# Smarter Money Long-Short Credit Fund - USD Investor Class

## Product Disclosure Statement

ARSN 617 838 543
APIR ETL7843AU
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Contents



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This Product Disclosure Statement ("PDS") was issued on 31 July 2020. This PDS is for the offer of interests in the Smarter Money Long-Short Credit Fund - USD Investor Class ARSN 617 838 543, APIR XX (referred throughout this PDS as the "Fund").

The PDS has been prepared and issued by Equity Trustees Limited (ABN 94 101 103 011, Australian Financial Services Licence ("AFSL") No. 223271) in its capacity as the responsible entity of the Fund (referred throughout this PDS as the "Responsible Entity", "Equity Trustees", "us" or "we"). The investment manager is Smarter Money Investments Pty Limited (referred to throughout this PDS as the "Investment Manager" or "SMI"). Smarter Money Investments Pty Limited is an authorised representative (#000414337) of Coolabah Capital Institutional Investments Pty Ltd (AFSL 482238) and an authorised representative (#001277030) of EQT Responsible Entity Services Limited (AFSL 223271). The portfolio manager of the Fund is Coolabah Capital Institutional Investments Pty Ltd ("Coolabah Capital" or "Portfolio Manager").

This PDS is prepared for your general information only. It is not intended to be a recommendation by the Responsible Entity, Investment Manager and the Portfolio Manager, any associate, employee, agent or officer of the Responsible Entity, Investment Manager and the Portfolio Manager or any other person to invest in the Fund. This PDS does not take into account the investment objectives, financial situation or needs of any particular investor. You should not base your decision to invest in the Fund solely on the information in this PDS. You should consider whether the information in this PDS is appropriate for you, having regard to your objectives, financial situation and needs and you may want to seek professional financial advice before making an investment decision.

Equity Trustees, the Investment Manager, the Portfolio Manager and their employees, associates, agents or officers do not guarantee the success, repayment of capital or any rate of return on income or capital or the investment performance of the Fund. Past performance is no indication of future performance. An investment in the Fund does not represent a deposit with or a liability of Equity Trustees, the Investment Manager, the Portfolio Manager or any of their associates. An investment is subject to investment risk, including possible delays in repayment and loss of income or capital invested. Units in the Fund are offered and issued by the Responsible Entity on the terms and conditions described in this PDS. You should read this PDS in its entirety because you will become bound by it if you become an investor in the Fund.

The forward looking statements included in this PDS involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, Equity Trustees, the Investment Manager and the Portfolio Manager and their officers, employees, agents and associates. Actual future events may vary materially from the forward looking statements and the assumptions on which those statements are based. Given these uncertainties, you are cautioned to not place undue reliance on such forward looking statements.

In considering whether to invest in the Fund, investors should consider the risk factors that could affect the financial performance of the Fund. The significant risk factors affecting the Fund are summarised in Section 6.

The offer to which this PDS relates is only available to persons receiving this PDS (electronically or otherwise) in Australia.

This PDS does not constitute a direct or indirect offer of securities in the US or to any US Person as defined in Regulation S under the US Securities Act of 1933 as amended ("US Securities Act"). Equity Trustees may vary its position and offers may be accepted on merit at Equity Trustees' discretion. The units in the Fund have not been, and will not be, registered under the US Securities Act unless otherwise determined by Equity Trustees and may not be offered or sold in the US to, or for, the account of any US Person (as defined) except in a transaction that is exempt from the registration requirements of the US Securities Act and applicable US state securities laws.

If you received this PDS electronically, you will need to print and read this document in its entirety. We will provide a paper copy free upon request during the life of this PDS.

Certain information in this PDS is subject to change. We may update this information. You can obtain any updated information:

- by contacting SMI on 1300 901 711; or
- by visiting the SMI website at www.coolabahacapital.com

A paper copy of the updated information will be provided free of charge on request.

You may also contact Equity Trustees:

- by writing to GPO Box 2307 Melbourne VIC 3001; or
- by calling +613 8623 5000

Unless otherwise stated, all fees quoted in the PDS are inclusive of GST, after allowing for an estimate for Reduced Input Tax Credits ("RITC"). All amounts are in US Dollars unless otherwise specified. All references to legislation are to Australian law unless otherwise specified.

# 1. Fund at a glance

| | | |
|---|---|---|
| *Name of the fund* | Smarter Money Long-Short Credit Fund | Section 5 |
| *Class offered in this PDS* | USD Investor Class | Section 5 |
| *APIR Code* | ETL7843AU | Section 5 |
| *ARSN* | 617 838 543 | Section 5 |
| *Investment objective* | The Fund targets generating absolute returns of 4% to 6% p.a. above the midpoint of the US Federal Funds Target Range after management fees and performance fees with less than 5% p.a. volatility over rolling 3 year periods, and low to no correlation with equities, fixed-rate bonds, and property markets. | Section 5 |
| *Fund Benchmark* | Midpoint of the US Federal Funds Target Range plus management fees 0.75% p.a | Section 5 |
| *Investment strategy* | This is an absolute return fixed-income strategy focused on exploiting long and short mispricings in credit markets. The Fund has exposure to an Underlying Pool which invests primarily in debt securities, hybrids and derivatives.<br>The Underlying Pool employs an "active" fixed-income investment strategy, seeking to take 'long' and/or 'short' positions in relation to debt and hybrid securities which are considered mispriced.<br>The goal is to generate 'alpha', or risk-adjusted excess returns, through identifying and exploiting mispricings in the underlying assets and/or derivatives related to them. | Section 5 |
| *The type(s) of investor(s) for whom the Fund would be suitable* | An investment in the Fund may be suitable for investors seeking:<br>• relatively high absolute returns,<br>• medium to high risk,<br>• a suggested investment timeframe of 3 years or more, and<br>• no or low correlation with mainstream asset classes such as equities, fixed-rate bond and property markets.<br>The Fund aims to reliably distribute strong quarterly income. It offers daily investment applications and withdrawals.<br>It is not recommended that the Fund be used for short-term investments. | Section 5 |
| *Recommended investment timeframe* | A suggested investment timeframe of 3 years or more. | Section 5 |
| *Minimum initial investment* | $1,000 USD. The Fund only accepts US Dollars | Section 7 |
| *Minimum additional investment* | $1,000 USD | Section 7 |
| *Minimum withdrawal amount* | $1,000 USD | Section 7 |
| *Minimum balance* | $1,000 USD | Section 7 |
| *Cut off time for applications and withdrawals* | 12pm (Sydney time) on a Business Day. | Section 7 |
| *Valuation frequency* | The Fund's assets are normally valued daily. | Section 7 |
| *Applications* | Accepted each Business Day. | Section 7 |
| *Withdrawals* | Accepted each Business Day. Withdrawal requests are generally processed and paid within 5 Business Days although a longer period of time is permitted under the Constitution. | Section 7 |
| *Income distribution* | The Fund usually distributes income quarterly at the end of June, September, December and March. | Section 7 |
| *Management fee* | 0.75% p.a. of the Net Asset Value referable to the Fund ("NAV") (including GST less RITCs) | Section 9 |
| *Entry fee/exit fee* | Nil | Section 9 |
| *Buy/Sell spread* | Nil on applications into the Fund, and 0.10% on withdrawals out of the Fund. | Section 9 |
| *Performance fee* | The performance fee is 20.5% (inclusive of the net impact of GST and RITC) by which the Fund outperforms the midpoint of the US Federal Funds Target Range plus management fees 0.75% p.a. (Benchmark), with the protection of a high water mark. | Section 9 |

# 2. ASIC Benchmarks

The Fund is a 'hedge fund' for the purposes of Australian Securities and Investments Commission (ASIC) Regulatory Guide 240. The following table and the tables in Sections 1 and 3 set out a summary of the disclosure ASIC requires for hedge funds, the key features of the Fund and a guide to where more detailed information can be found in this PDS. A copy of ASIC Regulatory Guide 240 dated October 2013 (as may be amended, supplemented or replaced from time to time) is available from www.asic.gov.au.

The information summarised in the relevant tables and explained in detail in the identified section reference is intended to assist investors with analysing the risks of investing in the Fund. Investors should consider this information together with the detailed explanation of various benchmarks and principles referenced throughout this PDS and the key risks of investing in the Fund highlighted in Section 6 of this PDS.

| ASIC Benchmark | Is the benchmark satisfied? | Summary | For further information |
|---|---|---|---|
| Valuation of assets | | | |
| This benchmark addresses whether valuations of the Fund's non-exchange traded assets are provided by an independent administrator or an independent valuation service provider. | Yes | Equity Trustees has appointed an independent administrator, Mainstream Fund Services Pty Ltd, to provide administration services for the Fund, including valuation services.<br>The Fund satisfies Benchmark 1 by having its non-exchange traded assets independently valued by the Administrator in accordance with its pricing policy and by having over-the-counter ("OTC") derivatives generally valued by reference to the counterparty settlement price which is based upon broad financial market indices. | 5.4 |
| Periodic reporting | | | |
| This benchmark addresses whether the responsible entity of the Fund will provide periodic disclosure of certain key information specified by ASIC on an annual and monthly basis. | Yes | The Responsible Entity will provide periodic disclosure of certain key information on an annual and monthly basis. | 8 |

# 3. ASIC disclosure principles

| | Summary | Section (for further information) |
|---|---|---|
| *Investment strategy* | The Fund is an absolute return fixed-income Australian focused strategy focused on exploiting long and short mispricings in credit markets. The Fund aims to generate high absolute returns, which have low to no correlation with equities, fixed-rate bonds, and property markets, from relatively low risk and liquid investments identified through the Portfolio Manager's active asset-selection process. | Section 5.2 |
| *Investment manager* | Equity Trustees Limited, as Responsible Entity of the Fund, has appointed Smarter Money Investments Pty Limited as the Investment Manager of the Fund, which has in turn appointed Coolabah Capital Institutional Investments Pty Ltd as the Portfolio Manager of the Fund.<br>See Section 4 in relation to the expertise of the Investment Manager and the Investment Management Agreement under which the Investment Manager has been appointed.<br>Under the Investment Management Agreement between the Investment Manager and Equity Trustees, Equity Trustees can terminate the Investment Manager's appointment where the Investment Manager becomes insolvent, materially breaches the agreement, ceases to carry on its business or in certain other circumstances. In the event that Equity Trustees terminates the Investment Manager following one of these events, the Investment Manager's appointment would cease upon any termination date specified in the notice, and the Investment Manager would be entitled to receive fees in accordance with the agreement until the effective date of termination. | Section 4 |
| *Fund structure* | The Fund is an Australian unit trust registered under the Corporations Act as a managed investment scheme, which has rights to income and capital distinct from other classes of units on issue. The class of units offered under this PDS is the "USD Investor Class". The USD Investor Class will gain exposure to the Underlying Pool.<br>The responsible entity of the Fund is Equity Trustees Limited. Equity Trustees Limited may appoint service providers to assist in the ongoing operation, management and administration of the Fund.<br>The key service providers to the Fund are:<br>• Smarter Money Investments Pty Limited, the Investment Manager of the Fund;<br>• Coolabah Capital Institutional Investments Pty Ltd, the Portfolio Manager of the Fund; and<br>• Mainstream Fund Services Pty Ltd, the administrator and custodian of the assets of the Fund;<br>See Section 5.3 for further information on other key service providers, Equity Trustees' role in monitoring the performance of service providers and a diagram of the flow of funds through the Fund. | Section 5.3 |
| *Valuation, location and custody of assets* | Mainstream Fund Services Pty Ltd is the administrator of the Fund and provides administrative, fund accounting, registry and transfer agency services. The Administrator is responsible for calculating the Fund's NAV.<br>Mainstream Fund Services Pty Ltd is also the custodian and provides custodial services.<br>See section 5.10 for further information on the custodial arrangements and the geographical location of the Fund's assets. | Section 5.10 |
| *Liquidity* | Withdrawals are usually processed daily. Some underlying investments can be illiquid. The portfolio is managed to target appropriate liquidity with withdrawals generally available in your bank account after 5 Business Days. | Section 5.4 |
| *Leverage* | The Fund can take long and short positions, borrow and use derivatives and this can mean the Fund is geared (or leveraged). | Section 5.6 |
| *Derivatives* | Derivatives are used to manage risk and/or gain exposure to investments.<br>For key risks to the Fund associated with the collateral requirements of the derivative counterparties, please see Section 6.3. | Section 5.7 |

| | Summary | Section (for further information) |
|---|---|---|
| *Short selling* | Short selling is used to manage risk and/or gain exposure to investments.<br>The risks associated with short selling and the ways in which the Investment Manager seeks to mitigate those risks are set out in Sections 5.6 and 6. | Section 5.6 and 6 |
| *Withdrawals* | Daily.<br>Withdrawal requests must be received by 12pm on any Business Day to receive that day's unit price.<br>See Section 7 for more information on making a withdrawal. | Section 7 |

# 4. Who is Managing the Fund?

## The Responsible Entity

### Equity Trustees Limited

Equity Trustees Limited ABN 46 004 031 298 AFSL 240975, a subsidiary of EQT Holdings Limited ABN 22 607 797 615, which is a public company listed on the Australian Securities Exchange (ASX: EQT), is the Fund's responsible entity and issuer of this PDS. Established as a trustee and executorial service provider by a special Act of the Victorian Parliament in 1888, today Equity Trustees is a dynamic financial services institution which continues to grow the breadth and quality of products and services on offer.

Equity Trustees' responsibilities and obligations as the Fund's responsible entity are governed by the Fund's constitution ("Constitution"), the Corporations Act and general trust law. Equity Trustees has appointed Smarter Money Investments Pty Limited as the investment manager of the Fund. Equity Trustees has appointed a custodian to hold the assets of the Fund. The custodian has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests.

## The Investment Manager

### Smarter Money Investments Pty Limited

The Responsible Entity has appointed Smarter Money Investments as the Investment Manager of the Fund, which has appointed its related entity, Coolabah Capital Institutional Investments Pty Ltd (CCII), as the Portfolio Manager to which it sub-delegates all portfolio management responsibilities for the Fund and its other fixed-income products, the Smarter Money Fund and the Smarter Money Higher Income Fund.

Both the Investment Manager and Portfolio Manager are wholly owned subsidiaries of Coolabah Capital Investments Pty Ltd (CCI). CCI is 75% owned by its portfolio management team, and one quarter owned by Pinnacle Investment Management Group Limited, a leading Australian-based multi-affiliate investment management firm.

Established in 2011, the Investment Manager's objective is to become Australia's leading short-term fixed-income fund manager for retail investors with the Portfolio Manager having the same aspiration in respect of institutional investors.

Since the first fund's launch in February 2012, combined FUM has grown strongly to approximately $2.9 billion as at 30 September 2019 by result of delivering a consistent, 7 to 8 year track-record of superior risk-adjusted returns that have been recognized via growth in funds under management and the award of multiple institutional mandates.

More specifically, the Smarter Money Fund and the Smarter Money Higher Income Fund have outperformed their benchmarks, and their FE Analytics peer universe since their inception in 2012 and 2014 respectively.

In 2016 the Investment Manager was a finalist for Money Management/Lonsec's "emerging fund manager of the year" award.

All the funds' portfolios are predicated on an investment philosophy that focuses on producing 'alpha' that is not attributable to traditional fixed-income factors or "beta", including interest rate duration risk, credit risk and liquidity risk. Alpha is defined as an increase in returns with increasing risk.

## The Portfolio Manager

### Coolabah Capital Institutional Investments Pty Ltd

The Investment Manager has appointed CCII, as the Portfolio Manager of the Fund.

The Portfolio Manager's experienced investment team at the date of issue of this PDS comprises four full-time portfolio managers and ten full-time analysts who apply intensive quantitative and qualitative valuation analysis to identify mispriced securities that can be profitably translated into active returns, as they have consistently done since 2012. This team is augmented by an experienced independent chair and an independent compliance committee specialist, as well as distribution, performance and compliance oversight by the Investment Manager and ultimately Equity Trustees as the Responsible Entity.

### Key professionals

The combined team includes the following key professionals involved in the investment, governance, risk management and compliance functions:

*Melda Donnelly, Chair*

Ms Donnelly was appointed Chair of Coolabah Capital in August 2015. She is responsible for managing its board processes relating to compliance, governance, strategy, performance and risk management. Ms Donnelly is a director of Pacific Current (ASX: PAC) and a member of HESTA's Investment Committee. Ms Donnelly's previous work experience includes being CEO of the Queensland Investment Corporation, Deputy Managing Director of ANZ Funds Management, Managing Director of ANZ Trustees and chairperson of the Centre for Investor Education (CIE), a specialist education and consultancy firm for executives in Australian and overseas superannuation funds, institutional investment bodies and the financial markets. Ms Donnelly started her career at Price Waterhouse as an audit/tax specialist and has a BComm from the University of Queensland and is a Chartered Accountant.

*Christopher Joye, Portfolio Manager*

Christopher co-founded Coolabah Capital in 2011 with Darren Harvey, for which he serves as an Executive Director, Co-Chief Investment Officer and Portfolio Manager of the Fund. He also is a director and co-founder of Smarter Money Investments. He is responsible for investment decisioning, portfolio management, all research and asset pricing, and general business management. He is also a Contributing Editor with The Australian Financial Review and well-known as one of Australia's leading economists, policy advisors and fund managers. Christopher previously worked for Goldman Sachs in London and Sydney, the RBA, and was the founder of an awardwinning research and investment group, Rismark International. Christopher served as a Director of The Menzies Research Centre, which is a leading Australian thinktank, from 2003 to 2007. Christopher received Joint 1st Class Honours (Economics & Finance) and the University Medal in Economics & Finance from the University of Sydney, where he was a Credit Suisse First Boston Scholar, SIRCA and University Honours Scholar. He studied in the PhD program at Cambridge University in 2002 and 2003, where he was a Commonwealth Trust scholarship recipient.

*Darren Harvey, Portfolio Manager*

Darren co-founded Coolabah Capital Investments in 2011 with Christopher Joye, for which he serves as an Executive Director, Co-Chief Investment Officer and Portfolio Manager of the Fund. He also is a director and co-founder of Smarter Money Investments. Darren contributes to investment decisioning, portfolio management and risk management. He started his career at McIntosh Hamson Hoare and Fay Richwhite. In 1992 Deutsche Bank recruited Darren as an Associate Director and Head of Exchange Traded Options to replicate the market making business he had established inside Fay Richwhite. In

1994 Deutsche Bank promoted Darren to Director and Head of Exchange Traded and OTC Options, which included a team of six market makers reporting to the Head of Trading. In 1998 Darren moved to London with Deutsche Bank as a Director of Deutsche Bank Global Proprietary Trading in London where he traded interest rate derivatives, currencies and stock index securities, and reported to the Head of Deutsche Bank Global Proprietary Trading, Steve Kennedy. Darren resigned from Deutsche Bank in 2001 and established his family office, Bower Capital.

*Jason Lindeman, Senior Credit Analyst*

Jason joined Coolabah Capital in 2017 in a full-time role as a senior credit analyst. Jason has over 15 years buy-side experience specialising in fundamental and technical credit analysis across the capital structure. Previously at Hadron Capital LLP, a London based global relative value and event driven multi-asset class hedge fund, he was jointly responsible for the Credit Long/Short absolute return portfolio. The strategy sought relative value and catalyst driven investments, with portfolio views expressed using Corporate Bonds, Hybrids, Credit Default Swaps and Loans. Prior to Hadron, Jason was the Credit Portfolio Manager at RBC Capital Markets London, responsible for the European Credit Proprietary Trading Portfolio. He built and continually developed the credit process at both funds, while hiring, training and managing the relevant credit analyst teams. At Credit Suisse Capital Markets London, Jason was a Private Equity/Private Placements Analyst, investing proprietary capital in sub investment grade public companies, via the issuance of privately placed structured debt and equity securities. He was involved in the entire investment process from initial on-site due diligence, credit analysis, negotiation of terms, documentation and ongoing portfolio maintenance. Previous roles include Credit Risk Management at Credit Suisse London and NAB Corporate Banking in both London & Melbourne. Jason has a Bachelor of Economics and Post Graduate Diploma in Applied Finance and Investment.

*Andrew McLachlan, Senior Credit Analyst*

Andrew joined Coolabah Capital in May 2015. He is involved in credit risk analysis, quantitative asset pricing, and assisting with portfolio management. He was the Credit Strategist at the $5.5 billion Australian fixed-income manager Vianova (2008-2013), and its successor Brookline Partners (2014-2015), where he was responsible for all quantitative and qualitative credit analysis and valuation, as well as having input into macroeconomic strategy. He has over 15 years buy-side experience analysing Australian and indeed overseas credits from a bottom-up and top-down perspective and built and maintained the credit process at Perennial, Vianova and Brookline. Prior to Vianova, Andrew was a Senior Credit Analyst at the $6 billion fixed-income fund manager Perennial Investment Partners (2001-2008) where he designed and implemented Perennial's in-house credit risk pricing models. After 3 years working as an economist with various government agencies in Australia and overseas, Andrew started his private sector career at NAB where he spent 7 years working as an Economist focusing on quantitative industry analysis for Australia, the UK and the US. At NAB Andrew was heavily involved in developing commodity price and commercial property forecasting models that consistently outperformed consensus expectations.

*Ed Teh, Chief Risk Officer (and Senior Credit Analyst)*

Ed joined Coolabah Capital 2013 as a Senior Credit Analyst. As Chief Risk Officer, he helps lead credit risk analysis, risk management, compliance and governance across the business. Ed is a senior credit risk professional with over 15 years' experience across fixed income funds management and bond insurance and corporate lending at leading domestic and global financial institutions. He has broad experience across industries and sectors, including: infrastructure and utilities, power and energy, property & real-estate, natural resources, oil & gas, media & telco, engineering and contracting, general industrials and agriculture. Ed has served in numerous credit research roles since 2000 including: Director, Debt Products & Global Risk, at Bank of America Merrill Lynch; Senior Credit Analyst, Fixed Income Credit Research at ING Investment Management; Vice President, Project Finance & Credit, at MBIA Insurance; Assistant Vice President, Corporate Risk Management at Citigroup; Associate, Project Finance & Credit, at Bank of America; and Credit Analyst, Institutional Banking, at NAB. He graduated with a Bachelor of Commerce and Bachelor of Laws from UNSW.

*Ashley Kabel, Portfolio Manager*

Ashley Kabel joined Coolabah Capital in 2017 in a full-time role as a quantitative analyst and junior portfolio manager. Ashley was Director of Quantitative Strategies at the award-winning and strongly performing FX hedge fund, The Cambridge Strategy, between 2012 and 2016, based in London. At Cambridge Ashley managed US$250m (and a small team) in medium-term, quant-based FX strategies spanning 2012-2016 with an average audited annual return of 13.4% and volatility of 8.2%, outperforming FX beta indices and FX and Macro Hedge Fund indices. Prior to Cambridge, Ashley served as an investment analyst with portfolio management responsibilities covering FX, equities and fixed-income at the $800bn fund manager, Invesco between 2005 and 2012, based in Sydney. At Invesco he helped develop, analyse and manage multiple quant strategies including direct execution of fixed-income portfolios. Ashley graduated with honours degrees in Law and Engineering (Software) from Melbourne University, has extensive quant analytical and programming skills, and in his youth was awarded Australian government prizes for mathematics.

*Dr. Stephen Parker, Portfolio Manager*

Dr. Stephen Parker joined Coolabah Capital in September 2016 in a full-time role as a quantitative risk analyst and junior portfolio manager. Dr Parker was previously a futures trader at Star Beta focusing on Australian and US government bonds and the formulation of quantitative trading strategies and risk management models for these markets. In 2013 Dr. Parker completed a PhD in Astrophysics from the University of New South Wales that involved developing automated reduction, analysis and simulation routines relating to the mass distribution of very cold brown dwarf stars' host clusters.

*Ying Yi Ann Cheng, Portfolio Management Director & Market Technicals Analyst*

Ying Yi joined Coolabah Capital in 2017 as a full-time portfolio management director and market technicals analyst focussing on market research, analysis and technical factors, while also assuming responsibility for external stakeholder management. She spent the majority of her career at Citibank in London, where she was a Vice President, specialising in G10 and Emerging Market currencies, advising hedge fund clients and sovereign asset managers on alpha generating and risk management strategies. She was most recently at RBC Capital Markets working within fixed-income and credit. Prior to the sell side, Ying Yi had interned at Colonial First State and PwC in various quantitative roles. She has also held various advisory roles with tech startups in London and Sydney. After receiving a 99.95 ATAR for her HSC studies, ranking her in the top 0.05% of all secondary students, Ying Yi graduated with honours in Actuarial Science from the University of New South Wales, where she was the recipient of a Co-op Scholarship and included on the Dean's Honour Roll for her year of exchange at NYU's Stern School of Business.

*Kai Lin, Senior Data Scientist*

Kai joined Coolabah Capital in 2017 in a full-time role as a Senior Data Scientist focusing on asset pricing and portfolio management. Kai was previously a Data Scientist at CBA where he built machine learning models to project customer propensities. He was also involved in data mining projects with heavy use of R, Python, Hadoop, Hive, SQL and Linux tools. Prior to CBA Kai interned as signal processing researcher at Cochlear. Kai graduated from UNSW with 1st Class Honours and the University Medal in his Bachelor of Engineering (Electrical) program where his thesis researched pose estimation and trajectory matching. He is currently completing a Masters of Statistics at UNSW. Kai was awarded an ATAR of 99.90 in his HSC while at Sydney Boys High. Prizes have included the Ben Rudzyn Memorial Prize in Signal Processing, the Engineers Australia Student Prize (Electrical & IT Division), and the Institution of Engineering & Technology (IET) Student Prize.

*Dr Ainslie Yuen, Senior Data Scientist*

Dr Ainslie Yuen joined Coolabah Capital in 2018 in a full-time role as a Senior Data Scientist focusing on asset pricing and portfolio management. She was previously a Vice President at Goldman Sachs in New York, where she worked as a Strategist in the Special Situations Group, a principal investments area, concentrating on ABS and RMBS performance, amongst other things. Ainslie was awarded a PhD in Engineering (Statistical Signal Processing Laboratory) in 2005 from Cambridge University where she focussed on statistical analysis of intertrade durations of stocks and their relationship with price volatility using wavelets, fractal, multifractal, and correlation analysis techniques. Following her PhD, Anslie worked as a Visiting Postdoctoral Researcher at the Universitie of Paris VII. She graduated with a Bachelor of Electrical & Electronic Engineering (First Class Honours) from the University of Western Australia in 1996 and a Bachelor of Science in Physics (Top First Class Honours) in 1993 from UWA. Ainslie has received numerous awards, including the King's College Wilkinson Fund award for a one month research visit to Paris (2005), a Cambridge University Engineering Department award for a two month research visit to Boston in 2002, the University of Western Australia Telecommunications Society Prize, a Vacation Scholarship at the Radiophysics Division of the CSIRO, the Association of Mining and Exploration Companies Medal, and the Western Australian Government General Exhibition (for the top twenty students in Western Australia in 1989).

There have been no adverse findings (significant or otherwise) against the Responsible Entity or the Investment Manager or the Portfolio Manager, or any of the senior investment professionals at these organisations.

## The Custodian and Administrator

### Mainstream Fund Services Pty Limited

The Responsible Entity has appointed Mainstream Fund Services Pty Limited (Mainstream) to act as administrator for the Fund (Administrator). In such capacity, the Administrator performs all general administrative tasks for the Fund, including keeping financial books and records and calculating the Net Asset Value of the Fund. The Responsible Entity has entered into an Administration Agreement with the Administrator, which governs the services that will be provided by the Administrator to the Fund. The Investment Manager may at any time, in consultation with the Responsible Entity, select any other administrator to serve as administrator to the Fund.

The Responsible Entity has also appointed Mainstream as an independent custodian to hold the assets of the Fund (Custodian). In such capacity, the Custodian will hold the assets of the Fund in its name and act on the direction of the Responsible Entity to effect cash and investment transactions. The Responsible Entity has entered into a custodian agreement, which governs the services that will be provided by the Custodian to the Fund. Certain assets may also be held in safe custody at the Responsible Entity or Equity Trustees Ltd as its delegate.

### Fund Auditor

Ernst & Young ABN 75 288 172 749. Ernst & Young has been appointed as the independent auditor of the Fund's financial statements and Compliance Plan. Ernst & Young is not responsible for the operation or the investment management of the Fund and has not caused the issue of this PDS.

*Process*

We have processes for selecting, monitoring and reviewing the performance of all of our service providers. There are no unusual or materially onerous provisions in service provider agreements from an investor's perspective.

We are not aware of any related party relationships between any of the service providers above other than as disclosed in this PDS, nor between any of the key service providers and any underlying funds or counterparties. We are not aware of any material arrangements in connection with the Fund that are not on at least arm's length terms.

# 5. How the Fund invests

## 5.1 Investment Objective

The Fund targets generating absolute returns of 4% to 6% p.a. above the midpoint of the US Federal Funds Rate Target Range after management fees and performance fees with less than 5% p.a. volatility over rolling 3 year periods, and low to no correlation with equities, fixed-rate bonds, and property markets.

Volatility is a measure of how the return of an investment fluctuates around its average level over time. If an investment is more volatile than, say, cash, this means its returns tend to move up and down around their average level more sharply and/or regularly than a cash investment does.

The investment objective is not intended to be a forecast. It is only an indication of what the investment strategy aims to achieve over a rolling 3 year period. The Fund may not achieve its investment objective. Neither returns nor the money you invest in the Fund is guaranteed and you may lose some or all of your money.

## 5.2. Investment Strategy

After a 30 year bull market in fixed-rate debt securities, which have benefited from the secular decline in interest rates, the Investment Manager believes the period ahead could be much more challenging for investors who seek the relative safety afforded by debt and hybrid investments (compared to more volatile equities) without taking on substantial interest rate, or so-called "duration", risk.

Many sophisticated investors have mitigated duration risk by allocating to portfolios that hold floating-rate cash and debt securities that do not automatically fall in value when interest rates increase, like the Investment Manager's Smarter Money Fund and Smarter Money Higher Income Fund, which the Portfolio Manager oversees.

Since 2012 the Smarter Money Fund, and since 2014 the Smarter Money Higher Income Fund, have delivered risk-adjusted excess returns through applying the Portfolio Manager's active asset- selection style, which utilises a range of quantitative and qualitative valuation techniques that can identify mispriced assets. By exploiting potential mispricings, the Portfolio Manager has produced alpha over time that is broadly unrelated to duration risk, credit risk or illiquidity risk.

The Investment Manager believes the Smarter Money Long-Short Credit Fund is a natural extension of this capability, by allowing the Portfolio Manager to exploit long and short mispricings that involve assets trading above and below what it considers fair value. The Portfolio Manager's investment process combines quantitative and qualitative valuation techniques designed to identify such investments.

Unlike the Investment Manager's other managed funds, this Underlying Pool's strategy permits the use of leverage to seek further enhanced returns attributable to these mispricings and/or situations where the interest or income earned on the assets is higher than the cost of the leverage. The Portfolio Manager seeks to exploit mispriced investments by taking a 'long' position or a 'short' position, either directly or through using derivatives.

Put simply, the Fund employs an "active" fixed-income investment strategy, seeking to take 'long' and/or 'short' positions in relation to debt and hybrid securities which are considered mispriced, so seeking to profit from price rises and falls.

In this way, the Fund targets providing higher absolute returns of 4% to 6% p.a. above the midpoint of the US Federal Funds Rate Target Range after management fees and performance fees over rolling 3 year periods. The Fund also targets volatility of less than 5% p.a. over rolling 3 year periods, which is approximately one-third the historic volatility of Australian equities.

These are objectives and neither returns nor the money you invest in the Fund is guaranteed and you may lose some or all of your money.

### Going long, going short

The Portfolio Manager can take "long" and "short" positions in respect of individual securities and/or derivatives. When going long, the Portfolio Manager targets benefiting from the security or derivative's value rising. Conversely, when the Portfolio Manager short-sells, it plans on profiting from its value falling.

In this way, the Fund's strategy can in theory produce positive absolute returns when overall market prices are appreciating during booms or declining in busts. The Portfolio Manager is targeting this objective however it cannot be guaranteed.

The Portfolio Manager can go long or short senior bonds, subordinated bonds, asset-backed securities and hybrids. It can also go long or short credit derivatives related to the risk of issuers defaulting on securities, interest rate derivatives that rise and fall based on market expectations for rate changes, foreign exchange derivatives that may be used to express views on interest rate movements, and equity derivatives that can be harnessed to hedge credit risk and/or the risk of the value of a bond or hybrid declining.

See the Section 6 'Managing risks' for details.

### Diversification through low correlation

By not chasing traditional interest duration, credit and illiquidity risks, and by focussing on producing bona fide alpha captured through identifying potential positive and negative mispricings at all points in the cycle, the Fund aims to offer investors diversification gains insofar as it targets providing returns that have low or no correlation with equities, fixed-rate bonds and property investments.

## 5.3. Fund Structure

The Fund is separate from all other classes, with distinct rights to income and capital. The Fund offers investors exposure to an Underlying Pool of assets that are traditionally defined as defensive, including:

- cash and cash equivalents,
- senior and subordinated bonds,
- hybrid securities, and
- Asset-backed securities.

In addition to these physical assets, the Underlying Pool may also invest in a range of derivatives to express its strategy, including:

- interest rate derivatives,
- credit derivatives,
- foreign exchange derivatives,
- equity derivatives, and
- other related swaps and repurchase agreements.

The Fund may also use derivatives to fully hedge its underlying Australian Dollars exposure back to US Dollars.

The types of derivatives can vary and may include:

- foreign exchange derivatives, and
- other related swaps.

The majority of the Underlying Pool will be invested in assets of investment-grade quality, which means assets with at least a BBB- credit rating from a recognised rating agency.

While the Underlying Pool does not target equities investments, focusing on securities ranking higher up the capital structure, it can invest in equity derivatives (typically for hedging purposes) and hold equities as a result of its bond, hybrids and/or derivatives converting into shares.

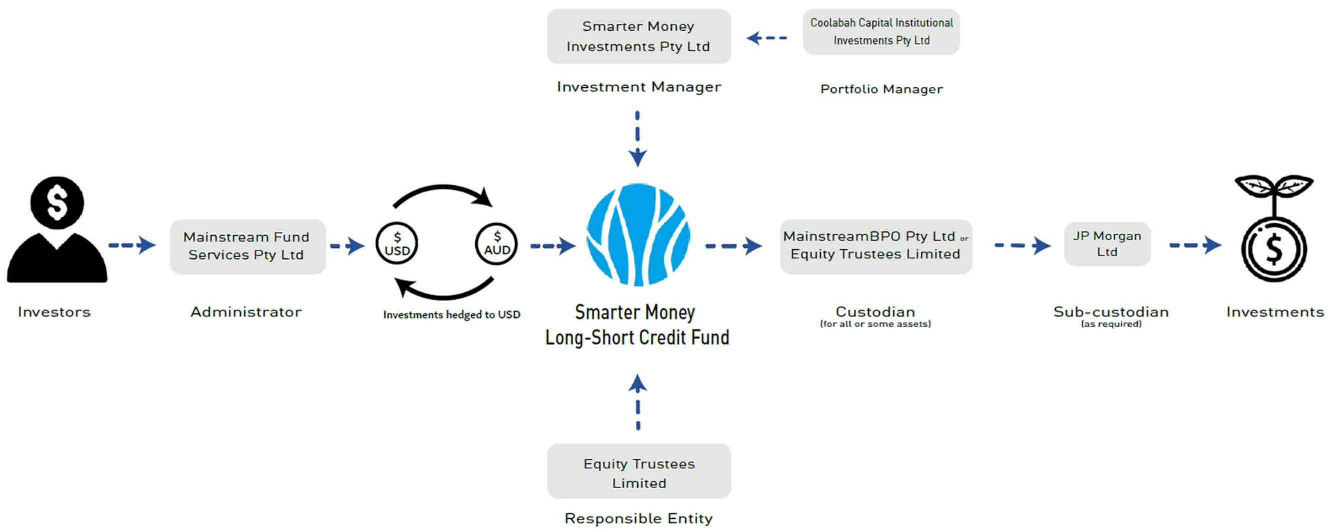
The Investment Manager does not expect the Underlying Pool to assume significant interest rate duration risk, which is limited to 24 months. This means the Investment Manager expects the Underlying Pool to be mainly invested in floating-rate securities and/or fixed-rate securities that have had their interest rate risk hedged.

Due to movements in the market or similar events, the guidelines set out above may not be adhered to from time to time. In these circumstances, the Investment Manager will seek to bring the Underlying Pool's investments within the guidelines within a reasonable period of time.

The Underlying Pool does not have a maximum or minimum exposure to cash or debt/hybrid securities. It may be fully invested in either depending on the magnitude of the potential mispricings the Portfolio Manager has identified.

Naturally, the Fund is not the same as a bank account.

See the Section 6 'Managing risks' for details.




## 5.4. Valuation, location and custody of assets

The Fund and Underlying Pool's assets are valued on a daily basis and provided to the Fund's independent administrator, who then calculates the daily unit prices for the Fund. The Underlying Pool invests primarily in senior subordinated debt securities, hybrids and derivatives issued by Australian entities domestically and overseas, although it also invests in these types of securities also when issued by overseas entities (into the Australian market or offshore).

## 5.5. Liquidity

This Fund offers daily liquidity in normal circumstances. The constitution for the Fund as well as the law sometimes restricts withdrawals.

Investors will be notified of any material changes to withdrawals (e.g. if withdrawals need to be restricted).

## 5.6. Leverage

The Underlying Pool can take long and short positions, borrow and use derivatives and this can mean the Fund is geared (or leveraged).

Leverage can amplify gains and also amplify losses.

The Portfolio's manager's approach to leverage is relatively conservative. At the core of the Portfolio Manager's use of leverage is that it is applied against relatively conservative debt securities and hybrids which display high liquidity and which rank ahead of equities in the corporate capital structure.

Complementing this conservative asset class approach, the Portfolio Manager has set direct and indirect leverage limits to assist risk management, which is overseen by the Portfolio Manager's independent compliance committee. The rules are asset-class specific, with riskier exposures subject to tighter controls. They are designed to reduce the risk of loss and manage portfolio volatility within the target range.

Please refer to Section 6 'Managing risk" for more details on this subject.

## 5.7. Derivatives

A derivative is any financial product that derives its value from another security, index or liability.

The Underlying Pool uses derivatives to take investment positions and to manage (or 'hedge') risk. Their use is central to the investment strategy of the Fund, employed so that the Underlying Pool of the Fund can take long and short positions.

The types of derivatives can vary and may include:

- interest rate derivatives,
- credit derivatives,
- foreign exchange derivatives,
- equity derivatives, and
- other related swaps and repurchase agreements.

The Fund may also use derivatives to fully hedge its underlying Australian Dollars exposure back to US Dollars.

The types of derivatives can vary and may include:

- foreign exchange derivatives, and

- other related swaps.

## 5.8. Short Selling

Short sales involve selling an investment you do not own in anticipation that the investment's price will decline. Short sales are important as they can generate performance in declining markets or provide a hedge to long market exposure.

But they present a risk on an individual investment basis, since the Fund may be required to buy back the investment sold short at a time when the investment has increased in value, which would generate a loss.

## 5.9. Labour standards and environmental, social and ethical considerations

The Portfolio Manager considers that that environment, social and governance (ESG) issues can affect investment performance and other matters including credit ratings. It considers for example that that ESG issues are not always fully incorporated by credit agencies when rating Australian fixed-income securities.

Accordingly, the Portfolio Manager may take into account ESG issues as part of its active investment process, including with the goal of helping reduce potential credit risks and enhance investment performance.

No formal guidelines are used, nor is any formal weighting given to the ESG issues in portfolio construction. Rather the Investment Manager takes a broad, implicit approach when carrying out this subjective assessment.

The types of ESG that may be taken into account include:

- environmental: weather, pollution and environmental disruption, sustainability, and associated reputational and brand risks,
- social: political stability, human rights issues, privacy and cyber-security, impact on local communities, health and safety, and associated reputational and brand risks, and
- governance: board composition, risk management track-record, legal and compliance track-record, history of prosecutions, management remuneration, distribution of equity, and associated reputational and brand risks.

## 5.10. Fund performance

The recent performance of the Fund will be available at www.coolabahacapital.com. Your financial adviser can also provide further information on the Fund. Remember that quoted unit prices will be historical and not necessarily the price you will receive when applying or withdrawing.

## 5.11. Significant benefits of investing in the Fund

| Significant benefits | |
|---|---|
| Ability to go long and short assets or derivatives, and thereby profit from price rises and falls | The Underlying Pool employs an "active" fixed-income investment strategy, seeking to take 'long' and/or 'short' positions in relation to debt and hybrid securities which are considered mispriced, so seeking to profit from price rises and falls. |
| Ability to enhance returns with leverage | The Underlying Pool has the ability to enhance returns through leverage. |
| Target returns | The Fund targets high absolute returns that outperform the midpoint of the US Federal Funds Target Range by 4% p.a. to 6% p.a. over rolling 3 year periods after management fees and performance fees. |
| Target volatility | The Fund targets return volatility of less than 5% p.a. over rolling 3 year periods, which is approximately one-third the historic volatility of the Australian equities market. It is a medium to high risk investment |
| Target correlation | The Fund targets producing returns that have low to no correlation with Australian and global equities, fixed-rate bonds and property markets, which can smooth an investor's portfolio returns over time. |
| Diversification | The Fund can provide investors with added diversification to their investment portfolio. |
| Alpha focus | The Fund's investment strategy targets delivering risk-adjusted excess returns through identifying mispricings in liquid debt and hybrid securities that when exploited successfully will provide superior alpha. |
| Regular income | The Fund aims to reliably distribute strong quarterly income. |
| Convenient access | Withdrawals generally available in your bank account after 5 Business Days during ordinary circumstances. |

# 6. Managing risk

All investments carry risks. Different investment strategies may carry different levels of risk, depending on the assets acquired under the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk. The significant risks below should be considered in light of your risk profile when deciding whether to invest in the Fund. Your risk profile will vary depending on a range of factors, including your age, the investment time frame (how long you wish to invest for), your other investments or assets and your risk tolerance.

The Responsible Entity and the Investment Manager do not guarantee the liquidity of the Fund's investments, repayment of capital or any rate of return or the Fund's investment performance. The value of the Fund's investments will vary. Returns are not guaranteed and you may lose money by investing in the Fund. The level of returns will vary and future returns may differ from past returns. Laws affecting managed investment schemes may change in the future. The structure and administration of the Fund is also subject to change.

In addition, we do not offer advice that takes into account your personal financial situation, including advice about whether the Fund is suitable for your circumstances. If you require personal financial or taxation advice, you should contact a licensed financial adviser and/or taxation adviser.

## Significant Risks

### Investment and credit risk

This is the risk that the value of an individual investment in the Fund may change or become more volatile, potentially causing a reduction in the value of the Fund and increasing its volatility. This may be because, amongst many other things, there are changes in the Government's policies, the Investment Manager's or Portfolio Manager's operations or management, or business environment, or a change in perceptions of the risk of any investment. Various risks may lead to the issuer of the investment defaulting on its obligations and reducing the value of the investment to which the Fund has an exposure.

Since the Fund or the Underlying Pool may employ leverage and derivatives, these risks may be further amplified and losses worse than those experienced in investments that do not use leverage or derivatives.

Certain assets may be pledged or otherwise encumbered to a broker that will facilitate the provision of leverage to the Fund. Should the Fund default on its obligations to such a broker the Fund may have assets under pledge seized by the broker to make up losses in trading positions.

### Currency risk

The Fund is denominated in US Dollars and seeks to offer investors exposure to assets denominated in multiple currencies, predominantly in Australian Dollars. The Investment Manager will manage the Fund's currency risk through the use of foreign exchange transactions such that at purchase the Fund's currency exposure is fully hedged into US Dollars. Although the Investment Manager aims to fully hedge currency exposures within the Fund they may not be hedged perfectly.

Currency movements may adversely affect the value of the Fund's investments and the income from those investments.

### Market risk

This is the risk that an entire market or economy changes in value or becomes more volatile, including the risk that country's credit rating is downgraded, which reduces the nation's perceived creditworthiness, the purchasing power of the currency changes (either through inflation or deflation), and/or other market-wide factors, like economic growth or the unemployment rate, deteriorate, which can cause a reduction in the value of the Fund and increase its volatility. This may be because, amongst many other things, there are changes in economic, financial, technological, political or legal conditions, natural and man-made disasters, conflicts and shifts in market sentiment.

### Interest rate risk

This is the risk that changes in interest rates can have a negative impact on certain investment values or returns. Reasons for interest rates changes are many and include variations in inflation, economic activity and RBA policies. Because the Underlying Pool can speculate on interest rate changes, it may suffer capital losses when it gets these changes wrong, which could be amplified by the use of leverage.

### Ratings risk

The assets in which the Underlying Pool invests may or may not have been assigned credit ratings by independent ratings agencies. A ratings downgrade could significantly reduce the value of an investment and impact the value of the units of the Fund. Credit ratings do not guarantee the credit quality of a security, its underlying assets or its repayment, and may be re-assessed by ratings agencies in a range of circumstances. Ratings agencies can make mistakes. The Investment Manager seeks to minimise this risk by assessing the credit risks inherent in any investments it makes.

### Financial instruments risk

A derivative is any financial product that derives its value from another security, index or liability.

The Underlying Pool uses derivatives to take investment positions and to manage (or 'hedge') risk. Their use is central to the investment strategy of the Fund.

Derivatives use attracts certain risks including the value of a derivative failing to move in line with the underlying asset, potential illiquidity of a derivative, the Fund not being able to meet payment obligations as they arise, leverage (or gearing) resulting from the position and counterparty risk (counterparty risk is where the other party to the derivative cannot meet its obligations).

Specialist professionals are employed to help manage the Fund and have a thorough understanding of the financial instruments it invests in. The Investment Manager deals with issuers and counterparties it considers to be reputable. The Investment Manager manages the Underlying Pool so that assets are always available to meet derivatives liabilities.

Unfortunately, using derivatives to reduce the Underlying Pool's risks is not always successful, is not always used to offset all relevant risk, and is sometimes not cost effective or practical to use.

Derivatives may also result in leverage: see below for details.

### Short sale risk

The Portfolio Manager seeks to exploit mispriced investments by taking a 'long' position or a 'short' position.

Short selling means the trust sells a security it does not own to try and profit from a decrease in the value of the security. This is generally done by borrowing the security from another party to make the sale. The short sale of a security can increase the risk of loss, as losses on a short position are not limited to the purchased value of the security.

## Leverage risk

Leverage is a measure of borrowing. A fund that is leveraged is often described as being geared.

The Underlying Pool can take long and short positions, borrow and use derivatives and this can mean the Underlying Pool is geared (or leveraged).

Leverage can amplify gains and also amplify losses. The Portfolio's Manager's approach to leverage is relatively conservative. At the core of the Portfolio Manager's use of leverage is that it is applied against relatively conservative debt securities and hybrids which display relatively high liquidity and which rank ahead of equities in the corporate capital structure.

Complementing this conservative asset class approach, the Portfolio Manager has set direct and indirect leverage limits to assist risk management, which is overseen by the Portfolio Manager. The rules are asset-class specific, with riskier exposures subject to tighter controls. They are designed to reduce the risk of loss and manage portfolio volatility within the target range.

While the Underlying Pool does use leverage, it does not expect to leverage ordinary shares or equities, which are the most junior ranking securities, like traditional hedge funds.

Leverage magnifies returns and magnifies losses. By way of a simple example, assume the Underlying Pool's investments were $10 million and leverage represented a further $10 million. A 1% increase in the return on the assets of the Underlying Pool results in a 2% increase in return to investors. But 1% decrease in the return on the assets of the Underlying Pool results in a 2% loss to investors.

## Volatility risk

Markets can be volatile. Investing in volatile conditions usually implies a greater level of risk for investors than an investment in a more stable market.

The Portfolio Manager uses sophisticated techniques with the goal of regularly measuring and managing volatility, and the Fund's losses in extreme shocks.

The Portfolio Manager's goal is that over rolling 3 year periods, the Fund's volatility averages less than 5% p.a. or around one-third the historic volatility of the Australian equities market.

## Valuation risk

The value of the Fund's underlying investments, as obtained from independent valuation sources, may not accurately reflect the realisable value of those investments. The Fund seeks to reduce this risk by having all the assets of the Fund valued independently on a daily basis and wherever possible using market prices.

## International risk

The Fund's Underlying Pool invests primarily in senior subordinated debt securities, hybrids and derivatives issued by Australian entities domestically and overseas, although it also invests in these types of securities also when issued by overseas entities (into the Australian market or offshore). International investments may be more affected by political and economic uncertainties, lower regulatory supervision, movements in currency and interest rates and possibly more volatile, less liquid markets. These factors can influence the Underlying Pool's investments.

The Fund and the Underlying Pool may have some foreign currency exposure, which the Investment Manager normally seeks to minimise or hedge, but may not always be successful in doing so. Changes in exchange rates can cause the value of the Fund and the Underlying Pool to rise and fall.

## Liquidity risk

This is the risk that your withdrawal requests cannot be met when you expect. Because cash is paid to your account when you withdraw investments of the Fund may need to be sold to pay you. Depending on factors such as the state of the markets, selling investments is not always possible, practicable or consistent with the best interests of investors.

This is one of the reasons why the constitution for the Fund specifies limited circumstances where there could be a delay in meeting your withdrawal request. The law sometimes restricts withdrawals.

Although you may sell your units privately, you may not find a buyer or a buyer at the price you want.

## Structure risk

This is the risk associated with having someone invest for you.

Risks associated with investing in the Fund include that it could be closed and your money returned to you at the prevailing valuations at that time, there can be a change in the responsible entity or at the investment manager or portfolio manager (for example if key individuals were no longer involved in managing the Fund), someone involved with your investment (even remotely) does not meet their obligations or perform as expected, assets may be lost, not recorded properly or misappropriated, laws may adversely change, insurers may not pay when expected, systems may fail or insurance may be inadequate.

Investment decisions by investment managers are not always successful.

Investing through an administration platform also brings some risks that the operator of the administration platform may not perform its obligations properly.

Investing in the Fund may give inferior results compared to investing directly.

## Governance risk

The Investment Manager may take into account environmental, social and governance issues in the management of the Fund with the intention of helping to reduce certain potential credit risks and enhance relative performance of certain asset classes. Be aware that the Investment Manager's policy does not take into account all labour standards, environmental, social and ethical considerations, and that any assessment of what is or is not such a factor and should or need not be taken into consideration is subjective. Remember that the Investment Manager's policy can change, and that investing having regard to such factors may not result in environmental, social or governance outcomes improving or desired investment outcomes being achieved. Investments may form part of the portfolio even though they do not meet such standards.

## Information risk

We are committed to ensuring that your information is kept secure and protected from misuse and loss and from unauthorised access, modification and disclosure. We use the internet in operating the Fund, and may store records in a cloud system. If stored overseas, different privacy and other standards may apply there.

The internet does not however always result in a secure information environment and although we take steps we consider reasonable to protect your information, we cannot absolutely guarantee its security.

## Managing risk

As risk cannot be entirely avoided when investing, the Fund aims to identify and manage risk as far as is practicable.

Whenever investments are made, the potential for returns in light of the likely risks involved are assessed.

Risk is considered throughout the investment process and level of the investment process. As far as is practicable, risk is managed at both the individual investment and the Fund level.

The Underlying Pool seeks to manage risk as far as is practicable through:

- taking long or short positions in relation to assets which are considered mispriced, with the goal to generate capital gain rather than simply chasing yield by focusing on duration, credit and/or illiquidity risk,
- avoiding significant interest rate duration exposure – being more than 24 months,
- focusing on holding securities that are liquid during normal market conditions,
- investing in securities that have relatively low expected probabilities of default and loss, and
- utilising internal and external risk management overlays that monitor the Underlying Pool's compliance with its mandate.

However, many risks are difficult or impracticable to manage effectively and some risks are beyond our and the Investment Manager's and Portfolio Manager's control altogether.

## Operating history

There can be no assurance that the Fund will achieve its objectives. Further, the Fund's future performance depends upon a number of factors with the Portfolio Manager, including its ability to manage the Fund's investment strategy, and to grow the funds under management in the Fund.

## Risk generally

The significant risks of investing in managed investment schemes generally include the risks that:

- the value of investments will vary, the level of returns will vary, and future returns will differ from past returns,
- returns are not guaranteed and investors may lose some or all of their money, and
- laws change.

The level of risk for you particularly will vary depending on a range of other factors, including age, investment time frame, how other parts of your wealth are invested, and your risk tolerance. If you are unsure whether this investment is suitable for you, we recommend you consult a financial adviser. If you have questions about the Fund, feel free to call the Administrator.

Further information about the risks of investing in managed investment schemes can be found on ASIC's MoneySmart website at www.moneysmart.gov.au.

## Risk measure

The Investment Manager considers that the "standard risk measure" for this Fund is a medium to high risk rating, which means that the estimated number of negative annual returns over any 20-year period is 3 to less than 4. On a scale of 1 to 7 where 7 is riskiest in this respect, the Fund is in category 5.

The standard risk measure is based on industry guidance to allow investors to compare investment options that are expected to deliver a similar number of negative annual returns over any 20- year period. It is not a complete assessment of all forms of investment risk, for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than an investor may require to meet their objectives. Further, it does not take into account the impact of fees and tax on the likelihood of a negative return.

Investors should still ensure they are comfortable with the risks and potential losses associated with the Fund.

# 7. Investing and withdrawing

## Applying for units

You can acquire units by completing the Application Form that accompanies this PDS or using the online application at www.coolabahacapital.com. The minimum initial investment amount for the assets of the Fund is $1,000 USD. The Fund only accepts US Dollars.

Completed Application Forms should be sent along with your identification documents (if applicable) to:

Mainstream Fund Services Pty Ltd
GPO Box 4968
Sydney NSW 2001

Please note that cash cannot be accepted.

By completing the online application at **www.coolabahacapital.com**, you can identify yourself and transfer funds by electronic funds transfer (EFT) (a reference number will be sent to you).

We reserve the right to accept or reject applications in whole or in part at our discretion. We have the discretion to delay processing applications where we believe this to be in the best interest of the Fund's investors.

The price at which units are acquired is determined in accordance with the Constitution ("Application Price"). The Application Price on a Business Day is, in general terms, equal to the Net Asset Value ("NAV") of the Fund, divided by the number of units on issue and adjusted for transaction costs ("Buy Spread"). At the date of this PDS, the Buy Spread is nil.

The Buy Sell Spread may change depending on the liquidity of the assets within the Fund's portfolio at that time. Any changes to the spreads after the date of this PDS will be published on the Funds website at www.coolabahcapital.com

The Application Price will vary as the market value of assets in the Fund rises or falls.

## Application cut-off times

If we receive a correctly completed online application or Application Form attached to the PDS, identification documents (if applicable) and cleared application money:

- before or at 12pm (Sydney time) on a Business Day and your application for units is accepted, you will receive the Application Price calculated for that Business Day; or
- after 12pm (Sydney time) on a Business Day and your application for units is accepted, you will receive the Application Price calculated for the next Business Day.

We will only start processing an application if:

- we consider that you have correctly completed the online application or Application Form attached to the PDS;
- you have provided us with the relevant identification documents if required; and
- we have received the application money (in cleared funds) stated in your online application or Application Form attached to the PDS.

We reserve the right to accept or reject applications in whole or in part at our discretion. We have the discretion to delay processing applications where we believe this to be in the best interest of the Fund's investors.

## Additional applications

You can make additional investments into the Fund at any time by sending us your additional investment amount together with a completed Application Form. Alternatively complete the online application. You can transfer funds by electronic funds transfer (EFT). The minimum additional investment into the Fund is $1,000 USD.

## Terms and conditions for applications

Applications can be made at any time. Application cut-off times and unit pricing are set out in the initial applications section above.

Please note that we do not pay interest on application monies (any interest is credited to the Fund).

Equity Trustees reserves the right to refuse any application without giving a reason. If for any reason Equity Trustees refuses or is unable to process your application to invest in the Fund, Equity Trustees will return your application money to you, subject to regulatory considerations, less any taxes or bank fees in connection with the application. You will not be entitled to any interest on your application money in this circumstance.

Under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006, applications made without providing all the information and supporting identification documentation requested on the Application Form cannot be processed until all the necessary information has been provided. As a result, delays in processing your application may occur.

## Cooling-off period

If you are a retail client (as defined in the Corporations Act) who has invested directly in the Fund, you may have a right to a 'cooling off' period in relation to your investment in the Fund for 14 days from the earlier of:

- confirmation of the investment being received; and
- the end of the fifth business day after the units are issued.

A Retail Client may exercise this right by notifying Equity Trustees in writing. A Retail Client is entitled to a refund of their investment adjusted for any increase or decrease in the relevant Application Price between the time we process your application and the time we receive the notification from you, as well as any other tax and other reasonable administrative expenses and transaction costs associated with the acquisition and termination of the investment.

The right of a Retail Client to cool off does not apply in certain limited situations, such as if the issue is made under a distribution reinvestment plan, switching facility or represents additional contributions required under an existing agreement. Also, the right to cool off does not apply to you if you choose to exercise your rights or powers as an investor in the Fund during the 14 day period, this could include selling part of your investment or switching it to another product.

## Making a withdrawal

Investors in the Fund can generally withdraw their investment by completing a written request to withdraw from the Fund and mailing it to:

Mainstream Fund Services Pty Ltd
GPO Box 4968
Sydney NSW 2001

Or sending it by fax to +61 2 9251 3525

Or sending it by email to registry@mainstreamgroup.com

The minimum withdrawal amount is $1,000 USD. Once we receive your withdrawal request, we may act on your instruction without further enquiry if the instruction bears your account number or investor details and your (apparent) signature(s), or your authorised signatory's (apparent) signature(s).

Equity Trustees will generally allow an investor to access their investment within 5 Business Days of receipt of a withdrawal request by transferring the withdrawal proceeds to such investors' nominated bank account. Access to your investment at the end of a distribution period will take longer as the Fund's unit price is placed on a temporary hold whilst the distribution is calculated. However, the Constitution allows Equity Trustees to reject withdrawal requests and may also delay payment in certain circumstances) but the Investment Manager considers this unlikely given the Fund's investments.

The price at which units are withdrawn is determined in accordance with the Constitution ("Withdrawal Price"). The Withdrawal Price on a Business Day is, in general terms, equal to the NAV of the Fund, divided by the number of units on issue and adjusted for transaction costs ("Sell Spread"). At the date of this PDS, the Sell Spread is 0.10%. The Withdrawal Price will vary as the market value of assets in the Fund rises or falls. The Buy Sell Spread may change depending on the liquidity of the assets within the Fund's portfolio at that time. Any changes to the spreads after the date of this PDS will be published on the Funds website at www.coolabahcapital.com

Equity Trustees reserves the right to fully redeem your investment if your investment balance in the Fund falls below $1,000 USD as a result of processing your withdrawal request. Equity Trustees can deny a withdrawal request or suspend consideration of a withdrawal request in certain circumstances. Under the Corporations Act, you do not have a right to withdraw from the Fund if the Fund is illiquid. When the Fund is not liquid, an investor can only withdraw if Equity Trustees makes a withdrawal offer to investors in accordance with the Corporations Act. Equity Trustees is not obliged to make such offers. The Fund will be deemed liquid if at least 80% of its assets are liquid assets (generally cash and marketable securities). In addition, we can also delay unit redemption withdrawals for up to 180 days or such longer or shorter period as we consider is appropriate in all the circumstances in limited circumstances including if there is a circumstance outside our reasonable control which we consider impacts on our ability to properly or fairly calculate the unit price, or withdrawal requests would result in 20% or more of Net Asset Value being withdrawn (we can stagger payment over such period that we determine).

## Withdrawal cut-off times

If we receive a withdrawal request:

- before 12pm (Sydney time) on a Business Day and your withdrawal request is accepted, you will receive the Withdrawal Price calculated for that Business Day; or
- on or after 12pm (Sydney time) on a Business Day and your withdrawal request is accepted, you will receive the Withdrawal Price calculated for the next Business Day.

We reserve the right to accept or reject withdrawal requests in whole or in part at our discretion. We have the discretion to delay processing withdrawal requests where we believe this to be in the best interest of the Fund's investors.

## Access to funds

Except where the Fund is not liquid (see below), the Responsible Entity will generally allow investors to access their funds within 5 Business Days of receipt of a Redemption Request Form for the relevant amount.

Where the Fund is not liquid (as defined in the Corporations Act) an investor does not have a right to withdraw from the Fund and can only withdraw where the Responsible Entity makes a withdrawal offer to investors in accordance with the Corporations Act. The Responsible Entity is not obliged to make such offers. The Fund will cease to be liquid if less than 80% of its assets are liquid assets. Broadly, liquid assets are money in an account or on deposit with a financial institution, bank accepted bills, marketable securities, other prescribed property and other assets that the Responsible Entity reasonably expects can be realised for their market value within the period specified in the Constitution for satisfying withdrawal requests while the Fund is liquid.

In addition, we can also delay unit redemption withdrawals for up to 180 days or such longer or shorter period as we consider is appropriate in all the circumstances in limited circumstances including if there is a circumstance outside our reasonable control which we consider impacts on our ability to properly or fairly calculate the unit price, or withdrawal requests would result in 20% or more of Net Asset Value being withdrawn (we can stagger payment over such period that we determine).

## Terms and conditions for withdrawals

The minimum withdrawal amount in the Fund is $1,000 USD. Where a withdrawal request takes the balance below the minimum level of $1,000 USD, the Responsible Entity may require you to redeem the remaining balance of your investment. Equity Trustees has the right to change the minimum holding amount.

The Responsible Entity can deny a withdrawal request in whole or in part. Equity Trustees will refuse to comply with any withdrawal request if the requesting party does not satisfactorily identify themselves as the investor. Withdrawal payments will not be made to third parties (including authorised nominees), and will only be paid directly to the investor's US Dollar bank account held in the name of the investor at a branch of an Australian domiciled bank. By lodging a facsimile or email withdrawal request the investor releases, discharges and agrees to indemnify Equity Trustees from and against any and all losses, liabilities, actions, proceedings, account claims and demands arising from any facsimile or email withdrawal request.

You also agree that any payment made in accordance with the fax or email instructions shall be in complete satisfaction of the obligations of Equity Trustees, notwithstanding any fact or circumstance including that the payment was made without your knowledge or authority.

When you are withdrawing, you should take note of the following:

- We are not responsible or liable if you do not receive, or are late in receiving, any withdrawal money that is paid according to your instructions.
- We may contact you to check your details before processing your Redemption Request Form. This may cause a delay in finalising payment of your withdrawal money. No interest is payable for any delay in finalising payment of your withdrawal money.
- If we cannot satisfactorily identify you as the withdrawing investor, we may refuse or reject your withdrawal request or payment of your withdrawal proceeds will be delayed. We are not responsible for any loss you consequently suffer.
- As an investor who is withdrawing, you agree that any payment made according to instructions received by post, courier, fax or email, shall be a complete satisfaction of our obligations, despite any fact or circumstances such as the payment being made without your knowledge or authority.

You agree that if the payment is made according to all the terms and conditions for withdrawals set out in this PDS, you and any person claiming through or under you, shall have no claim against Equity Trustees or the Investment Manager in relation to the payment. Investors will be notified of any material change to their withdrawal rights (such as any suspension of their withdrawal rights) in writing.

## Compulsory redemptions

We can redeem your investment without asking if you breach your legal obligations to us, to recover money you owe us or anyone else relating to your investment, if law prohibits you from legally being an investor or if you fail to meet the minimum account balance from time to time.

## Distributions

Rights to income and capital in the Fund are distinct from other classes of units on issue. An investor's share of any distributable income is calculated in accordance with the Constitution and is generally based on the investments (the Underlying Pool, foreign currency and hedge arrangements) held by this class and the number of units held by the investor at the end of the distribution period.

The Fund usually distributes income quarterly at the end of June, September, December and March. Distributions are calculated effective the last day of the distribution period and are normally paid to investors as soon as practicable after the distribution calculation date.

Investors in the Fund can indicate a preference to have their distribution:

- reinvested back into the Fund; or
- directly credited to their USD denominated Australian domiciled bank account.

Investors who do not indicate a preference will have their distributions automatically reinvested. Applications for reinvestment will be taken to be received immediately prior to the next Business Day after the relevant distribution period. There is no Buy Spread on distributions that are reinvested.

In some circumstances, the Constitution may allow for an investor's withdrawal proceeds to be taken to include a component of distributable income.

## Valuation of the Fund

The value of the investments of the Fund is generally determined daily. The value of a unit is determined by the net asset value referable to the Fund (NAV). This is calculated by deducting from the gross value of the assets of the Fund the value of the liabilities of the Fund (not including any investor liability). Generally, investments will be valued on each Business Day at their market value but other valuation methods and policies may be applied by Equity Trustees if appropriate or if otherwise required by law or applicable accounting standards. The Application Price of a unit in the Fund is based on the NAV divided by the number of units on issue in the Fund. The Responsible Entity can also make an allowance for transaction costs required for buying investments when an investor acquires units; this is known as the Buy Spread.

The Withdrawal Price of a unit in the Fund is based on the NAV of the Fund divided by the number of units on issue in the Fund. The Responsible Entity can also make an allowance for transaction costs required for selling investments when an investor makes a withdrawal; this is known as the Sell Spread.

Refer to Section 9 for additional information.

## Joint account operation

For joint accounts, each signatory must sign withdrawal requests. Please ensure both signatories sign the declaration in the Application Form. Joint accounts will be held as joint tenants.

## Authorised signatories

You can appoint a person, partnership or company as your authorised signatory. To do so, please nominate them on the initial Application Form and have them sign the relevant sections. If a company is appointed, the powers extend to any director and officer of the company. If a partnership is appointed, the powers extend to all partners. Such appointments will only be cancelled or changed once we receive written instructions from you to do so.

Once appointed, your authorised signatory has full access to operate your investment account for and on your behalf. This includes the following:

- making additional investments;
- requesting income distribution instructions to be changed;
- withdrawing all or part of your investment;
- changing bank account details;
- enquiring and obtaining copies of the status of your investment; and
- having online account access to your investment.

If you do appoint an authorised signatory:

- you are bound by their acts;
- you release, discharge and indemnify us from and against any losses, liabilities, actions, proceedings, account claims and demands arising from instructions received from your authorised representatives; and
- you agree that any instructions received from your authorised representative shall be complete satisfaction of our obligations, even if the instructions were made without your knowledge or authority.

## Electronic instructions

If an investor instructs Equity Trustees by electronic means, such as facsimile, email or internet, the investor releases Equity Trustees from and indemnifies Equity Trustees against, all losses and liabilities arising from any payment or action Equity Trustees makes based on any instruction (even if not genuine) that Equity Trustees receives by an electronic communication bearing the investor's investor code and which appears to indicate to Equity Trustees that the communication has been provided by the investor eg. a signature which is apparently the investor's and that of an authorised signatory for the investment or an email address which is apparently the investor's. The investor also agrees that neither they nor anyone claiming through them has any claim against Equity Trustees or the Fund in relation to such payments or actions. There is a risk that a fraudulent withdrawal request can be made by someone who has access to an investor's investor code and a copy of their signature or email address. Please take care.

# 8. Keeping track of your investment

## Complaints resolution

Equity Trustees has an established complaints handling process and is committed to properly considering and resolving all complaints. If you have a complaint about your investment, please contact us on:

Phone: 1300 133 472
Post: Equity Trustees Limited
GPO Box 2307, Melbourne VIC 3001
Email: compliance@eqt.com.au

We will acknowledge receipt of the complaint as soon as possible and in any case within 3 days of receiving the complaint. We will seek to resolve your complaint as soon as practicable but not more than 45 days after receiving the complaint.

If you are not satisfied with our response to your complaint, you may be able to lodge a complaint with the Australian Financial Complaints Authority ("AFCA").

Contact details are:
Online: www.afca.org.au
Phone: 1800 931 678
Email: info@afca.org.au
Post: GPO Box 3, Melbourne VIC 3001.

The external dispute resolution body is established to assist you in resolving your complaint where you have been unable to do so with us. However, it's important that you contact us first.

## Reports

We will make the following statements available to all investors;

- A transaction confirmation statement, showing a change in your unit holding (provided when a transaction occurs or on request).
- The Fund's annual audited accounts for each period ended 30 June.
- Annual distribution, tax and confirmation of holdings statements for each period ended 30 June.
- Annual report detailing each of the following:
  - the actual allocation to each asset type;
  - the liquidity profile of the portfolio assets as at the end of the period;
  - the maturity profile of the liabilities as at the end of the period;
  - the derivative counterparties engaged (including capital protection providers); and
  - the leverage ratio (including leverage embedded in the assets of the Fund, other than listed equities and bonds) as at the end of the period;
  - the key service providers if they have changed since the latest report given to investors, including any change in their related party status.

The latest annual report will be available online from www.coolabahacapital.com.

The following information is available on SMI's website and/or is disclosed monthly:

- the current total NAV of the Fund and the withdrawal value of a unit in each class of units as at the date the NAV was calculated;
- the monthly or annual investment returns over at least a five-year period (or, if the Fund has not been operating for five years, the returns since its inception);
- any change to key service providers if they have changed since last report given to investors;
- for each of the following matters since the last report on those matters:
  - the net return on the Fund's assets after fees, costs and taxes;
  - any material change in the Fund's risk profile;
  - any material change in the Fund's strategy; and
  - any change in the individuals playing a key role in investment decisions for the Fund.

By applying to invest in the Fund, you agree that, to the extent permitted by law, any periodic information which is required to be given to you under the Corporations Act or ASIC policy can be given to you by making that information available on Equity Trustees' or the Investment Manager's website.

Please note that Indirect Investors who access the Fund through an IDPS will receive reports directly from the IDPS Operator and not from the Responsible Entity. However, Equity Trustees will be providing the reports described above to relevant IDPS Operators. Indirect Investors should refer to their IDPS Guide for information on the reports they will receive regarding their investment.

If and when the Fund has 100 or more direct investors, it will be classified by the Corporations Act as a 'disclosing entity'. As a disclosing entity the Fund will be subject to regular reporting and disclosure obligations. Investors would have a right to obtain a copy, free of charge, of any of the following documents:

- the most recent annual financial report lodged with ASIC ("Annual Report");
- any subsequent half yearly financial report lodged with ASIC after the lodgement of the Annual Report; and
- any continuous disclosure notices lodged with ASIC after the Annual Report but before the date of this PDS.

Equity Trustees will comply with any continuous disclosure obligation by lodging documents with ASIC as and when required.

Copies of these documents lodged with ASIC in relation to the Fund may be obtained through ASIC's website at www.asic.gov.au.

# 9. 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 final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

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

You may be able to negotiate to pay lower contribution fees and management costs where applicable. 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) has a managed funds fee calculator to help you check out different fee options.

This document 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 Fund as a whole. Taxes and insurance costs 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. For Indirect Investors, the fees listed in the 'Fees and other costs' section of this PDS are in addition to any other fees and charges charged by your IDPS Operator.

| Type of fee or cost | Amount | How and when paid |
|---|---|---|
| **Fees when your money moves in or out of the Fund** | | |
| *Establishment fee*<br>The fee to open your investment | Nil | There is no establishment fee payable when you set up your investment in the Fund. |
| *Contribution fee*<br>The fee on each amount contributed to your investment | Nil | There is no contribution fee payable when you invest in the Fund. |
| *Withdrawal fee*<br>The fee on each amount you take out of your investment | Nil | There is no withdrawal fee payable when you withdraw investments from the Fund. |
| *Exit fee*<br>The fee to close your investment | Nil | There is no exit fee payable when you close your investment in the Fund. |
| **Management costs** | | |
| The fees and costs for managing your investment[1] | **Management fees**: 0.75% p.a. of the Net Asset Value (NAV)[2]<br><br>Plus<br>**Performance fee**: 20.5% p.a. of the investment return above the midpoint of the US Federal Funds Target Range plus management fees 0.75% p.a. | The management costs include the responsible entity's fee, management fees, custodian fees, administration fees and other ordinary expenses.<br><br>The performance fee is calculated and accrued daily, based on the NAV, subject to a high water mark. It is paid semi-annually from the Fund's assets. |

[1] All fees quoted above are inclusive of Goods and Services Tax (GST) and net of any Reduced Input Tax Credits (RITC). See below for more details as to how management costs are calculated.

[2] Management fees can be negotiated. See "Differential fees" below.

[3] This represents the performance fees which are payable as an expense of the Portfolio to the Investment Manager. See "Performance fees" below for more information.

[4] Refer to our website for any updates which are not materially adverse from time to time.

## Additional Explanation of fees and costs

### What do the management costs pay for?

Management costs comprise the additional fees or costs that an investor incurs by investing in the Fund rather than by investing directly in the assets.

The management fees of 0.75% p.a. of the NAV are payable to the Responsible Entity of the Fund for managing the assets and overseeing the operations of the Fund. The management fees are accrued daily and paid from the Fund monthly in arrears and reflected in the unit price. As at the date of this PDS, ordinary expenses such as investment management fees, custodian fees (excluding transaction-based fees such as trading or settlement costs incurred by the custodian), administration and audit fees, and other ordinary expenses of operating the Fund are covered by the management fees at no additional charge to you.

The management costs shown above do not include extraordinary expenses (if they are incurred in future), including such as litigation costs, the costs of convening investor meetings.

Ordinary Expenses for the Fund include all the usual expenses associated with the Fund (including establishment, promotion, licensing, responsible entity fees, custodian, registry, audit, taxation, legal advice, external consultants, accounts, stationery, postage, compliance and compliance committee costs, fund accounting and operations costs, insurance costs and regulatory expenses, as well as any GST impact on these services).

Ordinary Expenses does not include investment expenses such as brokers, custodial transaction costs or exit (or break) costs for any particular investment, investment transaction costs or unusual expenses such as investor meetings, dispute management, platform listing costs, change of responsible entity or termination of the Fund, as well as any GST impact on these services, which if they arise may be recovered from the Fund.

In addition, management costs do not include transactional and operational costs (i.e. costs associated with investing the underlying assets, some of which may be recovered through Buy/Sell Spreads).

### Performance fees

Performance fees are payable to the Investment Manager where the investment performance of the Fund exceeds the performance of the midpoint of the US Federal Funds Rate Target Range plus management fees 0.75% p.a. (Benchmark), provided that the high water mark is also exceeded.

The performance fees are 20.5% of this excess, calculated daily and paid semi-annually in arrears from the Fund and calculated based on a gross return basis using the beginning NAV over the relevant period.

No performance fees are payable until any accrued underperformance (in dollar terms) from prior periods has been made up (this feature is sometimes referred to as a high-water mark). The High Water Mark calculation is the cumulative return of the Fund, including distributions but before performance fees, since inception.

Based on the current calculation methodology for the performance fee, the Responsible Entity has estimated that the typical ongoing performance fee payable per annum may be $515 assuming an average account balance of $50,000 during the year. Prior performance periods for the Smarter Money Long-Short Credit Fund have been taken into account in calculating this estimate. However, this is not a forecast as the actual performance fee for the current and future financial years may differ. The Responsible Entity cannot guarantee that performance fees will remain at their previous level or that the performance of the Fund will outperform the benchmark.

It is not possible to estimate the actual performance fee payable in any given period, as we cannot forecast what the performance of the Fund will be, but it will be reflected in the management costs for the Fund for the relevant year. Information on current performance fees will be updated from time to time and available at www.eqt.com.au/insto.

### Transactional and operational costs

In managing the assets of the Fund, the Fund may incur transaction costs such as brokerage, settlement costs, clearing costs and applicable stamp duty when assets are bought and sold. This generally happens when the assets of a fund are changed in connection with day-to-day trading or when there are applications or withdrawals which cause net cash flows into or out of a fund.

Buy/Sell Spread is a reasonable estimate of transaction costs that the Fund will incur when buying or selling assets of the Fund. These costs are an additional cost to the investor but are incorporated into the unit price and arise when investing applications monies and funding withdrawals from the Fund and are not separately charged to the investor. The Buy Spread is paid into the Fund as part of an application and the Sell Spread is left in the Fund as part of a redemption and not paid to Equity Trustees or the Investment Manager. The estimated Buy/Sell Spread is nil upon entry and 0.10% upon exit. The dollar value of these costs based on an application or a withdrawal of $1,000 USD is $0 (application) and $1.00 (withdrawal) for each individual transaction. The Buy/Sell Spread can be altered by the Responsible Entity at any time and www.coolabahcapital.com will be updated as soon as practicable to reflect any change. The Responsible Entity may also waive the Buy/Sell Spread in part or in full at its discretion.

Transactional costs which are incurred other than in connection with applications and redemptions arise through the day-to-day trading of the Fund's assets and are reflected in the Fund's unit price. As these costs are factored into the net asset value of the Fund and reflected in the unit price, they are an additional implicit cost to the investor and are not a fee paid to the Responsible Entity. These costs can arise as a result of bid-offer spreads (the difference between an asset's bid/buy price and offer/ask price) being applied to securities traded by the Fund. Liquid securities generally have a lower bid-offer spread while less liquid assets have a higher bid-offer spread reflecting the compensation taken by market makers in providing liquidity for that asset.

We estimate that the total transaction costs for the Fund over the first full financial year will be 0.45% of the NAV of the Fund, of which 17.18% of these transaction costs is reasonably estimated to be recouped via the Buy/Sell Spread when applications or redemptions take place, resulting in a net transaction cost to the Fund of 0.37% p.a. These figures reflect the transaction costs of the Smarter Money Long-Short Credit Fund - Direct Investor Class ARSN 617 838 543 during the financial year ended 30 June 2019.

However, actual transactional and operational costs for future years may differ.

### Can the fees change?

Yes, all fees can change without investor consent, subject to the maximum fee amounts specified in the Constitution. Equity Trustees has the right to recover all proper and reasonable expenses incurred in managing the Fund and as such these expenses may increase or decrease accordingly. We will generally provide investors with at least 30 days' notice of any proposed change to the management costs. In most circumstances, the Constitution defines the maximum fees that can be charged for fees described in this PDS. Expense recoveries may change without notice, for example, when it is necessary to protect the interests of existing members and if permitted by law.

### Payments to IDPS Operators

Subject to the law, annual payments may be made to some IDPS Operators because they offer the Fund on their investment menus. Product access is paid by the Investment Manager out of its management fees and is not an additional cost to the investor. If the payment of annual fees to IDPS Operators is limited or prohibited by the law, Equity Trustees will ensure the payment of such fees is reduced or ceased.

### Differential fees

The Responsible Entity or Investment Manager may from time to time negotiate a different fee arrangement (by way of a rebate or waiver of fees) with certain investors who are Australian Wholesale Clients.

## Example of annual fees and costs for the Fund

This table gives an example of how the fees and costs for this managed investment product can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

| Example – Smarter Money Long-Short Credit Fund - USD Investor Class | | |
|---|---|---|
| BALANCE OF $50,000 WITH A CONTRIBUTION OF $5,000 DURING THE YEAR | | |
| Contribution Fees | Nil | For every $5,000 you put in, you will be charged $0 |
| **Plus** Management Costs **Comprising**: | 2.12% p.a. | **And**, for every $50,000 you have in the Fund you will be charged $1,060 each year comprising: |
| Management fees: | 0.75% p.a. | $375 |
| Performance fees: | 1.37% p.a. | $685 |
| **Equals** Cost of Fund | | 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, then you would be charged fees of: $1,060* **What it costs you will depend on the fees you negotiate.** |

* This example assumes the $5,000 contribution occurs at the end of the first year, therefore management costs are calculated using the $50,000 balance only. Indirect costs are not a fee earned by or paid to the Responsible Entity or the Investment Manager.

Additional fees may apply. Please note that this example does not capture all the fees and costs that may apply to you such as the Buy/Sell Spread.

**Warning: If you have consulted a financial adviser, you may pay additional fees. You should refer to the Statement of Advice or Financial Services Guide provided by your financial adviser in which details of the fees are set out.**

ASIC provides a fee calculator on www.moneysmart.gov.au, which you may use to calculate the effects of fees and costs on your investment in the Fund.

The performance fees stated in this table shows the estimated performance fees for the financial year ended 30 June 2020 as a percentage of the Fund's average NAV. Our estimate reflects the performance fee of the Smarter Money Long-Short Credit Fund - Direct Investor Class ARSN 617 838 543 during the financial year ended 30 June 2019. The performance of the Fund, and the performance fees, may be higher or lower or not payable in the future. As a result, the management costs may differ from the figure shown in the table. It is not a forecast of the performance of the Fund or the amount of the performance fees in the future. See also above (next to the heading "Performance fees") our estimated typical ongoing performance fees fee payable per annum. The actual indirect costs and performance fees for the current financial year and for future financial years may differ. For more information on the performance history of the Fund, visit Equity Trustees' website at www.eqt.com.au/insto. Past performance is not a reliable indicator of future performance.

# 10. Taxation

## Tax implications

This information is a general guide only for investors who hold their investment on capital account for income tax purposes and is based on our interpretation of the Australian taxation laws and Australian Taxation Office (ATO) administrative practices as at the date of the publication of this PDS.

Tax can be complex and this guide is not intended to be a complete statement of all relevant tax laws. Investing through a trust can also mean different things for you from a tax perspective. The below information is not an exhaustive summary of the tax implications of an investment in the Fund and does not consider foreign tax laws. It is important that you seek timely professional tax advice concerning the particular tax implications before making investment decisions.

## Distributions

The Fund usually distributes income annually effective at the end of June each year, however distribution frequency can be changed by the RE without notice. Distributions are calculated effective the last day of the distribution period and are normally paid to investors as soon as practicable after the distribution calculation date. The Fund's policy is to distribute all cash income of the Fund unless we consider it in the best interests of investors as a whole to do otherwise.

The Australian Government has enacted a regime for the taxation of managed investment trusts (MITs), referred to as the Attribution Managed Investment Trust (AMIT) rules which may impact how the Fund's tax calculations are prepared (refer below). Where the Fund is a MIT it will make/rely on an election to apply deemed capital account treatment for gains and losses on disposal of eligible investments (including equities and units in trust).

*Attribution Managed Investment Trusts (AMITs)*

Where the Fund is subject to the new AMIT tax regime:

- The taxable income of the Fund is attributed to you by the Responsible Entity (RE) on a fair and reasonable basis and in accordance with the Fund's constitution. You have rights in limited circumstances to object to any such decision however, we expect that for the most part, all investors of each class will be treated the same.
- Subsequent to its annual distribution, the Fund may discover that it under or over distributed its determined trust components (e.g. where actual amounts differ to the estimates of income used in the distribution calculation). If the amount distributed to an investor exceeds the taxable income attributed to the investor, investors should be entitled to a decrease in the tax cost base of their units. Estimates of these net cost base increase or decrease amounts will also be provided to investors through the AMIT Member Annual Statement ("AMMA Statement").
- Unders and overs of trust components will generally be carried forward and included as an adjustment in the calculation of distributions in the year of discovery.

*AMIT multi-class election*

Under the AMIT rules, a choice is available to elect to treat separate classes of units with different rights to income and capital as separate AMITs. The USD class of units should have different rights to capital and income compared to the other classes of units issued by the Fund as a result of foreign exchange ("FX") hedges and foreign currency held by that class. As a result, EQT (as responsible entity) will make an election for the USD and all other classes to be treated as two separate classes of unit for income tax purposes (the "AMIT unit classes"). This is an irrevocable election.

The AMIT unit classes identified for income tax purposes will share in the income, gains and losses from the pooled investments of the Fund, and the USD class will also have FX gains and losses from FX hedges. The Fund's determined trust components of assessable income, exempt income, non-assessable non-exempt income and tax offsets will be allocated between the AMIT unit classes on this basis. The amounts allocated to each AMIT unit class will be attributed to members of each class of units according to their proportionate unit holdings in each class. In applying these principles, EQT as Responsible Entity of the Fund will have regard to the AMIT rules, including the AMIT specific multi-class rules, the Constitution of the Fund and this PDS, and the ATO guidance (including Law Companion Ruling LCR 2015/5).

In a year of income, if one AMIT unit class has a tax loss, that tax loss may not be offset against the taxable income of the other class. Instead, it would be quarantined within that AMIT unit class and carried forward to be offset against future income of that class.

*Non – Attribution Managed Investment Trusts (non-AMIT)*

Where the Fund does not qualify or elect to be an AMIT, it will be subject to ordinary trust taxation provisions in the tax legislation.

Investors in the Fund will be made 'presently entitled' to and distributed all of the income of the Fund each year, and will be assessed on their proportionate share of the taxable income of the Fund each year.

If the Fund ceased to be an AMIT for a particular year of income, the AMIT multi-class election would also not apply for that year of income. In this event, investors in the Fund (in both AMIT unit classes) would be taxed on the total taxable income of the Fund (including the FX hedging gains or losses), in proportion to their share of the Fund's distributable income for that year of income. Also, unders and overs from a prior year in which the Fund was an AMIT will continue to be carried forward and applied in calculating the taxable income of the Fund, generally for a period of up to 4 years.

## Taxation of Australian resident investors

Australian resident investors will be required each year to include in their own tax calculations and tax return filings the assessable income, exempt income, non-assessable income and tax offsets allocated to them by the Fund.

The Australian tax law may impact the time that income is brought to account as assessable and included in an investors taxable income. Broadly, the Taxation of Financial Arrangements (TOFA) rules may affect the time at which gains and losses from financial arrangements held by the Fund are recognised for income tax purposes, including whether the gains and losses are recognised on an accruals or realisation basis. Certain foreign income may also be recognised on an accruals basis.

You may be entitled to tax offsets (such as franking credits attached to dividend income and credits for tax paid on foreign income) which may reduce the tax payable by you, and concessional rates of tax may apply to certain forms of taxable income such as capital gains. The ability to utilise these tax offsets and concessional rates of tax may be subject to certain requirements being satisfied.

## Withdrawals

Australian investors may be liable for tax on any gains realised on the disposal of units when they make a withdrawal from the Fund or when ownership of their units' changes. In calculating any capital gain or capital loss under the CGT provisions, any taxable capital gain arising on disposal of your units may form part of your assessable income. Some investors may be eligible for the CGT discount upon disposal of their units if the units are held of a period of more than 12 months, and certain other requirements are satisfied. You should always obtain professional tax advice about the availability of the CGT discount provisions.

### Offshore tax rules

The Australian tax treatment of offshore investments is complex. The type of offshore investment held by the Fund may impact the nature of the income and gains derived, as well as the timing of when these amounts are recognised. For example, gains in respect of certain offshore investments may be treated as deemed dividends for Australian tax purposes and capital account treatment not available.

Under Australia's offshore tax rules, the ATO also expects that tax be paid by Australian investors on some gains made on an accruals basis even though those gains realised offshore are not yet received by investors in Australia. This can mean there could be a cash flow issue for investors where there is a liability with no matching payment to fund the liability. If Fund distributions are insufficient, you will need to independently fund any such tax liability.

The Fund's offshore investments may also be subject to foreign income and withholding taxes. Investors may be eligible for tax offsets in respect of these foreign taxes where certain requirements are satisfied.

### Foreign investors

If you are a non-resident of Australia for tax purposes, the Responsible Entity may be required to withhold tax from taxable income distributions allocated to you.

Additionally, certain laws focus on investors who are not Australian residents for tax purposes. These laws include the US based 'FATCA' laws, and also the 'Common Reporting Standard' which is designed to be a global standard for collection and reporting of tax information. Generally, we report this to the ATO, who then shares this with relevant foreign authorities.

The Australian tax implications on disposal of units in the Fund by a non-resident will depend on their specific circumstances. Generally, non-resident investors holding their units on capital account should be subject to Australian capital gains tax on the disposal of units in the Fund where the units were capital assets held by the investor in carrying on a business through a permanent establishment in Australia. Australian tax may also apply in certain circumstances if the non-resident holds their units on revenue account. CGT may also apply in some cases where the Fund has a direct or indirect interest in Australian real property.

We recommend that non-resident investors seek independent tax advice before investing, taking into account their particular circumstances and the provisions of any relevant Double Taxation Agreement/ Exchange of Information Agreement ("EOI") between Australia and their country of residence.

### TFNs and ABNs

You do not have to disclose you tax file number (TFN) or any Australian Business Number (ABN) you may have, but most investors do. If you choose not to and you do not have an exemption, we must deduct tax at the highest personal rate, plus the Medicare levy, before paying nay distribution to you.

### What else should you know?

We will send you information after the end of each financial year (June) to help you to complete your tax return, including details of taxable income allocated to you for the year and any net cost base adjustment amount by which the cost base of your units in the Fund should be increased or decreased.

At the time of your initial or additional investment in the Fund there may be accrued income or unrealised capital gains included in the unit price which, if later realised, may be included in the taxable income of the Fund allocated to you. There may also be realised but undistributed income or capital gains in the Fund which may be included in the taxable income allocated to you.

Sometimes when we are administering the Fund we learn new things about past tax matters and need to make adjustments. Where these matters cannot be treated as under and over distributions, it is possible that we will ask you to adjust your own tax records, or the Fund may pay tax or receive a refund and it can be the investors at the time that are subject to this.

### Indirect investors

Tax outcomes can be different for indirect investors. We strongly encourage you to seek timely professional advice before making investment decisions.

### Tax reform

Tax laws change, often substantially. You should monitor reforms to the taxation of trusts in particular and seek your own professional advice that is specific to your circumstances.

# 11. Other important information

## Consents

The Investment Manager and the Portfolio Manager have given and, as at the date of this PDS, have not withdrawn:

- their written consent to be named in this PDS as the Investment Manager and the Portfolio Manager of the Fund; and
- their written consent to the inclusion of the statements made about them and CCII, in the form and context in which they appear.

The Investment Manager, Custodian and the Portfolio Manager have not otherwise been involved in the preparation of this PDS or caused or otherwise authorised the issue of this PDS. Neither the Investment Manager nor the Portfolio Manager nor their employees or officers accept any responsibility arising in any way for errors or omissions, other than those statements for which they have provided their written consent to Equity Trustees for inclusion in this PDS.

## Constitution of the Fund

You will be issued units in the Fund when you invest. Subject to the rights, obligations and restrictions of a class, each unit represents an equal undivided fractional beneficial interest in the assets of the Fund as a whole subject to liabilities, but does not give you an interest in any particular property of the Fund.

Equity Trustees' responsibilities and obligations, as the responsible entity of the Fund, are governed by the Constitution as well as the Corporations Act and general trust law. The Constitution contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both Equity Trustees, as the responsible entity of the Fund, and investors. Some of the provisions of the Constitution are discussed elsewhere in this PDS.

Other provisions relate to an investor's rights under the Constitution, and include:

- an investor's right to share in any Fund income, and how we calculate it;
- what you are entitled to receive when you withdraw or if the Fund is wound up;
- an investor's right to withdraw from the Fund - subject to the times when we can cease;
- processing withdrawals, such as if a Fund becomes 'illiquid';
- the nature of the units - identical rights attach to all units within a class; and
- an investor's rights to attend and vote at meetings – these provisions are mainly contained in the Corporations Act.

There are also provisions governing our powers and duties, including:

- how we calculate unit prices, the maximum amount of fees we can charge and expenses we can recover;
- when we can amend the Constitution - generally we can only amend the Constitution where we reasonably believe that the changes will not adversely affect investors' rights. Otherwise the Constitution can only be amended if approved at a meeting of investors;
- when we can retire as the Responsible Entity of the Fund - which is as permitted by law;
- when we can be removed as the Responsible Entity of the Fund - which is when required by law; and
- our broad powers to invest, borrow and generally manage the Fund.

The Constitution also deals with our liabilities in relation to the Fund and when we can be reimbursed out of the Fund's assets.

For example:

- subject to the Corporations Act we are not liable for relying in good faith on professional advice;
- subject to the Corporations Act we are not liable for any loss unless we fail to act in good faith or we act with gross negligence; and
- we can be reimbursed for any liabilities we incur in connection with the proper performance of our powers and duties in respect of the Fund.

The constitution also contains a provision that the relevant constitution is the source of our relationship with investors and not any other laws, except those laws we cannot exclude.

As mentioned above, Equity Trustees' responsibilities and obligations as the Responsible Entity of the Fund are governed by the Constitution of the Fund, the Corporations Act and general trust law, which require that we:

- act in the best interests of investors and, if there is a conflict between investors' interests and our own, give priority to investors;
- ensure the property of the Fund is clearly identified, unless law allows is held separately from other funds and our assets, and is valued regularly;
- ensure payments from the Fund's property are made in accordance with the Constitution and the Corporations Act; and
- report to ASIC any significant breach of the Corporations Act in relation to the Fund.

Copies of the Constitution are available, free of charge, on request from Equity Trustees.

## Non-listing of units

The units in the Fund are not listed on any stock exchange and no application will be made to list the units in the Fund on any stock exchange.

## Termination of the Fund

The Responsible Entity may resolve at any time to terminate and liquidate the Fund (if it provides investors with notice) in accordance with the Constitution and the Corporations Act. Upon termination and after conversion of the assets of the Fund into cash and payment of, or provision for, all costs, expenses and liabilities (actual and anticipated), the net proceeds will be distributed pro-rata among all investors according to the units they hold in the Fund.

## Our legal relationship with you

Equity Trustees' responsibilities and obligations, as the Responsible Entity of the Fund, are governed by the Constitution of the Fund, as well as the Corporations Act and general trust law. The Constitution of the Fund contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both Equity Trustees, as the Responsible Entity of the Fund, and investors.

Equity Trustees may amend the Constitution if it considers that the amendment will not adversely affect investors rights. Otherwise the Constitution may be amended by way of a special resolution of investors.

To the extent that any contract or obligation arises in connection with the acceptance by Equity Trustees of an application or reliance on this PDS by an investor, any amendment to the Constitution may vary or cancel that contract or obligation.

Further, that contract or obligation may be varied or cancelled by a deed executed by Equity Trustees with the approval of a special resolution of investors, or without that approval if Equity Trustees considers the variation or cancellation will not materially and adversely affect investor's rights.

A copy of the Constitution of the Fund is available, free of charge, on request from Equity Trustees.

## Compliance plan

Equity Trustees has prepared and lodged a compliance plan for the Fund with ASIC. The compliance plan describes the procedures used by Equity Trustees to comply with the Corporations Act and the Constitution of the Fund. Each year the compliance plan for the Fund is audited and the audit report is lodged with ASIC.

## Unit pricing discretions policy

Equity Trustees has developed a formal written policy in relation to the guidelines and relevant factors taken into account when exercising any discretion in calculating unit prices (including determining the value of assets and liabilities). A copy of the policy and, where applicable and to the extent required, any other relevant documents in relation to the policy (such as records of any discretions which are outside the scope of, or inconsistent with, the unit pricing policy) will be made available to investors free of charge on request.

## Meetings and changes of the responsible entity

Investor meetings are uncommon. Direct investors can generally attend and vote and meetings are largely regulated by the Corporations Act. The quorum is generally at least 2 investors present in person or by proxy together holding at least 10% of all units in the relevant class.

Changes of responsible entity are also uncommon. They too are largely regulated by the Corporations Act. Direct investors can requisition a meeting. The quorum for a meeting where there is any proposal to remove the responsible entity is at least 2 investors present in person or by proxy together holding at least 50% of all units in the Fund.

## Indirect Investors

You may be able to invest indirectly in the Fund via an IDPS by directing the IDPS Operator to acquire units on your behalf. If you do so, you will need to complete the relevant forms provided by the IDPS Operator. This will mean that you are an Indirect Investor in the Fund and not an investor or member of the Fund. Indirect Investors do not acquire the rights of an investor as such rights are acquired by the IDPS Operator who may exercise, or decline to exercise, these rights on your behalf.

Indirect Investors do not receive reports or statements from us and the IDPS Operator's application and withdrawal conditions determine when you can direct the IDPS Operator to apply or redeem. Your rights as an Indirect Investor should be set out in the disclosure document issued by the IDPS Operator.

## Indemnity

Equity Trustees, as the responsible entity of the Fund, is indemnified out of the Fund against all liabilities incurred by it in performing or exercising any of its powers or duties in relation to the Fund. To the extent permitted by the Corporations Act, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity. Subject to the law, Equity Trustees may retain or pay out from the assets of the Fund any sum necessary to affect such an indemnity.

## Anti-Money Laundering and Counter Terrorism Financing ("AML/CTF")

Australia's AML/CTF laws require Equity Trustees to adopt and maintain an AML/CTF Program. A fundamental part of the AML/CTF Program is that Equity Trustees knows certain information about investors in the Fund.

To meet this legal requirement, we need to collect certain identification information and documentation ("KYC Documents") from new investors. Existing investors may also be asked to provide KYC Documents as part of a re-identification process to comply with AML/CTF laws. Processing of applications will be delayed or refused if investors do not provide the applicable KYC Documents when requested.

Under the AML/CTF laws, Equity Trustees is required to submit regulatory reports to AUSTRAC. This may include the disclosure of your personal information. Equity Trustees may not be able to tell you when this occurs.

The Responsible Entity and the Portfolio Manager shall not be liable for any loss you may suffer because of compliance with the AML/CTF laws.

## Common Reporting Standard ("CRS")

The CRS is a standardised set of rules developed by the Organisation of Economic Co-operation and Development that requires certain financial institutions resident in a participating jurisdiction to document and identify reportable accounts and implement due diligence procedures. These financial institutions will also be required to report certain information on reportable accounts to their relevant local tax authorities.

Australia signed the CRS Multilateral Competent Authority Agreement and has enacted provisions within the domestic tax legislation to implement CRS in Australia. Australian financial institutions need to document and identify reportable accounts, implement due diligence procedures and report certain information with respect to reportable accounts to the ATO. The ATO may then exchange this information with foreign tax authorities in the relevant signatory countries.

In order to comply with the CRS obligations, we may request certain information from you. Unlike FATCA, there is no withholding tax that is applicable under CRS. However, penalties may apply for failing to comply with the CRS obligations.

## Your privacy

The Privacy Act 1988 (Cth) ("Privacy Act") and the Australian Privacy Principles regulate the way organisations collect, use, disclose, keep, secure and give people access to their personal information. At Equity Trustees we are committed to respecting the privacy of your personal information throughout the information lifecycle and our Privacy Policy details how we do this.

Equity Trustees may collect personal information about you and individuals associated with you in order to provide products and services to you, and to ensure compliance with legal and regulatory obligations (including under the Corporations Act, the AML/CTF Act and tax related legislation). You must ensure that all personal information which you provide to Equity Trustees is true and correct in every detail, and should those personal details change it is your responsibility to ensure that you promptly advise Equity Trustees of the changes in writing. If you do not provide the information requested we may not be able to process your application, administer, manage, invest, pay or transfer your investment(s). We may also obtain or confirm information about you from publicly available sources in order to meet regulatory obligations.

Equity Trustees may disclose your information to other members of our corporate group or to third parties, where it is necessary, in order to provide you with the products or services. Those third parties may be situated in Australia or offshore, and we take reasonable steps to ensure that all third parties with whom we have a contractual relationship or other influence comply with the Australian Privacy Principles.

The third parties that we may disclose your information to include, but are not limited to:

- stockbrokers, financial advisers or adviser dealer groups, their service providers and/or any joint holder of an investment;
- those providing services for administering or managing the Fund, including the Investment Manager, Custodian and Administrator, auditors, or those that provide mailing or printing services;
- those where you have consented to the disclosure and as required by law; and
- regulatory bodies such as ASIC, ATO, APRA and AUSTRAC.

Equity Trustees or the Investment Manager may from time to time provide you with direct marketing and/or educational material about products and services they believe may be of interest to you. You have the right to "opt out" by contacting Equity Trustees or Smarter Money Investments Pty Limited.

Equity Trustees' Privacy Policy contains information about how you can access information held about you, seek a correction if necessary, make a complaint if you think there has been a breach of your privacy and about how Equity Trustees will deal with your complaint. Full details of Equity Trustees' Privacy Policy is available at www.eqt.com.au. You can contact Equity Trustees' Privacy Officer on +61 3 8623 5000, or email to privacy@eqt.com.au to request a copy.

## Information on underlying investments

Information regarding the underlying investments of the Fund will be provided to an investor of the Fund on request, to the extent Equity Trustees is satisfied that such information is required to enable the investor to comply with its statutory reporting obligations. This information will be supplied within a reasonable timeframe having regard to these obligations.

## Foreign Account Tax Compliance Act ("FATCA")

In April 2014, the Australian Government signed an intergovernmental agreement ("IGA") with the United States of America ("U.S."), which requires all Australian financial institutions to comply with the FATCA Act enacted by the U.S. in 2010. Under FATCA, Australian financial institutions are required to collect and review their information to identify U.S. residents that invest in assets through non-U.S. entities. This information is reported to the Australian Taxation Office ("ATO"). The ATO may then pass that information onto the U.S. Internal Revenue Service.

In order to comply with the FATCA obligations, we may request certain information from you. Failure to comply with FATCA obligations may result in the Fund, to the extent relevant, being subject to a 30% withholding tax on payment of U.S. income or gross proceeds from the sale of certain U.S. investments. If the Fund suffers any amount of FATCA withholding and is unable to obtain a refund for the amounts withheld, we will not be required to compensate investors for any such withholding and the effect of the amounts withheld will be reflected in the returns of the Fund.

# 12. Glossary of important terms

### AFSL
Australian Financial Services Licence.

### Application Form
The Application Form that accompanies the PDS.

### ASIC
Australian Securities and Investments Commission.

### ATO
Australian Taxation Office.

### ARSN
617 838 543

### AUSTRAC
Australian Transaction Reports and Analysis Centre.

### Business Day
A day other than Saturday or Sunday on which banks are open for general banking business in Sydney or if the administrator of the Fund primarily performs its administrative functions in respect of the Fund in a city other than Sydney, the city in which the administrator performs such functions.

### Buy/Sell Spread
The difference between the Application Price and Withdrawal Price of units in the Funds, which reflects the estimated transaction costs associated with buying or selling the assets of the Fund, when investors invest in or withdraw from the Funds.

### Constitution
The document which describes the rights, responsibilities and beneficial interest of both investors and the Responsible Entity in relation to the Fund and each class, as amended from time to time.

### Corporations Act
The Corporations Act 2001 and Corporations Regulations 2001 (Cth), as amended from time to time.

### Derivative
A financial contract whose value is based on, or derived from, an asset class such as shared, interest rates, currencies or currency exchange rates and commodities. Common Derivatives include options, futures and forward exchange contracts.

### Equity Trustees
Equity Trustees Limited (ABN 46 004 031 298) which possesses AFSL No. 240975.

### Fund
Smarter Money Long-Short Credit Fund - USD Investor Class .

### Fund Benchmark
Midpoint of the US Federal Funds Target Range plus management fees 0.75% p.a.

### GST
Goods and Services Tax.

### IDPS
Investor-Directed Portfolio Service or investor-directed portfolio-like managed investment scheme. An IDPS is generally the vehicle through which an investor purchases a range of underlying investment options from numerous investment managers.

### IDPS Operator
The entity responsible for operating an IDPS.

### Indirect Investors
Individuals who invest in the Fund through an IDPS.

### Investment Manager
Smarter Money Investments Pty Limited.

### Net Asset Value (NAV)
Value of the investments of the Fund after deducting fees payable, income entitlements and contingent liabilities.

### PDS
This Product Disclosure Statement, issued by Equity Trustees.

### Portfolio Manager
Coolabah Capital Institutional Investments Pty Ltd (in respect of both the Fund and the Underlying Pool)

### Responsible Entity
Equity Trustees Limited

### Retail Client
Persons or entities defined as such under section 761G of the Corporations Act.

### RITC
Reduced Input Tax Credit. Equity Trustees will apply for reduced input tax credits where applicable to reduce the cost of GST.

### Underlying Pool
Refers to the underlying assets of the Smarter Money Long-Short Credit Fund ARSN 617 838 543

### US Person
A person so classified under securities or tax law in the United States of America ("US") including, in broad terms, the following persons:

(a) any citizen of, or natural person resident in, the US, its territories or possessions; or

(b) any corporation or partnership organised or incorporated under any laws of or in the US or of any other jurisdiction if formed by a US Person (other than by accredited investors who are not natural persons, estates or trusts) principally for the purpose of investing in securities not registered under the US Securities Act of 1933; or

(c) any agency or branch of a foreign entity located in the US; or

(d) a pension plan primarily for US employees of a US Person; or

(e) a US collective investment vehicle unless not offered to US Persons; or

(f) any estate of which an executor or administrator is a US Person (unless an executor or administrator of the estate who is not a US Person has sole or substantial investment discretion over the assets of the estate and such estate is governed by non-US law) and all the estate income is non-US income not liable to US income tax; or

(g) any Fund of which any trustee is a US Person (unless a trustee who is a professional fiduciary is a US Person and a trustee who is not a US Person has sole or substantial investment discretion over the assets of the trust and no beneficiary (or settlor, if the trust is revocable) of the trust is a US Person); or

(h) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US Person; or

(i) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the US for the benefit or account of a US Person.

### Wholesale Client
Persons or entities defined as such under section 761G of the Corporations Act.