we can also delay withdrawal of your money for so long as the relevant event continues. The constitution sets out the full range of circumstances in which we can delay withdrawal of your money, and these include (among others) if:

- something outside our control affects our ability to calculate the unit price properly or fairly (for example, if the investments are subject to restrictions or if there is material market uncertainty like a stock market crash); or
- an emergency or similar state of affairs occurs which, in our reasonable opinion, makes it impractical to redeem units or which might be prejudicial to the remaining investors; or
- there is a closure or material restriction on trading on the major global stock exchanges or realisation of the assets cannot be effected at prices which would be obtained if assets were realised in an orderly fashion over a reasonable period in a stable market; or
- we otherwise consider it is in the best interests of the investors to delay withdrawal of units. The Responsible Entity may also gate redemptions in either of the following two scenarios:
  - (a) where a redemption request by a single investor represents more than 5% of the number of units in issue, Trustees Australia may in their discretion treat that investor's redemption request as 5 separate redemption requests for 1/5 of the amount of the original redemption request which will be deemed to have been received on the 5 successive Business Days; or
  - (b) where the redemption requests made by investors (including the single investor described in (a)) during any 5-business day period in aggregate represent more than 10% of the number of units in issue, Trustees Australia may in their discretion reduce each redemption requests pro-rata so that only 10% in total of the units are redeemed. The unredeemed portion of the relevant redemptions requests are carried forward to the fifth business day after the original redemption request was received. The scaling back may apply again if redemptions comprising more than 10% of units in issue are received.

The Responsible Entity also has the discretion to waive these 'gating' rights.

### **We can give you back your invested money**

In certain circumstances we can, or may be required to, also redeem some or all of your units without you asking. These circumstances include:

- if you breach your obligations to us (for example, you provide misleading information in your application form);
- where we suspect that law prohibits you from legally being an investor; or
- such other circumstance as set out in the constitution as we determine in our absolute discretion (but we must always act in the best interests of investors as a whole when deciding to do this).

### **DISTRIBUTIONS**

Distributions will usually be determined and paid quarterly at the end of each quarter. The amount will vary and sometimes there might not be any distribution. The Responsible Entity may change the

distribution frequency without notice. Distributions (if any) will generally be paid within 30 days after the distribution date.

Investors must elect in the Fund's application form whether they wish to be paid distributions in cash or have distributions automatically reinvested into the Fund after each distribution date. An investor can change their distribution option by notifying the Administrator in writing at least twenty 20 Business Days prior to the relevant distribution date. Investors will still have to pay tax on a distribution, even if it is reinvested.

In certain circumstances, such as where investments are sold to meet a significant redemption, Trustees Australia may choose to allocate undistributed income and any net realised capital gains to withdrawing investors based on a pro-rata allocation with reference to the number of units being withdrawn. This would only be utilised to ensure a fair and reasonable allocation of any undistributed income and net realised capital gains amongst all investors.

Trustees Australia has absolute discretion, in performing its obligation as Responsible Entity, and may accept or reject a written direction from an investor. Trustees Australia may also in its discretion waive the minimum initial investment and minimum holding amount requirements.

Trustees Australia reserves the right to cancel distribution reinvestments. Investors will be notified if this occurs.

Distribution statements are forwarded to all investors when distributions are processed and at least on a quarterly basis.

## **KEEPING YOU INFORMED**

We will:

- confirm every transaction you make;
- send you Annual Tax Statements (around late July/August);
- each year (around September) make the accounts of the Fund available to you on our website;
- send you Annual Periodic Statements;
- send you a final Exiting Period Statement; and
- notify you of any material changes to this PDS and any other significant event as required by law.

The Fund is new and so as at the date of this PDS the Fund has less than 100 investors. When the Fund has 100 investors or more, the Fund will be considered a "disclosing entity" for the purposes of the Corporations Act. This means the Fund will become subject to regular reporting and disclosure obligations. Copies of any documents lodged with ASIC in relation to the Fund may be obtained from, or can be inspected at, an ASIC office. Investors will have a right to obtain a copy, free of charge, in respect of the Fund, of:

- the most recent annual financial report; and
- any half yearly financial report lodged with ASIC after that most recent annual financial report but before the date of this PDS.

Any continuous disclosure obligations we may have will be met by following ASIC's good practice guidance via website notices rather than lodging copies of these notices with ASIC. Accordingly, should Trustees Australia, as Responsible Entity of the Fund, become aware of material information that would otherwise be required to be lodged with ASIC as part of any continuous disclosure obligations, we will ensure that such material information will be made available as soon as practicable on our website [www.fortlake.com.au](http://www.fortlake.com.au).

## **WHAT ABOUT TAX?**

Your tax liability ultimately depends on your circumstances, for example, whether you are an Australian resident. So, it's important that you seek professional advice before you invest or deal with your

investment.

The discussion below assumes that the Fund will be an Attribution Managed Investment trust (**AMIT**) and that the investor is an Australian resident for tax purposes who holds their units in the Fund directly on capital account. Non-resident investors should seek their own independent tax advice before investing, taking into account their particular circumstances and the provisions of any relevant double taxation agreement and/or multilateral instrument/ exchange of information agreement between Australia and their country of residence for taxation purposes.

You may need to pay tax in relation to your investment in the Fund. Whilst you may pay income tax you might be able to claim some tax credits or have the benefit of some concessions.

The Fund is an Australian resident trust for Australian tax purposes. It is required to determine its tax components for each year of income. These tax components may include assessable income, exempt income, non-assessable non-exempt income, tax offsets and credits of different characters. The trustee will attribute the tax components to investors on an annual basis such that investors should be treated as having derived their share of the tax components of the Fund directly on a flow through basis. In the case where a Fund makes a loss for tax purposes, that Fund cannot distribute (or attribute) the loss to investors. However, subject to the relevant Fund meeting certain conditions the Fund may be able to take into account the losses in subsequent years.

The Fund will generally attribute any income and realised gains (the timing of recognition of income may be impacted by the Taxation of Financial Arrangements (“TOFA”) provisions as noted below), if any, shortly after 30 June each year. Investors will be required to include in their assessable income the taxable components attributed to them by the Fund. The Fund may attribute a number of different types of income which reflect the income derived by the Fund. These components could comprise of:

- interest;
- capital gains;
- foreign income and foreign income tax offsets;
- Australian sourced income;
- franked dividends/franking credits; and
- non-assessable amounts.

If the Fund’s assets are \$100 million or more it will be subject to TOFA provisions of the tax legislation which provide rules in relation to the method for calculating gains and losses from financial arrangements and the time at which these gains and losses are brought to account for tax purposes (the default recognition of gains and losses would be accruals or realisation method but there are certain elections that the Trustee might make for alternative timing recognition).

An investor’s share of the assessable tax components of the Fund for a year of income forms part of the investor’s assessable income of that year.

Tax components of the Fund which are allocated to investors may include franked distributions. Subject to the application of anti-avoidance provisions at the Fund level (such as the dividend imputation holding period and related payment rules), such franked distributions generally entitle Australian resident investors to obtain a tax offset (the franking credit) that is available to offset against their income tax liability. Franked distributions and franking credits are included in a person's assessable income. If the franking credits exceed the tax payable on an investor's taxable income, the excess credits may be refundable to the investor if the investor is a resident individual or complying superannuation fund. Excess franking credits may generate tax losses if the investor is a corporate entity.

Tax components of the Fund which are attributed to investors may also include non-cash amounts, such as foreign income tax offsets (FITOs). Depending on the investor’s circumstances, they may be able to claim a tax offset for these amounts against Australian income tax payable on foreign

income. An investor’s entitlement to FITOs may be limited to the extent that the FITO does not relate to an amount included in assessable income, or to the extent the investors do not have sufficient overall

foreign source income to utilise all of the FITOs relevant to a particular year of income. The excess FITOs cannot be carried forward to a future income year.

We will send you the information you need each year in the form of an AMIT Member Annual Tax (**AMMA**) Statement to help you to complete your tax return. This information will advise the investor of the share of the tax components of the Fund (if any) any foreign income/foreign income tax offsets as well as any adjustments required to be made to the investor's cost base. This will assist the investor when preparing their income tax return.

The amount of the tax components of the Fund which the investor is required to include in their assessable income may be different to the cash distributions received by an investor in respect of their units. This is because the distributions received on the units is determined by reference to the returns received in respect of the Fund, whereas the tax components of the Fund are determined by reference to the overall tax position of the Fund. An investor may be required to make, in certain circumstances, both upward and downward adjustments to the cost or cost base of their unit holdings. This occurs where during an income year there is a difference between:

- (a) the total of the amounts (money or property) that an investor is entitled to from the Fund and the tax offsets that are attributed to an investor in relation to the year; and
- (b) the tax components (grossed up for any capital gains tax (**CGT**) discount) attributed in that investor's assessable income and any non-assessable non-exempt income.

If the amount in (a) exceeds the amount in (b), the cost base of the investor's units in the Fund should be reduced by the excess amount. This results in either an increased capital gain, or a reduced capital loss, upon the subsequent disposal of the investor's units in the Fund. Should the cost base be reduced to below zero, the amount in excess of the cost base should be a capital gain that is to be included in the investor's taxable income.

Conversely, where the amounts in (a) falls short of the amounts in (b) during an income year, the cost base of the investor's units in the Fund should be increased by the shortfall amount.

Additionally, Australian residents will generally realise a capital gain or capital loss when they redeem (or dispose of) units in the Fund.

Depending on the kind of taxpayer you are, and how long you have held your units, you may be entitled to a CGT discount which can reduce the capital gain by up to one half.

If you choose not to provide us with your tax file number (TFN) or Australian business number (ABN) and don't have an exemption, we must withhold tax at the highest personal rate, plus the Medicare levy, before passing on any distribution to you. The law is very strict on how we can use these details. If this withholding tax applies it is noted that it is merely a collection mechanism, and an investor may claim a credit in their annual income tax return in respect of the tax withheld.

Investors should seek their own tax advice to ensure the Fund is appropriate for them. Neither Trustees Australia nor Fortlake provide any tax advice.

## **TRUSTEES AUSTRALIA'S RESPONSIBILITIES TO YOU**

The constitution establishes the Fund and sets out the rules. Together with this PDS and the law from time to time, it governs your relationship with Trustees Australia. It gives Trustees Australia rights to be paid fees and expenses and be indemnified from the Fund for any expenses it incurs in the proper performance of its duties.

It governs (amongst other things) Trustees Australia's powers (which are very broad), investor meetings and unit issue, pricing and withdrawal, as well as what happens if the Fund terminates.

The constitution limits Trustees Australia's need to compensate you if things go wrong. Generally, Trustees Australia is not liable in equity, contract, tort or otherwise to investors for any loss suffered in any way relating to the Fund.

Trustees Australia must have investor approval to make changes to the constitution which are adverse to the rights of investors.

You can obtain a copy of the Fund's constitution by calling our Client Services Team on 1300 110 344 during business hours or by sending an email to [enquiries@fortlake.com.au](mailto:enquiries@fortlake.com.au)

## **ENQUIRIES AND COMPLAINTS**

Trustees Australia has established Internal Dispute Resolution (IDR) procedures for dealing with complaints which complies with the standards and requirements made and approved by ASIC. Trustees Australia is a member of Australian Financial Complaints Authority (AFCA) (member number 12410) which is an external dispute complaints resolution scheme approved by ASIC. If an investor has a complaint, they can contact the Fund's Client Services team during business hours using the following details:

Mail: Fortlake Asset Management  
Level 5, 66 Clarence Street  
Sydney NSW 2000

Phone: 1300 110 344

Email: [enquiries@fortlake.com.au](mailto:enquiries@fortlake.com.au)

Trustees Australia will use reasonable endeavors to deal with and resolve the complaint within a reasonable time. Trustees Australia will acknowledge the complaint within 24 hours (or one business day) of receiving it, or as soon as practicable and this will be done through a verbal or written acknowledgement to the complainant. Trustees Australia will also provide a response to the complainant no later than 30 calendar days after receiving the complaint.

However, where Trustees Australia cannot meet the timeframe of delivering a response within 30 calendar days, due to the complaint being particularly complex or there are circumstances beyond their control causing complaint management delays, Trustees Australia will notify the complainant. The notification will include the reasons for the delay, the complainant's right to complain to AFCA if they are dissatisfied and associated contact details for AFCA.

If you are an investor and have notified Trustees Australia of a complaint in writing and you are not satisfied with how the complaint has been handled, you can refer your complaint to AFCA.

Mail: Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001

Phone: 1300 56 55 62

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

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

AFCA's services are generally only available to 'retail clients' (as defined in the Corporations Act).

Indirect investors may contact their IDPS operator if they wish to make a complaint or if they are unsatisfied with how a complaint has been handled. However, Trustees Australia's complaints process is also available to indirect investors.

## **COOLING OFF**

If you are a retail investor (as defined in the Corporations Act), who invests directly in the Fund, you are entitled to a 14-day cooling-off period during which you may change your mind about your investment. During that time, you may exercise your cooling-off rights by requesting your money be returned.

The cooling-off period begins when your transaction confirmation is received by you or, if earlier, 5 days after your units are issued. Trustees Australia is allowed to (and generally does) make adjustments for market movements up or down, as well as any tax and reasonable transaction and administration costs. This may result in you receiving back less than you originally invested.

You may have capital gain/loss tax implications if you happen to receive more or less back than you originally invested.

If you wish to cancel your investment during the cooling-off period, you need to inform Trustees Australia in writing of your intention to exercise this right before the end of the cooling-off period (and before exercising any rights or powers you have in respect of your investment in the Fund).

## **PRIVACY**

We collect personal information from you in the application and any other relevant forms to be able to process your application, administer your investment and comply with any relevant laws. If you do not provide us with your relevant personal information, we will not be able to do so.

Privacy laws apply to our handling of personal information, and we will collect, use and disclose your personal information in accordance with our privacy policy, which includes details about the following matters:

- the kinds of personal information we collect and hold;
- how we collect and hold personal information;
- the purposes for which we collect, hold, use and disclose personal information;
- how you may access personal information that we hold about you and seek correction of such information (note that exceptions apply in some circumstances);
- how you may complain about a breach of the Australian Privacy Principles (APP), or a registered APP code (if any) that binds us, and how we will deal with such a complaint;
- whether we are likely to disclose personal information to overseas recipients and, if so, the countries in which such recipients are likely to be located if it is practicable for us to specify those countries.

Our privacy policy is publicly available at [ww.fortlake.com.au](http://ww.fortlake.com.au) or you can obtain a copy free of charge by contacting us.

## **ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING**

### **AML ACT**

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML Act) and other applicable anti-money laundering and counter terrorism laws, regulations, rules and policies which apply to Trustees Australia (AML Requirements), regulate financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing. The AML Act is enforced by the Australian Transaction Reports and Analysis Centre (AUSTRAC). In order to comply with the AML Requirements, Trustees Australia is required to, amongst other things:

verify your identity and source of your application monies before providing services to you, and to re-identify you if we consider it necessary to do so; and where you supply documentation relating to the verification of your identity, keep a record of this documentation for 7 years.

Trustees Australia and Link Fund Solutions Pty Limited as its agent (collectively the Entities) reserve the right to request such information as is necessary to verify your identity and the source of the payment. In the event of delay or failure by you to produce this information, the Entities may refuse to accept an application and the application monies relating to such application or may suspend the payment of withdrawal proceeds if necessary to comply with AML Requirements applicable to them. Neither the Entities nor their delegates shall be liable to you for any loss suffered by you as a result of the rejection or delay of any subscription or payment of withdrawal proceeds.

The Entities have implemented a number of measures and controls to ensure they comply with their obligations under the AML Requirements, including carefully identifying and monitoring investors. As a result of the implementation of these measures and controls:

- transactions may be delayed, blocked, frozen or refused where an Entity has reasonable grounds to believe that the transaction breaches the law or sanctions of Australia or any other country, including the AML Requirements; and



- where transactions are delayed, blocked, frozen or refused the Entities are not liable for any loss you suffer (including consequential loss) caused by reason of any action taken or not taken by them as contemplated above, or as a result of their compliance with the AML Requirements as they apply to the Fund.

The Entities may from time to time require additional information from you to assist it in this process.

The Entities have certain reporting obligations under the AML Requirements and are prevented from informing you that any such reporting has taken place. Where required by law, an entity may disclose the information gathered to regulatory or law enforcement agencies, including AUSTRAC. The Entities are not liable for any loss you may suffer as a result of their compliance with the AML Requirements.

#### **FATCA**

US Tax Withholding and Reporting under the Foreign Account Tax Compliance Act The United States of America has introduced rules (known as **FATCA**) which are intended to prevent US persons from avoiding tax. Broadly, the rules may require the Fund to report details of all US persons and suspected US persons in the Fund to the US tax authorities, to prevent a 30% FATCA withholding tax on certain income and proceeds of the Fund. The Australian Government has entered into an agreement with the United States of America to implement the FATCA regime in Australia (Intergovernmental Agreement). We may therefore request that you provide certain information in order to comply with FATCA requirements.

#### **COMMON REPORTING STANDARD**

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (**CRS**) requires certain financial institutions to report information regarding certain accounts to their local tax authority and follow related due diligence procedures. The Fund is a 'Financial Institution' under the CRS and complies with its CRS obligations by obtaining and reporting information on relevant accounts (which may include the Units in the Funds) to the Australian Tax Office (**ATO**).

In order for the Fund to comply with its obligations under CRS and FATCA, Trustees Australia requests the investors to provide certain information and certifications to Trustees Australia for the Fund's compliance with FATCA and the CRS. Trustees Australia will determine whether the Fund is required to report the 'investors' details to the ATO based on Trustees Australia's assessment of the relevant information received. The ATO may provide this information the IRS (in the case of the FATCA regime) where applicable and to other jurisdictions' tax regulators (in the case of the CRS regime) that have signed the "CRS Competent Authority Agreement", the multilateral framework agreement that provides the mechanism to facilitate the automatic exchange of information in accordance with the CRS. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS and to implement FATCA (in accordance with the Intergovernmental Agreement).

#### **INFORMATION FOR NEW ZEALAND INVESTORS**

Units in the Fund offered under this PDS are offered to New Zealand as well as Australian investors.

##### **New Zealand investors' warning statement**

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.

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.

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.

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.

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.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

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.

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.

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

The above statements are required pursuant to New Zealand's financial markets legislation. For the avoidance of any doubt, Trustees Australia will only remit distributions and redemptions in Australian dollars and to an Australian bank account in the name of the unit holder. If you credit New Zealand dollars to Trustees Australia's application account, you may incur an unfavourable currency conversion rate and you will also have to pay any applicable fees. You can avoid these fees by only crediting Australian dollars.

### **New Zealand disclosures relating to distribution reinvestment**

Investors into the Fund must elect whether they wish distributions to be paid in cash or reinvested into the Fund. Where an investor elects for distributions to be paid in cash, distributions will be paid to the investor's nominated Australian bank account in the investor's name. Where an investor elects for distributions to be reinvested into the Fund, additional units in the Fund will be issued to the investor. Units issued as part of a distribution will be allotted in accordance with the terms and conditions set out in the constitution of the Fund and this PDS.

The allotment of units as part of a distribution described in this PDS is offered to New Zealand investors on the following basis:

- At the time the price of the units allotted as part of a distribution reinvestment is set, we will not have any information that is not publicly available that would, or would be likely to, have a material adverse effect on the realisable price of the units if the information were publicly available.
- The right to acquire, or require us to issue, units as part of a distribution reinvestment will be offered to all investors in the Fund, other than those who are resident outside New Zealand and who are excluded by us so as to avoid breaching overseas laws.
- Every investor to whom the right is offered will be given a reasonable opportunity to accept it.
- Units will be issued or transferred on the terms disclosed to you in this PDS and will be subject to the same rights as units issued or transferred to all investors who agree to receive the units.

You have the right to receive from us, on request and free of charge, a copy of:

- the most recent annual report of the Fund (if any)
- the most recent financial statements of the Fund (if any) and, if those statements are not audited or reviewed by an auditor, a statement to that effect
- a copy of the auditor's report on those statements (if any)

- the current PDS
- the constitution of the Fund and any amendments to it.

Copies may be obtained electronically by emailing [enquiries@forlake.com.au](mailto:enquiries@forlake.com.au).

Where distributions are reinvested, within 30 days of the day on which the resulting additional units in the Fund are allotted to you, you will be sent a statement of the amount of the distribution and the number of units that have been allotted to you.

## KEY SERVICE PROVIDERS

### The Responsible Entity

The Responsible Entity is a wholly owned subsidiary of Income Asset Management Group Limited Income Asset Management. The Income Asset Management group of companies, including IAM Cash Markets Pty Ltd, IAM Capital Markets Limited and Trustees Australia Limited, deliver an innovative online cash management marketplace in term deposit and at call accounts, whilst providing funding to a large number of Authorised Deposit taking Institutions (ADIs) and thousands of financial advisers and direct investors. Income Asset Management is listed on the Australian Securities Exchange (ASX: INY) and the group is headquartered in Australia.

### The Administrator

The Responsible Entity has entered into an administration agreement (Administration Agreement) with Link Fund Solutions Pty Ltd (**Administrator**). Under the Administration Agreement, the Administrator agrees to perform certain administrative, accounting and registry services for the Fund.

The Administrator has not been involved in the preparation of any part of this PDS. It has not authorised or caused the issue of, and expressly disclaims and take no responsibility for any part of this PDS.

### The Prime Broker and Custodian

J.P. Morgan Securities LLC (**JPMS**) and certain of its affiliates (each such affiliate, a JP Morgan Entity, and collectively, JP Morgan) may provide certain clearing (including prime brokerage), margin

financing and stock lending services with respect to the Fund's securities and cash carried on the books of a JP Morgan Entity. Such services and facilities will be provided pursuant to a series of agreements (the Customer Documents) and may include an Institutional Account Agreement with JP Morgan in compliance with the laws, rules and regulations of the United States Securities and Exchange Commission and other exchanges and dealer associations by which certain of the JP Morgan Entities are regulated (collectively, the US Rules). The Fund may also enter into principal transactions with one or more JP Morgan Entities.

Fund assets that are held by JPMS as prime broker will be carried in the name of the Fund and shall be subject to a lien to secure the Fund's obligations to JP Morgan. To the extent permitted under US Rules, with respect to JPMS or any other JP Morgan Entity subject to the US Rules, the Fund's assets that are not required by US Rules to be segregated may be borrowed, lent, pledged, repledged, sold, hypothecated, rehypothecated, transferred or otherwise used by such JP Morgan Entities as may hold such assets for their own purposes. Cash held with a JP Morgan Entity subject to the US Rules may be used by such JP Morgan Entity in the course of its business to the extent permitted by the US Rules.

Neither JPMS nor any other JP Morgan Entity will be liable for any loss to the Fund resulting from any act or omission in relation to the services provided under the terms of the Customer Documents unless such loss results directly from the gross negligence, bad faith or wilful misfeasance of JPMS or any other JP Morgan Entity, nor shall JPMS or any other JP Morgan Entity be liable for consequential or other types of special damages, or losses to the Fund caused by the insolvency or acts or omissions of any sub-custodian or other third party by whom or in whose control any of the Fund's investments or cash may be held. The Fund has agreed to indemnify JPMS and the other JP Morgan Entities against any loss suffered by, and any claims made against, them to the extent set forth in the Customer Documents.

Neither JPMS nor any other JP Morgan Entity will have any involvement in the management of the Fund or any decision-making discretion relating to the Fund's investments. Neither JPMS nor any other JP Morgan Entity has any responsibility for monitoring whether investments by any investment manager or advisor

are in compliance with any internal policies, investment goals or limitations of the Fund, and neither JPMS nor any other JP Morgan Entity will be responsible for any losses suffered by the Fund.

JPMS and each other JP Morgan Entity reserve the right not to clear transactions and not to provide any of the services. JP Morgan and each other JP Morgan Entity reserve the right to terminate the arrangements in accordance with the provisions of the Customer Documents.

**JPMS and the other JP Morgan Entities are service providers and are not responsible for the preparation of this document or the activities of the Fund and therefore accept no responsibility for the accuracy of any information contained in this document.**

## **CONSENTS**

Fortlake consents and, as at the date of this PDS, has not withdrawn its consent to the statements (in the form and context in which they are included) about it. Fortlake has not otherwise issued or caused the issue of this PDS.

Link Fund Solutions Pty Limited consents to being named in the PDS and, as at the date of this PDS, has not withdrawn its consent to the statements (in the form and context in which they are included) about it. Link Fund Solutions Pty Limited has not otherwise issued or caused the issue of this PDS.

J.P. Morgan Securities LLC consents to being named in the PDS and, as at the date of this PDS, has not withdrawn its consent to the statements (in the form and context in which they are included) about it. J.P. Morgan Securities LLC has not otherwise issued or caused the issue of this PDS.

Ernst & Young consents to being named in the PDS and, as at the date of this PDS, has not withdrawn its consent to the statements (in the form and context in which they are included) about it. Ernst & Young has not otherwise issued or caused the issue of this PDS.