

# Blackwattle Small Cap Long-Short Quality Fund

## Product Disclosure Statement

ARSN: 631 094 534 | APIR: ETL5025AU  
Issue Date: 21 November 2023

### Contact details

#### Investment Manager

Blackwattle Investment Partners  
Pty Limited  
ABN 24 663 839 094  
Suite G.01A, Ground Floor,  
117 Clarence Street  
Sydney NSW 2000  
Ph: +612 7208 9922  
Web: [www.blackwattlepartners.com](http://www.blackwattlepartners.com)

#### Administrator

Apex Fund Services Pty Ltd  
ACN 118 902 891  
Level 10, 12 Shelley Street  
Sydney NSW 2000  
Ph: 1300 133 451  
Web: [www.apexgroup.com](http://www.apexgroup.com)

#### Responsible Entity

Equity Trustees Limited  
ABN 46 004 031 298  
AFSL 240975  
GPO Box 2307  
Melbourne VIC 3001  
Ph: +613 8623 5000  
Web: [www.egt.com.au/insto](http://www.egt.com.au/insto)

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This Product Disclosure Statement (“PDS”) was issued on 21 November 2023. This PDS is for the offer of interests in the Blackwattle Small Cap Long-Short Quality Fund ARSN 631 094 534 and APIR ETL5025AU (referred throughout this PDS as the “Fund”).

The PDS has been prepared and issued by Equity Trustees Limited (ABN 46 004 031 298, Australian Financial Services Licence (“AFSL”) No. 240975) 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 Blackwattle Investment Partners Pty Ltd (referred to throughout this PDS as the “Investment Manager” or “Blackwattle Investment”).

The Responsible Entity has authorised the use of this PDS as disclosure to investors and prospective investors who invest directly in the Fund, as well as investors and prospective investors of an investor directed portfolio service, master trust, wrap account or an investor directed portfolio service-like scheme (“IDPS”). This PDS is available for use by persons applying for units through an IDPS (“Indirect Investors”).

The operator of an IDPS is referred to in this PDS as the “IDPS Operator” and the disclosure document for an IDPS is referred to as the “IDPS Guide”. If you invest through an IDPS, your rights and liabilities will be governed by the terms and conditions of the IDPS Guide. Indirect Investors should carefully read these terms and conditions before investing in the Fund. Indirect Investors should note that they are directing the IDPS Operator to arrange for their money to be invested in the Fund on their behalf. Indirect Investors do not become unitholders in the Fund or have rights of unitholders. The IDPS Operator becomes the unitholder in the Fund and acquires these rights. Indirect Investors should refer to their IDPS Guide for information relating to their rights and responsibilities as an Indirect Investor, including information on any fees and charges applicable to their investment. Information regarding how Indirect Investors can apply for units in the Fund (including an application form where applicable) will also be contained in the IDPS Guide. Equity Trustees accepts no responsibility for IDPS Operators or any failure by an IDPS Operator to provide Indirect Investors with a current version of this PDS as provided by Equity Trustees or to withdraw the PDS from circulation if required by Equity Trustees.

Please ask your adviser if you have any questions about investing in the Fund (either directly or indirectly through an IDPS).

This PDS is prepared for your general information only. It is not intended to be a recommendation by the Responsible Entity, Investment Manager, any associate, employee, agent or officer of the Responsible Entity, Investment 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 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 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 a direct investor in the Fund.

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

This PDS does not constitute an offer of units in any jurisdiction other than 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 that is not materially adverse is subject to change from time to time. We may update this information. You can obtain any updated information:

- by contacting the Investment Manager on +612 7208 9922; or
- by visiting the Investment Manager’s website at [www.blackwattlepartners.com](http://www.blackwattlepartners.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 Australian dollars unless otherwise specified. All references to legislation are to Australian law unless otherwise specified.

# 1. Fund at a glance

	Summary	For further information
Name of the Fund	Blackwattle Small Cap Long-Short Quality Fund	Section 5
APIR Code	ETL5025AU	Section 5
ARSN	631 094 534	Section 5
Investment objective	<p>The Fund aims to outperform the S&amp;P/ASX Small Ordinaries Accumulation Index after fees but before taxes over the medium to long term, by investing in or short selling publicly listed securities primarily outside of the S&amp;P/ASX 100 on Australian and New Zealand securities exchanges<sup>1</sup>.</p> <p>Please note that the investment objective is not intended to be a forecast. It is merely an indication of what the Fund aims to achieve over the medium to long term on the assumption that equity markets remain relatively stable throughout the investment term. The Fund may not be successful in meeting this objective. Returns are not guaranteed.</p>	Section 5
Fund Benchmark	S&P/ASX Small Ordinaries Accumulation Index <sup>2</sup>	Section 5
Investment strategy	The Fund invests in or short sells publicly listed securities primarily outside of the S&P/ASX 100 on Australian and New Zealand securities exchanges.	Section 5
The type(s) of investor(s) for whom the Fund would be suitable	<p>The Fund is generally suited for persons seeking medium to long term capital growth for a small allocation of their portfolio and those who can tolerate a high or a very high level of risk. This Fund is unlikely to be suitable for persons seeking capital preservation or capital guarantee and is unlikely to be suitable for a consumer seeking a standalone investment solution. This Fund is also unlikely to be suitable for a person with a low risk and return profile or with a short investment timeframe.</p> <p>You should speak to your financial adviser before investing in the Fund.</p>	Section 5
Recommended investment timeframe	The minimum suggested investment time frame for the Fund is five years. The recommended investment timeframe may not be appropriate for you at all times or suit your particular needs. You should regularly review all aspects of your investments.	Section 5
Minimum initial investment	\$25,000	Section 7
Minimum additional investment	\$1,000	Section 7
Minimum withdrawal amount	\$5,000	Section 7
Minimum balance	\$25,000	Section 7
Cut off time for applications and withdrawals	Before 12pm (Sydney time) on each Business Day	Section 7
Valuation frequency	The Fund's assets are generally valued on each Business Day.	Section 7
Applications	Generally accepted each Business Day.	Section 7
Withdrawals	Generally accepted each Business Day.	Section 7
Income distribution	Generally semi-annually. Calculated on the last Business Day of June and December.	Section 7
Management fees and costs	1.60%p.a. of the Net Asset Value ("NAV") (including GST less RITCs)	Section 9
Entry fee/exit fee	Nil	Section 9

<sup>1</sup> The Fund will enter a six-month transition period beginning 21 November 2023 and ending 21 May 2024. During this transition period, the aim of the Fund will be to outperform the transition benchmark as described in footnote 2 below, after fees but before taxes.

<sup>2</sup> The Fund will enter a six-month transition period beginning 21 November 2023 and ending 21 May 2024. During this transition period, the Fund Benchmark will be 50% cash rate as determined by the Reserve Bank of Australia and 50% S&P/ASX Small Ordinaries Accumulation Index.

Buy/Sell spread	+/- 0.30% on applications into the Fund, and withdrawals out of the Fund.	Section 9
Performance fee	0.41 % of the NAV of the Fund	Section 9

## 2. ASIC Benchmarks

The Fund is a 'hedge fund' for the purposes of Australian Securities and Investments Commission ("ASIC") Regulatory Guide 240 ("RG 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 RG 240 dated October 2013 (as may be amended, supplemented or replaced from time to time) is available from [www.asic.gov.au](http://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
<b>Benchmark 1: Valuation of assets</b>			
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	<p>Equity Trustees has appointed an independent administrator, Apex Fund Services Pty Ltd, to provide administration services for the Fund.</p> <p>The Fund satisfies Benchmark 1 by having its non-exchange traded assets independently valued.</p> <p>Over-the-counter ("OTC") derivatives will not be utilised by the Fund.</p>	Section 5
<b>Benchmark 2: Periodic reporting</b>			
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.	Section 8

## 3. ASIC disclosure principles

	Summary	Section (for further information)
<b>Investment strategy</b>	<p>The Fund aims to outperform the S&amp;P/ASX Small Ordinaries Accumulation Index after fees but before taxes over the medium to long term, by investing in or short selling publicly listed securities primarily outside of the S&amp;P/ASX 100 on Australian and New Zealand securities exchanges<sup>3</sup>.</p> <p>Please note that the investment objective is not intended to be a forecast. It is merely an indication of what the Fund aims to achieve over the medium to long term on the assumption that equity markets remain relatively stable throughout the investment term. The Fund may not be successful in meeting this objective. Returns are not guaranteed.</p> <p>The Fund invests in or short sells publicly listed securities primarily outside of the S&amp;P/ASX 100 on Australian and New Zealand securities exchanges.</p> <p>The Fund may also invest in exchange traded derivatives and cash or cash equivalents.</p> <p>The Fund may use leverage to magnify exposure to investments by borrowing cash and offering securities as collateral, as well as utilising</p>	Section 5.2

<sup>3</sup> The Fund will enter a six-month transition period beginning 21 November 2023 and ending 21 May 2024. During this transition period, the aim of the Fund will be to outperform the transition benchmark (being 50% cash rate as determined by the Reserve Bank of Australia and 50% S&P/ASX Small Ordinaries Accumulation Index) after fees but before taxes.

the cash generated from a short securities sale to purchase additional securities to extend long positions. Short selling may be used to expand the range of available investment opportunities and achieve returns when share prices are expected to go down. Exchange traded derivatives may also be used for managing risk.

The Fund targets a 130% long / 30% short portfolio structure. For practical purposes this may vary within a range (50% to 150% long and 0% to 50% short), with a typical target net exposure position expected to be 90% to 110%. The minimum and maximum net exposures are 50% and 150% respectively. The target 130% long / 30% short portfolio structure should translate to a diversified portfolio typically consisting of 30-60 long securities positions, and 10-30 short positions. Further information about the Fund's diversification guidelines and limits is set out in 'Asset classes, investment ranges and diversification guidelines or limits' in section 5 of this PDS.

The Fund will enter into a six-month transition period beginning 21 November 2023 and ending 21 May 2024. During this transition period, the Investment Manager may reduce the Fund's exposure below the 50% cash threshold through the use of futures, up to a fully hedged position (that is, up to a market neutral position) if deemed appropriate. That is, during this transition period, the Fund will may retain a larger proportion of invested capital in cash (or cash equivalent products).

<p><b>Investment manager</b></p>	<p>Equity Trustees Limited, as Responsible Entity of the Fund, has appointed Blackwattle Investment as the investment manager of the Fund.</p> <p>Equity Trustees Limited, as Responsible Entity of the Fund, has the power to delegate certain aspects of its duties and has appointed Blackwattle Investment as the Investment Manager of the Fund. There are no unusual or materially onerous terms in the agreement under which the Investment Manager has been appointed. 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.</p> <p>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.</p>	<p>Section 4</p>
<p><b>Fund structure</b></p>	<p>The Fund is an Australian unit trust registered under the Corporations Act as a managed investment scheme.</p> <p>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.</p> <p>The key service providers to the Fund are:</p> <ul style="list-style-type: none"> <li>• Blackwattle Investment, the investment manager of the Fund;</li> <li>• Apex Fund Services Pty Ltd, the administrator and registry provider for the assets of the Fund;</li> <li>• Morgan Stanley &amp; Co. International plc and UBS AG, are the prime brokers of the Fund; and</li> <li>• Morgan Stanley &amp; Co International plc and UBS Nominees Pty Limited (a sub-custodian appointed by UBS AG) are the custodians of the assets of the Fund.</li> </ul> <p>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.</p>	<p>Section 5.3</p>
<p><b>Valuation, location and custody of assets</b></p>	<p>Apex Fund Services Pty Ltd is the administrator and registry provider of the Fund and provides administrative, accounting, registry and transfer agency services. The Administrator is responsible for calculating the Fund's NAV.</p>	<p>Section 5.10</p>

Morgan Stanley & Co International plc and UBS Nominees Pty Limited (a sub-custodian appointed by UBS AG) are the custodians and provides custodial services

See section 5.10 for further information on the custodial arrangements and the geographical location of the Fund's assets.

<b>Liquidity</b>	<p>The majority of the asset traded and held by the Fund are liquid and it is expected to be liquid for the purposes of the Corporations Act.</p>	Section 5.4
<b>Leverage</b>	<p>The Fund will employ leverage as part of its investment strategy. The Fund may use leverage by borrowing cash and offering securities as collateral, as well as utilising the cash generated from a short securities sale to purchase additional securities, magnifying the exposure to the securities. This strategy has the effect of magnifying both positive and negative Fund returns, which in turn may magnify other investment risks. The Fund will use leverage when the Investment Manager considers it appropriate in order to pursue the investment strategy.</p> <p>The only counterparty to any leveraged transactions undertaken by the Fund (whether involving the borrowing of cash or securities) will be the prime broker. The assets of the Fund may be used as collateral in connection with those transactions and such assets may be exposed to set off rights or other claims from the prime broker.</p> <p>The Fund's Constitution does not limit the level of leverage employed by the Fund.</p> <p>The maximum anticipated level of gross leverage (which is calculated as the sum of the Fund's gross long positions plus the sum of its gross short positions, as a percentage of the Fund's NAV) is 200%. The maximum anticipated level of net leverage (which is calculated as the sum of the Fund's gross long positions minus the sum of its gross short positions, as a percentage of the Fund's NAV) is 150%.</p> <p>At the maximum level of gross leverage, the Fund will have 150% long exposure and 50% short exposure, which will result in 100% net equity exposure. At the maximum level of net leverage, the Fund will have 150% long exposure and 0% short exposure, resulting in 150% net equity exposure. In either case, the maximum level of borrowing that the Fund will undertake is limited to 50% of the Fund's net asset value.</p> <p>A worked example showing the impact of leverage on investment returns and losses is set out in 'Leverage' in section 5.6 of this PDS.</p>	Section 5.6
<b>Derivatives</b>	<p>The Fund deals in exchange traded derivatives listed on the ASX with the primary aim of managing risks of the Fund, including, without limitation, seeking to protect against unfavourable changes in an investment's price brought about by short selling, changes in interest rates, credit risk, equity prices, currencies or other factors.</p> <p>The main risk to the Fund as a consequence of dealing in exchange traded derivatives is derivatives risk. The key risks associated with investing in derivatives are set out in 'Managing risk' in section 6 of this PDS; for key risks to the Fund associated with the collateral requirements of the derivative counterparties, please see Section 6.</p> <p>A summary of the criteria used by the Fund in engaging derivative counterparties is set out in 'Managing risk' in section 6 of this PDS.</p> <p>OTC derivatives will not be utilised by the Fund.</p>	Section 5.7
<b>Short selling</b>	<p>Short selling may be used to expand the range of available investment opportunities and achieve returns when security prices are expected to go down.</p> <p>Short selling is the practice of selling securities that have been borrowed from a securities lender ('covered short selling') and selling them in the market leaving the Fund with a 'short position'.</p> <p>This is done with the expectation that the securities will be repurchased at a price lower than the initial sale price and then returned to the securities lender.</p> <p>As the Fund engages in short selling, the Fund may be exposed to short position risk where there is no limit on the maximum loss that can be</p>	Section 5.6 and 6

incurred from a short position. The Fund pays a fee to borrow securities from the prime broker for any covered short selling.

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.

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**Withdrawals**

Daily.

Section 7

Withdrawal requests must be received before 12pm (Sydney time) on any Business Day to receive that day's unit price.

See Section 7 for more information on making a withdrawal.

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## 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 Blackwattle Investment Partners Pty Limited (ABN 24 663 839 094) as the investment manager of the Fund.

Equity Trustees has conducted due diligence on the Investment Manager as well as all key service providers to the Fund. All service providers are appointed on arm's length, commercial terms. Equity Trustees ensures compliance of its service providers with their obligations under the relevant service agreements and applicable laws by monitoring performance, and by conducting on-site visits where practicable. Service providers to the Fund may change without prior notice to investors. Risks relating to the use of third-party service providers, as well as the significant risks associated with an investment in the Fund, are outlined in Section 6. See Section 9 for the fees and costs of investing in the Fund.

### The Investment Manager

Blackwattle Investment Partners Pty Limited ABN 24 663 839 094 ("Blackwattle Investment") is the investment manager of the Fund and is a corporate authorised representative (CAR No. 001304362) of Blackwattle Licensing Pty Limited (ABN 32 665 711 839 AFSL 547617). Blackwattle Investment is a wholly owned subsidiary of Blackwattle Partners Pty Ltd (ACN 661 601 789) ("Blackwattle Partners"). Blackwattle Partners is a new generation, highly aligned, Australian investment manager investing in quality businesses and people.

Blackwattle Investment is a fundamental investment manager with a 'quality' investment focus. Funds are managed by experienced fund managers supported by the Blackwattle Partners risk framework, systems and processes.

### The Custodians and Prime Brokers

Equity Trustees has appointed Morgan Stanley & Co. International plc ("MS") and UBS Nominees Pty Ltd (ABN 32 001 450 522 and AFSL number 231088) as custodian to hold the assets of the Fund. The custodians have no supervisory role in relation to the operation of the Fund and are not responsible for protecting your interests.

The Responsible Entity has appointed Apex Fund Services Pty Ltd ("Apex" or "Administrator") to act as administrator and registry provider for the Fund. In this capacity, the Apex performs all general administrative tasks for the Fund, including registry services, keeping financial books and records and calculating the Net Asset Value of the Fund.

The Responsible Entity has entered into an administration and registry service provider agreement with the Administrator, which governs the services that will be provided by the Administrator.

The Investment Manager may at any time, in consultation with the Responsible Entity, select any other administrator or registry provider for the Fund.

Equity Trustees has appointed MS and UBS AG, Australia Branch (ABN 47 088 129 613 and AFSL number 231087) as prime

brokers for the Fund ("Prime Broker"). MS, a member of the Morgan Stanley Group of companies, based in London, will provide prime brokerage services to the Fund under the terms of the International Prime Brokerage Agreement (the "Agreement") entered into between the Fund and the Prime Broker for itself and as agent for certain other members of the Morgan Stanley Group of companies (the "Morgan Stanley Companies"). These services may include the provision to the Fund of margin financing, clearing, settlement, stock borrowing and foreign exchange facilities. The Fund may also utilise the Prime Broker, other Morgan Stanley Companies and other brokers and dealers for the purposes of executing transactions for the Fund. The Prime Broker is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA.

The Prime Broker will also provide a custody service for all the Fund's investments, including documents of title or certificates evidencing title to investments, held on the books of the Prime Broker as part of its prime brokerage function in accordance with the terms of the Agreement and the rules of the FCA. The Prime Broker may appoint sub-custodians, including the Morgan Stanley Companies, of such investments.

In accordance with FCA rules, the Prime Broker will record and hold investments held by it as custodian in such a manner that the identity and location of the investments can be determined at any time and that such investments are readily identifiable as belonging to a customer of the Prime Broker and are separately identifiable from the Prime Broker's own investments. Furthermore, in the event that any of the Fund's investments are registered in the name of the Prime Broker where, due to the nature of the law or market practice of jurisdictions outside the United Kingdom, it is in the Fund's best interests so to do or it is not feasible to do otherwise, such investments may not be segregated from the Prime Broker's own investments and in the event of the Prime Broker's default may not be as well protected.

Any cash which the Prime Broker holds or receives on the Fund's behalf will not be treated by the Prime Broker as client money and will not be subject to the client money protections conferred by the FCA's Client Money Rules (unless the Prime Broker has specifically agreed with or notified the Fund that certain cash will be given client money protection). As a consequence, the Fund's cash will not be segregated from the Prime Broker's own cash and will be used by the Prime Broker in the course of its investment business, and the Fund will therefore rank as one of the Prime Broker's general creditors in relation thereto.

As security for the payment and discharge of all liabilities of the Fund to the Prime Broker and the Morgan Stanley Companies, the investments and cash held by the Prime Broker and each such Morgan Stanley Company will be charged by the Fund in their favour and will therefore constitute collateral for the purposes of the FCA rules. Investments and cash may also be deposited by the Fund with the Prime Broker and other members of the Morgan Stanley Group of companies as margin and will also constitute collateral for the purposes of the FCA rules.

The Fund's investments may be borrowed, lent or otherwise used by the Prime Broker and the Morgan Stanley Companies for its or their own purposes, up to the amount specified in the Agreement, whereupon such investments will become the property of the Prime Broker or the relevant Morgan Stanley Company and the Fund will have a right against the Prime Broker or the relevant Morgan Stanley Company for the return of equivalent assets. The Fund will rank as an unsecured creditor in relation thereto and, in the event of the insolvency of the Prime Broker or the relevant Morgan Stanley Company, the Fund may not be able to recover such equivalent assets in full.

Neither the Prime Broker nor any Morgan Stanley Company will be liable for any loss to the Fund resulting from any act or omission in relation to the services provided under the terms of



the Agreement unless such loss results directly from the negligence, wilful default or fraud of the Prime Broker or any Morgan Stanley Company. The Prime Broker will not be liable for the solvency, acts or omissions of any sub-custodians or other third party by whom or in whose control any of the Fund's investments or cash may be held. The Prime Broker and the Morgan Stanley Companies accept the same level of responsibility for nominee companies controlled by them as for their own acts. The Fund has agreed to indemnify the Prime Broker and the Morgan Stanley Companies against any loss suffered by, and any claims made against, them arising out of the Agreement, save where such loss or claims result primarily from the negligence, wilful default or fraud of the indemnified person.

As noted above, the Fund has appointed UBS AG, Australia Branch (ABN 47 088 129 613 and AFSL number 231087) to be the Prime Broker and UBS Nominees Pty Ltd (ABN 32 001 450 522 and AFSL number 231088) as Custodian for the Fund (together, UBS). The appointments will be/were made pursuant to the prime brokerage customer documents (the 'Customer Documents') entered into between the Fund and the Prime Broker and the Custodian.

The services of UBS AG, Australia Branch as prime broker to the Fund include the clearing and settlement of transactions, cash loans, borrowing and lending of securities and other services as agreed between the parties. UBS AG, Australia Branch may also provide a cash account which is a ledger for recording the Fund's cash balances under the Customer Documents. UBS Nominees Pty Ltd as Custodian to the Fund will provide custody services for some or all of the Fund's investments. The Custodian may appoint sub-custodians, agents or nominees (including a related entity of the Custodian) to perform the services of the Custodian under the Customer Documents. The assets of the Fund held by the Custodian will be subject to a security interest to secure the Fund's obligations to UBS and its related entities.

Subject to limitations, the Prime Broker may request that the Custodian pay or deliver assets to the Prime Broker. The Prime Broker is entitled to borrow, lend, charge, rehypothecate, dispose of or otherwise use such assets for its own purposes, subject to an obligation to return equivalent assets. In the event of the insolvency of the Prime Broker or the Custodian, the Fund will rank as an unsecured creditor to the value of those assets, and may not be able to recover the equivalent assets in full.

Under the terms of the Customer Documents, the Fund may seek to borrow securities from the Prime Broker with a borrowing request. If the Prime Broker accepts the Fund's borrowing request, the Prime Broker will deliver the securities borrowed to the Fund or as the Fund directs. The Fund will have an obligation to redeliver the securities borrowed or equivalent securities on an agreed date, or otherwise the Prime Broker may call for the redelivery at any time by giving notice on the terms of the Customer Documents.

Under the Customer Documents, the Prime Broker is not responsible for and is not liable for any loss on settlement of a transaction, any acts or omission of an executing broker, noncompliance with any regulatory requirements to report transactions, refusing to settle a transaction or failing to notify the Fund of its failure to settle a transaction, amongst other things, (except to the extent that any loss arises directly as a result of the gross negligence, wilful default or fraud of UBS).

To the extent permitted by law, neither the Prime Broker, the Custodian nor any related entity will be liable for any loss suffered by the Fund under or in connection with the Customer Documents unless such loss results directly from the gross negligence, wilful default or fraud of the Prime Broker, Custodian or related entity as set out in the terms of the Customer Documents. The Custodian is

not liable to the Fund for the solvency, acts or omissions of any agent, nominee, sub-custodian, settlement agent, securities depository or other third party appointed in accordance with the Customer Documents (other than related entities), but the Custodian will make available to the Fund, when and to the extent reasonably so requested, any rights that the Custodian may have against such person.

Under the Customer Documents the Fund indemnifies UBS and its related entities against certain claims, demands, damages, losses, costs, expenses and liabilities incurred in connection with the Customer Documents other than as a result of the gross negligence, wilful default or fraud of UBS or the relevant related entity.

Neither the Prime Broker nor the Custodian will participate in the investment decision-making process for the Fund. Although UBS will provide reporting and information to the Fund about the assets held by UBS, UBS is not responsible for monitoring the Fund's positions for the purpose of determining their composition or performance.

The Fund may remove UBS AG, Australia Branch as the Prime Broker and UBS Nominees Pty Limited as the Custodian by giving written notice.

UBS consents to being named in the PDS and any electronic version of the DS in the form and context in which we are named in the PDS. UBS is not responsible for the preparation of, and has not authorised or caused the issue of, the PDS and has not made or purported to make any statement included in or any statement on which a statement in the PDS is based.

To the maximum extent permitted by law, UBS expressly disclaims and takes no responsibility for any statements in, or omissions from, the PDS other than the statements made with its consent. UBS is not responsible for the activities of the Fund, will not participate in the Fund's investment decision-making process and makes no representation in respect of the Fund or the Fund's investments.

UBS AG, Australia Branch is a foreign Authorised Deposit-Taking Institution (Foreign ADI) under the Banking Act 1959 (Cth) and is supervised by the Australian Prudential Regulation Authority. Note that provisions in the Banking Act 1959 for the protection of depositors do not apply to Foreign ADIs, including UBS AG, Australia Branch.

The Prime Brokers are service providers to the Fund and are not responsible for the preparation of this document or the activities of the Fund and therefore accepts no responsibility for any information contained in this document. The Prime Brokers will not participate in the investment decision-making process.

## 5. How the Fund invests

### 5.1 Investment Objective

The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index after fees but before taxes over the medium to long term, by investing in or short selling publicly listed securities primarily outside of the S&P/ASX 100 on Australian and New Zealand securities exchanges<sup>4</sup>.

Please note that the investment objective is not intended to be a forecast. It is merely an indication of what the Fund aims to achieve over the medium to long term on the assumption that equity markets remain relatively stable throughout the investment term. The Fund may not be successful in meeting this objective. Returns are not guaranteed.

<sup>4</sup> The Fund will enter a six-month transition period beginning 21 November 2023 and ending 21 May 2024. During this transition period, the aim of the Fund will be to outperform the transition benchmark (being 50% cash rate as determined by the Reserve

Bank of Australia and 50% S&P/ASX Small Ordinaries Accumulation Index) after fees but before taxes.

The Fund may also use exchange traded derivatives, including, without limitation, for the purposes of managing risk to help achieve the Fund's investment objective.

## 5.2 Investment Strategy

The Fund seeks to assess the underlying business fundamentals of stocks in Australian and New Zealand listed equity markets, forming a view on the long-term value of these businesses, and investing in those that are undervalued (essentially, under-appreciated by the market). The Fund will also establish short positions in stocks which are both over-valued and where there are signs of stress in the underlying business profitability, or alternatively as a hedge for a long position.

The Fund is managed with reference to environmental, social and governance ("ESG") factors, as well as ethical considerations. This means the impact and risk around issues such as climate change, environmental performance, labour standards or corporate governance are considered in the assessment of investments. The Investment Manager engages with entities held by the Fund to challenge identified areas of weakness in ESG performance. Further information about how Blackwattle Investment takes into account ESG factors when investing are set out in 'Labour standards and environmental, social and ethical considerations' in section 5.11 of this PDS.

The Fund targets a 130% long / 30% short portfolio structure. For practical purposes this may vary within a range (50% to 150% long and 0% to 50% short), with a typical target net exposure position of 90% to 110%. The minimum and maximum net exposure is expected to be 70% and 150% respectively. The target 130% long / 30% short portfolio structure should translate to a diversified portfolio typically consisting of 30-60 long securities positions, and 10-30 short positions (with a permitted range of 0-30 securities). Given the target of 130% long / 30% short, the average short position will be smaller than the average long position, which (in addition to other risk-mitigating procedures) helps to reduce short position risk.

The typical number of securities held in the portfolio will range between 30 and 60 long securities and 10 to 30 short securities.

Asset class	Investment range
Australian and New Zealand listed equities# - long	50-150%
Australian and New Zealand listed equities# - short	0-50%
Cash and cash equivalents	0-50%
Net equity exposure (ie the total long equity positions – total short equity positions)	50-150%

The asset allocation is only a target, actual allocations can change significantly and sometimes quickly.

# Equity like products may be used to obtain exposure to the relevant asset class.

The Fund may also enter into exchange traded derivatives for the purposes of risk management, but it is unlikely that the value of such derivatives would form a significant proportion of the assets of the Fund. For example, the Fund is likely to hold and trade in S&P/ASX SPI 200 Index futures from time to time for the purposes of hedging market risk.

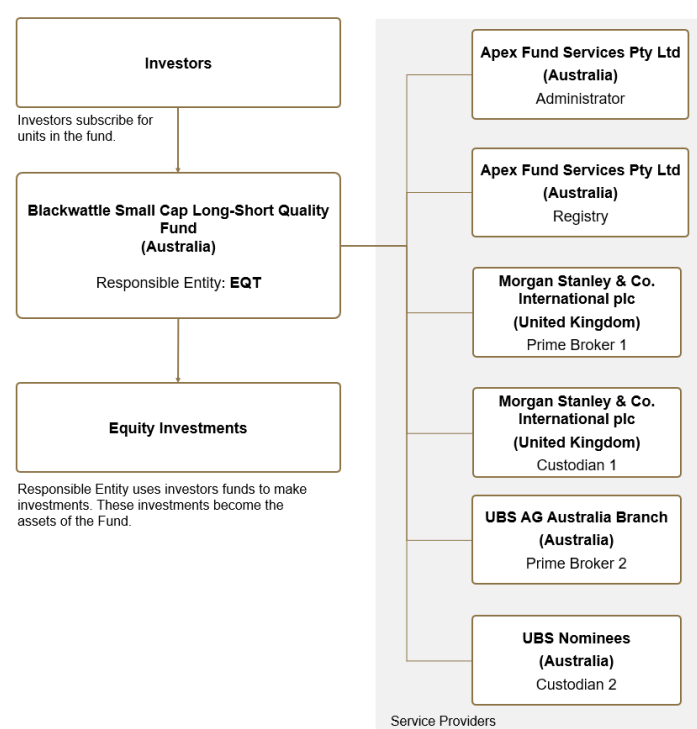
The Fund will enter into a six-month transition period beginning 21 November 2023 and ending 21 May 2024. During this transition period, the Investment Manager may reduce the Fund's exposure below the 50% cash threshold through the use of futures, up to a fully hedged position (that is, up to a market neutral position) if deemed appropriate. That is, during this transition period, the Fund will may retain a larger proportion of invested capital in cash (or cash equivalent products).

## 5.3 Fund Structure

The Fund is a registered managed investment scheme governed by its Constitution. The Fund comprises assets which are acquired in accordance with the Fund's investment strategy. Direct investors receive units in the Fund when they invest. In general, each unit represents an equal interest in the assets of the Fund subject to liabilities; however, it does not give investors an interest in any particular asset of the Fund.

If you invest in the Fund through an IDPS you will not become an investor in the Fund. The operator or custodian of the IDPS will be the investor entered in the Fund's register and will be the only person who is able to exercise the rights and receive the benefits of a direct investor. Your investment in the Fund through the IDPS will be governed by the terms of your IDPS. Please direct any queries and requests relating to your investment to your IDPS Operator. Unless otherwise stated, the information in the PDS applies to direct investors.

The following diagram shows the Fund's structure, including the key service providers and the flow of investment money through the structure:



Further information about the key service providers and the scope of their services to the Fund is set out in 'Who is Managing the Fund?' in section 4 of this PDS.

Blackwattle Investment Partners Pty Limited ABN 24 663 839 094 ("Blackwattle Investment") is the investment manager of the Fund and is a corporate authorised representative (CAR No. 001304362) of Blackwattle Licensing Pty Limited (ABN 32 665 711 839 AFSL 547617). Blackwattle Investment is a wholly owned subsidiary of Blackwattle Partners Pty Ltd (ACN 661 601 789) ("Blackwattle Partners"). Blackwattle Partners is a new generation, highly aligned, Australian investment manager investing in quality businesses and people.

Blackwattle Partners is a fundamental investment manager with a 'quality' investment focus. Funds are managed by experienced fund managers supported by the Blackwattle Partners risk framework, systems and processes.

The key individuals who will manage the Fund are listed below.

**Daniel Broeren - Portfolio Manager and Partner**

Daniel Broeren has over 20 years of financial markets experience, most recently as portfolio manager at Watermark Funds Management Pty Ltd (“Watermark”).

Daniel holds a Bachelor of Engineering, Bachelor of Business Administration, and a Master of Professional Accounting (Finance).

#### Robert Hawkesford - Portfolio Manager and Partner

Robert Hawkesford has over 20 years financial markets experience, most recently spending 15 years with Ellerston Capital Limited (Ellerston) where he was in a small team managing Ellerston’s Australian small cap portfolio.

Robert holds a Bachelor’s degree in Management.

The key investment personnel who have day-to-day responsibility for the implementation of the Fund’s investment strategy are described above. These individuals devote all of their time to Blackwattle Investment’s business, which includes managing and executing the investment strategy of the Fund.

#### Michael Skinner - Managing Director, Chief Investment Officer and Partner

Michael has 20 years of engineering and investment experience. Michael was responsible for over \$1.7bn of investment across a range of Australian equity strategies at Renaissance Asset Management.

Michael holds a Bachelor of Engineering, Graduate Diploma of Law, Master of Business Administration, and a Master of Law.

Michael Skinner is Managing Director, CIO and a Partner, of Blackwattle Investment Partners that is responsible for Blackwattle Partners’ investment strategies.

As at the date of this PDS, there are no unusual and/or materially onerous terms (from the perspective of an investor) in the Fund’s Constitution and there have been no adverse regulatory findings against Blackwattle Investment or any individuals in the investment team in the past five years.

### 5.4 Valuation, location and custody of assets

All assets in the Fund are independently valued. Below is a table summarising the Fund’s assets, location of assets and custody arrangements:

Assets	Location of assets	Custody	Administration services
Australian and New Zealand listed equities	Generally Australia and developed markets	Morgan Stanley & Co. International plc and UBS Nominees Pty Limited (a sub-custodian appointed by UBS AG)	Apex Fund Services Pty Ltd
Cash and cash equivalents	Generally Australia and developed markets	Morgan Stanley & Co. International plc and UBS Nominees Pty Limited (a sub-custodian appointed by UBS AG)	Apex Fund Services Pty Ltd

The Fund’s assets are denominated in Australian dollars. Different types of assets will be valued differently, for example:

- the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends, interest declared or accrued and not yet

received, all of which are deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such discount as may be considered appropriate in such case to reflect the true value;

- securities listed on a recognised stock exchange or dealt on any other regulated market will be valued at their closing market price.

### 5.5 Liquidity

The Fund will primarily invest in liquid assets in accordance with its investment strategy. As a result the Fund is expected to be able to liquidate its investment in order to meet any withdrawal requests from investors on a daily basis.

At the date of this PDS, the Investment Manager reasonably expects that at least 80% of the Fund’s assets are capable of being realised at the value ascribed to those assets when calculating the Fund’s NAV, within 10 days. Where applicable, the Investment Manager will provide relevant information with respect to liquidity in the monthly reports for the Fund.

Blackwattle attempts to mitigate liquidity risk by generally investing in securities that are believed to offer sufficient liquidity to allow investors to withdraw from the Fund as set out in this PDS.

### 5.6 Leverage

The Fund’s Constitution does not limit the leverage exposure of the Fund.

The Fund may use leverage by borrowing cash and offering securities as collateral, as well as utilising the cash generated from a short securities sale to purchase additional securities, magnifying the exposure to the securities. This strategy has the effect of magnifying both positive and negative Fund returns, which in turn may magnify other investment risks. The Fund will use leverage when considered appropriate by the Investment Manager to pursue the investment strategy.

The only counterparty to any leveraged transactions undertaken by the Fund (whether involving the borrowing of cash or securities) will be the prime broker. The assets of the Fund may be used as collateral in connection with those transactions and such assets may be exposed to set off rights or other claims from the prime broker. Such claims may arise in the event that the Fund becomes insolvent, the Fund fails to meet a repayment obligation owed to the prime broker, or another event of default occurs in relation to the Fund under its arrangements with the prime broker. The maximum anticipated level of gross leverage (which is calculated as the sum of the Fund’s gross long positions plus the sum of its gross short positions, as a percentage of the Fund’s NAV) is 200%. In that situation for every \$1.00 of the Fund’s NAV, the Fund will be leveraged by a further \$1.00 (for a total of \$2.00).

The maximum anticipated level of net leverage (which is calculated as the sum of the Fund’s gross long positions minus the sum of its gross short positions, as a percentage of the Fund’s NAV) is 150%.

At the maximum level of gross leverage, the Fund will have 150% long exposure and 50% short exposure, which will result in 100% net equity exposure. At the maximum level of net leverage, the Fund will have 150% long exposure and 0% short exposure, resulting in 150% net equity exposure. In either case, the maximum level of borrowing that the Fund will undertake is limited to 50% of the Fund’s net asset value.

Below is an example showing the impact of the Fund’s borrowing on investment returns and losses of the Fund assuming that the maximum level of borrowing (that is, 50% of the Fund’s NAV) is reached (which will occur at both the maximum level of gross leverage and the maximum level of net leverage, as described above):

- A 10% increase in the return on assets of the Fund would result in a 15% increase in the NAV of the Fund. For an investment of \$50,000 in the Fund this would mean the investment would increase by \$7,500 (being \$50,000 x 15%)
- A 10% decrease in the return on assets of the Fund would result in a 15% decrease in the NAV of the Fund. For an investment of \$50,000 in the Fund this would mean the investment would decrease by \$7,500 (being \$50,000 x 15%)

The above example is provided for illustrative purposes only and any assumptions underlying this example are hypothetical only.

## 5.7 Derivatives

Derivatives are financial instruments whose value is derived from other assets, such as shares, commodities, currencies, interest rates or indices and may be used as part of the portfolio management process. Futures contracts and options are examples of derivatives.

The Fund may deal in exchange traded derivatives listed on the ASX, such as options and futures to:

- hedge physical positions;
- reduce volatility;
- reduce transaction costs and achieve transaction efficiency (eg to obtain better execution);
- adjust fund leverage;
- manage significant transactions

For exchange traded derivatives all settlement and clearing obligations are met by the relevant clearing agent.

While derivatives offer the opportunity for significantly higher gains from a smaller investment (because of the effective exposure obtained) they can also produce significantly higher losses, sometimes in excess of the amount invested. See 'Managing risk' in section 6 of this PDS for information regarding 'Collateral risk', 'Derivative risk' and 'Counterparty/service provider risk' in relation to the Fund.

## 5.8 Short Selling

The Fund engages in short selling with the aim of enhancing returns. Short selling is the practice of selling securities that have been borrowed from a securities lender and selling them in the market leaving the Fund with a 'short position'. This is done with the expectation that the securities will be repurchased at a price lower than the initial sale price and then returned to the securities lender.

The Fund provides cash or securities to the securities lender as collateral for the securities that the Fund borrows. Security lenders generally require a margin over the borrowed amount, usually 110% if stock is lodged as collateral or 105% if cash is lodged as collateral.

As the Fund engages in short selling, the Fund may be exposed to short position risk where there is no limit on the maximum loss that can be incurred when short selling. The Fund primarily seeks to manage short selling risks by setting appropriate initial position sizes, by reviewing positions and the investment thesis as prices rise, and by having offsetting long positions in similar securities. Short selling may also increase the Fund's gross equity exposure to the stock market above 100%. The Fund is restricted to short securities up to a maximum of 50% of the Fund. This in turn may magnify the exposure to other investment risks detailed in 'Managing risk' in section 6 of this PDS.

### Why does the Fund use long/short investing?

The Fund uses long/short investing because the Investment Manager considers that to do so:

- Offers expanded opportunity to generate returns above the Fund's benchmark
- Allows negative views to be rewarded through short-selling
- Allows high conviction positive views to be rewarded through increased exposure

- Due to the possibility of adding value in both rising and falling markets.

### How does long/short investing work?

The steps below set out a simplified example of how the Fund could use long/short investing to build a portfolio. This is a simplified example provided for illustrative purposes only and is not intended to be an accurate representation of the Fund's actual or likely portfolio composition and construction process.

1. Build a portfolio by acquiring listed securities with 100% of the capital, resulting in a 100% 'long exposure'
2. Borrow securities worth 30% of the capital and sell the securities in market through short selling, resulting in a 30% 'short exposure'
3. Using the proceeds from short selling, buy an additional 30% in securities, increasing long exposure by 30%

At the conclusion of these steps, the Fund's gross exposure (long exposure plus short exposure) to the market would be 160% of original capital, and the Fund's net exposure (long exposure minus short exposure) would be 100% of original capital.

## 5.9 Withdrawals

The Fund is generally open to daily withdrawals.

Valid withdrawal requests received before 12pm Sydney time on a Business Day will normally be processed at the unit price calculated for that Business Day.

If a situation occurs where the assets that the Fund invests in are no longer able to be readily bought and sold, or market events reduce the liquidity of a security or an asset class, there is a risk that the generally applicable timeframe of 21 Business Days for meeting withdrawal requests may not be able to be met. This is because it may take longer to sell investments at an acceptable price. In this case, and in a number of other circumstances, the Responsible Entity may suspend withdrawals from the Fund in accordance with the Constitution of the Fund.

The Responsible Entity may also stagger the withdrawal of units in certain circumstances. Withdrawals from the Fund are not currently funded by an external liquidity facility.

See Section 7 for more information on making a withdrawal.

## 5.10 Suggested investment timeframe

The Fund is generally suited for persons seeking medium to long term capital growth for a small allocation of their portfolio and those who can tolerate a high or a very high level of risk. This Fund is unlikely to be suitable for persons seeking capital preservation or capital guarantee and is unlikely to be suitable for a consumer seeking a standalone investment solution. This Fund is also unlikely to be suitable for a person with a low risk and return profile or with a short investment timeframe.

You should speak to your financial adviser before investing in the Fund.

The minimum suggested investment time frame for the Fund is five years.

The recommended investment timeframe may not be appropriate for you at all times or suit your particular needs. You should regularly review all aspects of your investments.

## 5.11 Labour standards and environmental, social and ethical considerations

EQT has delegated the investment function (including environmental, social and governance (ESG) responsibilities) to the Investment Manager and the Investment Manager has contemplated that ESG considerations may be taken into account in relation to the investments of the Fund.

Broadly, the Investment Manager's investment process focuses on identifying high quality companies with sustainable business

models. ESG including labour standards and ethical considerations form part of this process, aiming to highlight where sustainability of returns may be at risk due to less than acceptable ESG related cultures, behaviours, policies and actions. However, the Investment Manager has no specific ESG related investment screening criteria nor does it have predetermined views about what it regards to be an ESG consideration. Therefore, when managing the Fund, the team at Blackwattle Investment Partners takes into account labour standards, ESG and ethical considerations for the purposes of selection, retention or realisation of investments in the Fund, but only to the extent these issues have a material impact on either investment risk or return.

ESG is considered at a stock and portfolio level to enable a more holistic assessment of investment risks and opportunities and incorporated throughout the investment process in the following ways:

- It is one of several quantitative factors considered by the investment team as part of its 'portfolio dashboard' tool for managing portfolio settings and exposures on a day-to-day basis. Utilising an external provider to generate an overarching ESG score, ESG factors are integrated into the 'portfolio dashboard' and are considered alongside other key factors; and
- In-depth fundamental research is conducted to understand and decide whether the business model is sustainable over the longer term and then implicitly included within the company valuation.

By being incorporated into stock valuations, ESG considerations affect the assessed risk-return profile of each stock, which in turn drives portfolio construction as well as within the risk management phase of portfolio construction and the selection, retention or realisation of investments in the Fund.

To help mitigate ESG risks, the team at Blackwattle Investment Partners undertakes periodic ESG review processes for the portfolio which highlight and consider ESG related risks and trends. Where the Investment Manager believes the company has demonstrated wilful disregard for ESG considerations, it may choose to avoid or divest the stock on a case by case basis. Where the Investment Manager chooses to divest due to ESG considerations, it may do so within a timeframe it considers reasonable in all the circumstances.

Further information on ESG considerations at Blackwattle Investment and how Blackwattle Investment integrate ESG can be found in its ESG policy which is published on its website [www.blackwattlepartners.com](http://www.blackwattlepartners.com).

### 5.12 Fund performance

Up to date information on the performance of the Fund will be available by visiting [www.blackwattlepartners.com](http://www.blackwattlepartners.com). A free of charge paper copy of the information will also be available on request by calling Blackwattle Investment on +612 7208 9922. Past performance is not a reliable guide to future performance.

Any of the above details could change at any time and without notice. Where we consider the changes are significant, we will notify you of the changes (and, where required, give you 30 days' prior notice).

### 5.13 Significant benefits of investing in the Fund

Investing in the Fund offers a range of benefits including:

- exposure to investment opportunities early in a company's life cycle when they are often under-researched and not well understood by the market;
- portfolio diversification and active risk management;
- the potential to profit financially from either falling or rising security prices;

- ability to receive distributions (if any) generally on a semi-annual basis;
- robust compliance and governance structure.

## 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.

### Key Risks

#### Market Risk

Changes in legal and economic policy, technological, climate, political conditions, unexpected major world events, social climate, interest rates, economic cycles, and even investor and market sentiment, may influence (negatively or positively) the value of investments in the Fund. In addition, a fall in the general direction of the equity market may have a negative influence on the performance of the Fund.

#### Short selling risk

Selling securities short involves the selling of borrowed securities with the expectation that the securities can be repurchased for return to the lender at a price lower than the initial sale price. Short selling risk arises for the Fund because there is the possibility that the price of the borrowed securities could increase above the initial short sale price, leading to losses for the Fund.

Short selling is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of a borrowed security may appreciate. Short selling has the effect of leveraging the investment return of the Fund (as mentioned below) and carries the risks of magnifying the impact of negative returns and increased margin calls. Additionally, there is a risk that the security lender may request the return of the security, giving rise to the possibility that positions may have to be closed at a loss and not at a time of the Investment Manager's choosing. The Investment Manager intends to limit this risk by strict adherence to its investment process and investment guidelines.

#### Leverage risk

The Fund may use leverage by borrowing cash and offering securities as collateral, as well as utilising the cash generated from a short securities sale to purchase additional securities to extend long positions. The purchase of the additional securities has the effect of leveraging the Fund's investment return and carries the associated risk of magnifying the volatility of investment gains or losses on the capital invested. In addition, the assets of the Fund may be used as collateral for leveraged transactions and may become the subject of claims by the Prime Broker in the event of insolvency, the failure by the Fund to

comply with its repayment obligations, or other events of default. The Investment Manager intends to limit this risk through adherence to its investment process and investment guidelines.

### **Fund risk**

Risks particular to the Fund include that it could terminate, the fees and expenses could change and the responsible entity of the Fund could be replaced. There is also a risk that investing in the Fund may give different results than investing directly in the underlying assets of the Fund themselves because of income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other investors.

### **Inflation risk**

Inflation risk is the risk that returns will not be sufficiently higher than inflation to enable an investor to meet their financial goals.

### **Interest Rate Risk**

Changes in official interest rates can directly and indirectly impact (positively or negatively) on investment returns. Generally, an increase in interest rates has a contractionary effect on the state of the economy and thus may have a negative impact on the Fund. Reasons for interest rate changes include changes in inflation, economic activity and central bank policies.

### **Investment Manager Risk**

There are risks associated with the operational and financial performance of the investment manager and the investment manager could be replaced. In addition, key professionals could change affecting how the Fund is managed.

### **Currency Risk**

The Fund may hold securities denominated in a currency other than Australian Dollars. A change in the value of these currencies relative to the Australian dollar can impact (positively or negatively) on investment returns. Blackwattle Investment does not generally hedge the currency exposure in any way.

### **Derivative Risk**

Derivatives are contracts between two parties that usually derive their value from the price of an underlying physical asset or market index. They can be used to manage certain risks, however they can create exposure to additional risks. These risks include the possibility that the derivative position is difficult or costly to reverse; that the value of the derivative does not move in line with the underlying physical position; or that the parties do not perform their obligations under the contract.

Other risks associated with derivatives may include:

- loss of value because of a sudden price move or because of the passage of time;
- potential illiquidity of the derivative;
- the Fund being unable to meet payment obligations as they arise;
- the counterparty to any derivative contract not being able to meet its obligations under the contract; and
- significant volatility in prices.

The Fund may invest in exchange traded derivatives for risk management purposes.

Note that neither Equity Trustees nor Blackwattle Investment guarantees that the Fund's derivatives strategy, if used, will be successful.

### **Asset liquidity risk**

Asset liquidity risk relates to the probability of loss arising from the difficulty of selling an investment due to insufficient buyers or sellers in the open market or other prevailing market conditions. The level of liquidity can fluctuate especially for smaller or microcap company shares, high yield and corporate debt. In these circumstances, in addition to the potential loss that the Fund may suffer if required to sell assets, the generally acceptable timeframe for satisfying withdrawal requests may not be able to be met and/or the transaction costs associated with

the withdrawal may be higher. The maximum timeframe in which a withdrawal request may be processed is set out in the Constitution. Where the Fund is not liquid (as defined in the Corporations Act), you may only withdraw when we make an offer to withdraw to all unitholders, as required by the Corporations Act. For additional information in relation to withdrawals from the Fund, please refer to 'Investing and withdrawing' in section 7 of this PDS.

### **Individual investment Risk**

There may be instances where a company or managed investment scheme will fall in price because of company/managed investment scheme specific factors (e.g. where a company's or manager's major product is subject to a product recall). The value of investments can vary because of changes to management, product distribution or the company's business environment.

### **Counterparty Risk**

The Fund may conduct transactions through or with brokers, clearing houses, market counterparties and other agents and counterparty risk may arise from those transactions. The Fund is also, to a certain extent, reliant on external service providers, such as the registrar and the custodian, to provide services in connection with the operation of the Fund and its investment activities.

There is a risk that these counterparties fail to meet their contractual obligations resulting in loss of capital to the Fund. There is also a risk that external service providers may default on the performance of their obligations or seek to terminate these arrangements resulting in the Fund having to seek an alternative service provider, meaning that investment activities and other functions of the Fund may be affected. Blackwattle Investment assesses the credit worthiness of counterparties as part of the risk management process. Refer also to "Prime Broker risk" below.

### **Prime Broker risk**

The Fund has appointed Morgan Stanley & Co. International plc and UBS AG as prime brokers of the Fund to provide financing for gearing and cash for the borrowing and lending of securities in the Fund, as well as settlement services for the Fund and any other services agreed between the parties. When the Fund borrows securities or cash, the Prime Broker is entitled to take collateral from the assets of the Fund as set out in the prime brokerage documents entered into by the Prime Broker and the Fund. Any assets taken by the Prime Broker may be used by the Prime Broker for its own purposes (including lending those assets to third parties) for the period that the Fund retains the relevant liability as set out in the prime brokerage documents, and the Fund will have a right against the Prime Broker (or relevant MS entity or UBS AG entity) for the return of equivalent assets. Further, the Fund has also granted a security interest over the assets held by the Prime Broker to secure its obligations to the Prime Broker. The Fund will rank as an unsecured creditor in relation to those assets. Therefore, there is a risk that if the Prime Broker becomes insolvent whilst the Fund remains indebted to the Prime Broker, the assets of the Fund may not be returned in full.

The Fund will rely on the Prime Broker to obtain leverage and to carry out short selling when seeking to achieve the investment objectives of the Fund. If the Prime Broker defaults on the performance of its obligations under its agreement with the Fund, or that agreement is otherwise terminated, the Fund may not be able to effectively pursue the investment strategy until an alternative prime broker can be appointed.

### **Liquidity Risk**

Securities in which the Fund is invested, or the Fund itself, may become illiquid. The Investment Manager has attempted to mitigate this risk by ensuring sufficient cash exposure to meet liquidity requirements. There may be times when there may be a

limited secondary market for the securities in which the Fund may invest and that may affect the ability of the Fund to realise investments or to meet withdrawal requests (e.g. in a falling market where companies may become less liquid). Smaller capitalisation companies tend to be less liquid than larger capitalisation companies. Where the liquidity of a particular market or security is restricted, it can affect the performance of the Fund. Lack of liquidity or market depth can affect the valuation of the Fund's assets as it looks to realise securities at quoted prices and the ability of the Fund to exit a position in a timely manner. Note that neither Equity Trustees nor Blackwattle Investment guarantees the liquidity of the Fund's investments or of investments in the Fund.

#### **Smaller Company Risk**

The Fund invests primarily in small capitalisation companies. While small capitalisation companies may offer greater potential for capital appreciation than larger, more established companies, they may also involve greater risk of loss and price fluctuation. The market for securities of small capitalisation issuers may be less liquid and more volatile than securities of larger companies. This means that the Fund could have greater difficulty buying or selling a security of a small capitalisation issuer at an acceptable price, especially during periods of market volatility.

#### **Security selection risk**

Blackwattle Investment may make investment decisions that result in low returns. This risk is mitigated to some extent by the knowledge and experience of Blackwattle Investment.

#### **Pricing risk**

While assets in the Fund are priced by us using independent pricing sources, there may be circumstances in which it is difficult for the fair value of assets to be determined, for example, where the Fund holds listed securities that have been suspended from trading, or other assets that are not regularly or easily traded. In these circumstances, there is a risk that the valuation of the security or asset may not accurately reflect its true value or what could be realised in an orderly sale of that security or asset.

#### **Regulatory and legal risk**

Governments or regulators may pass laws, create policy, or implement regulation that affects the Fund or its underlying investments or the Investment Manager's ability to execute its investment strategy. Such initiatives may impact either a specific transaction type or market and may be either country specific or global and may include the imposition or tightening of exchange controls or other limitations on repatriation of foreign capital. Such changes may result in the Fund failing to achieve its investment objectives.

#### **Potential conflicts of interest risk**

The Investment Manager may be the investment manager of other funds not described in this PDS and entities within the Equity Trustee Group (comprising the Responsible Entity and its subsidiaries) may act in various capacities (such as responsible entity, trustee and custodian) for other funds or accounts. The Investment Manager and Responsible Entity have implemented policies and procedures to identify and manage the conflict.

#### **Collateral risk**

This is the risk that the Fund, through its entry into derivatives arrangements that require it to deliver collateral to the derivative counterparty or clearer, may be exposed to certain risks in respect of that collateral. For example, the Fund will need to ensure it has sufficient liquid assets to satisfy its obligations to post initial margin/collateral to derivative counterparties or a clearer. The Fund will also need to have sufficient liquid assets to satisfy calls for additional margin/collateral where there is a movement in the value of the derivative arrangement. The Fund will also be subject to the credit risk of the derivatives counterparty or clearer. In the event the counterparty or clearer becomes insolvent at a time it holds margin/collateral posted with

it by the Fund, the Fund will be an unsecured creditor and will rank behind preferred creditors.

#### **Cyber security risk**

Unitholder details as well as the Fund's holdings are held electronically. There is a risk of financial loss, disruption or damage from either internal or external, accidental or malicious conduct targeting either Blackwattle Investment or any of its agents or service providers resulting in unauthorised access to digital systems, networks or devices for the purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption.

#### **Pandemic and other unforeseen event risk**

Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on the economies and financial markets either in specific countries or worldwide and consequently on the value of the Fund's investments. Further, under such circumstances the operations, including functions such as trading and valuation, of the Investment Manager, Fund Manager and other service providers could be reduced, delayed, suspended or otherwise disrupted.

## **7. Investing and withdrawing**

### **Applying for units**

You can acquire units by completing the Application Form that accompanies this PDS. The minimum initial investment amount for the Fund is \$25,000 (unless otherwise determined by the Responsible Entity).

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

Blackwattle Investment Partners Registry  
Apex Fund Services Pty Ltd  
GPO Box 4968  
Sydney NSW 2001  
[registry@apexgroup.com](mailto:registry@apexgroup.com)

Please note that cash and cheques cannot be accepted.

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 0.30%

Fractions of units may be issued by Equity Trustees in accordance with the provisions of the Constitution.

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 Application Form, identification documents (if applicable) and cleared application money:

- before 12pm (Sydney time) on a Business Day and your application for units is accepted, you will generally receive the Application Price calculated for that Business Day; or
- on or after 12pm (Sydney time) on a Business Day and your application for units is accepted, you will generally 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 Application Form;
- you have provided us with the relevant identification documents if required; and
- we have received the application money (in cleared funds) stated in your Application Form.

### Additional applications

You can increase your units in the Fund by reinvesting distributions (see below) or by making additional investments into the Fund at any time by sending us your additional investment amount together with a completed Application Form. The minimum additional investment into the Fund is \$1,000 (unless otherwise determined by the Responsible Entity).

### 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 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 a unit holder in the Fund during the 14 day period. This could include selling part of your investment or switching it to another product.

Indirect Investors should seek advice from their IDPS Operator as to whether cooling off rights apply to an investment in the Fund by the IDPS. The right to cool off in relation to the Fund is not directly available to an Indirect Investor. This is because an Indirect Investor does not acquire the rights of a unit holder in the Fund. Rather, an Indirect Investor directs the IDPS Operator to arrange for their monies to be invested in the Fund on their behalf. The terms and conditions of the IDPS Guide or similar type document will govern an Indirect Investor's investment in relation to the Fund and any rights an Indirect Investor may have in this regard.

### Making a withdrawal

Investors in the Fund can decrease their units by making a withdrawal request of their investment by completing a written request to withdraw from the Fund and mailing it to:

Blackwattle Investment Partners Registry  
Apex Fund Services Pty Ltd  
GPO Box 4968  
Sydney NSW 2001

Or sending it by email to [registry@apexgroup.com](mailto:registry@apexgroup.com)

The minimum withdrawal amount is \$5,000 (unless otherwise determined by the Responsible Entity). Once we receive and accept 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 7 days of receipt of a withdrawal request by transferring the withdrawal proceeds to such investors' nominated AUD Australian domiciled bank account. However, the Constitution allows Equity Trustees to reject withdrawal requests and also to make payment up to 21 days after acceptance of a request (which may be extended in certain circumstances) as outlined in the Constitution.

We reserve the right to accept or reject withdrawal requests in whole or in part at our discretion.

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 0.30%.

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

Equity Trustees reserves the right to fully redeem your investment if your investment balance in the Fund falls below \$25,000 as a result of processing your withdrawal request. In certain circumstances, for example, when there is a freeze on withdrawals, where accepting a withdrawal is not in the best interests of investors in the Fund including due to one or more circumstances outside its control or where the Fund is not liquid (as defined in the Corporations Act), Equity Trustees can deny a withdrawal request or suspend consideration of a withdrawal request in certain circumstances, including where accepting the request is not in the best interests of investors in the Fund or where the Fund is not liquid (as defined in the Corporations Act) and you may not be able to withdraw your funds in the usual processing times or at all. When the Fund is not liquid, an investor can only withdraw when Equity Trustees makes a withdrawal offer to investors in accordance with the Corporations Act. Equity Trustees is not obliged to make such offers.

If you are an Indirect Investor, you need to provide your withdrawal request directly to your IDPS Operator. The time to process a withdrawal request will depend on the particular IDPS Operator and the terms of the IDPS.

### 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 generally 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 generally 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 7 Business Days of receipt and acceptance of a Redemption Request Form for the relevant amount.

However, the Constitution of the Fund allows the Responsible Entity to make payment up to 21 days after receipt of a Redemption Request Form, and this period can be extended at the discretion of Equity Trustees in accordance with the Constitution.

The Responsible Entity reserves the right to postpone the processing and payment of withdrawals for the Fund subject to the above extensions of time.

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.

## Terms and conditions for withdrawals

The minimum withdrawal amount in the Fund is \$5,000 (unless otherwise determined by the Responsible Entity). Where a withdrawal request takes the balance below the minimum level of \$25,000 (unless otherwise determined by the Responsible Entity), 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 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.

## Distributions

An investor's share of any distributable income is calculated in accordance with the Constitution and is generally based on the number of units held by the investor at the end of the distribution period.

The Fund usually distributes income semi-annually at the end of June and December, however, Equity Trustees may change the distribution frequency 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.

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

- reinvested back into the Fund; or
- directly credited to their AUD 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.

Indirect Investors should review their IDPS Guide for information on how and when they receive any income distribution.

## 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 (NAV). This is calculated by deducting from the gross value of the Fund assets the value of the liabilities of the Fund (not including any unitholder 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. 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 divided by the number of units on issue. 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.

The Buy/Sell Spread can be altered by the Responsible Entity at any time and the Investment Manager's website will be updated as soon as practicable to reflect any change. 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 via email, 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 e.g. 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](mailto:compliance@eqt.com.au)

We will acknowledge receipt of the complaint within 1 Business Day or as soon as possible after receiving the complaint. We will seek to resolve your complaint as soon as practicable but not more than 30 calendar 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](http://www.afca.org.au)  
Phone: 1800 931 678

Email: [info@afca.org.au](mailto: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 for an acquisition, redemption or where the terms vary (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);
  - 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; and
  - 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.eqt.com.au/insto](http://www.eqt.com.au/insto).

The following information is available on the Investment Manager'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](http://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 investment balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

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

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

### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)**

Moneysmart website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

The information in the following Fees and Costs Summary can be used to compare costs between different simple managed investment schemes. Fees and costs can be paid directly from an investor’s account or deducted from investment returns. For information on tax please see Section 7 of this PDS.

## Fees and Costs Summary

### Blackwattle Small Cap Long-Short Quality Fund

Type of fee or cost	Amount	How and when paid
<b>Ongoing annual fees and costs<sup>1</sup></b>		
<b>Management fees and costs</b> The fees and costs for managing your investment	1.60% of the NAV of the Fund <sup>2</sup>	The management fees component of management fees and costs are accrued daily and paid from the Fund monthly in arrears and reflected in the unit price. Otherwise, the fees and costs are variable and deducted and reflected in the unit price of the Fund as they are incurred. The management fees component of management fees and costs can be negotiated. Please see “Differential fees” in the “Additional Explanation of Fees and Costs” for further information.
<b>Performance fees</b> Amounts deducted from your investment in relation to the performance of the product	0.41 % of the NAV of the Fund <sup>3</sup>	Performance fees are accrued daily and paid annually in arrears from the Fund and reflected in the unit price.

## Blackwattle Small Cap Long-Short Quality Fund

Type of fee or cost	Amount	How and when paid
<b>Ongoing annual fees and costs<sup>1</sup></b>		
<b>Transaction costs</b> The costs incurred by the scheme when buying or selling assets	0.44% of the NAV of the Fund <sup>2</sup>	Transaction costs are variable and deducted from the Fund as they are incurred and reflected in the unit price. They are disclosed net of amounts recovered by the buy-sell spread.
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)</b>		
<b>Establishment fee</b> The fee to open your investment	Not applicable	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment	Not applicable	Not applicable
<b>Buy-sell spread</b> An amount deducted from your investment representing costs incurred in transactions by the scheme	0.30% upon entry and 0.30% upon exit	These costs are an additional cost to the investor but are incorporated into the unit price and arise when investing application 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.
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Not applicable	Not applicable
<b>Exit fee</b> The fee to close your investment	Not applicable	Not applicable
<b>Switching fee</b> The fee for changing investment options	Not applicable	Not applicable

<sup>1</sup> 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 the relevant fees and costs are calculated.

<sup>2</sup> The indirect costs component of management fees and costs and transaction incorporate estimated amounts with reference to the relevant costs incurred during the financial year ended 30 June 2023. Please see “Additional Explanation of Fees and Costs” below.

<sup>3</sup> This represents the performance fee of the Fund which is payable as an expense of the Fund to the Investment Manager. See “Performance fees” below for more information.

## Additional Explanation of Fees and Costs

### Management fees and costs

The management fees and costs include amounts payable for administering and operating the Fund, investing the assets of the Fund, expenses and reimbursements in relation to the Fund and indirect costs if applicable.

Management fees and costs do not include performance fees or transaction costs, which are disclosed separately.

The management fees component of management fees and costs of 1.60% p.a. of the NAV of the Fund is payable to the Responsible Entity of the Fund for managing the assets and overseeing the operations of the Fund. The management fees component is accrued daily and paid from the Fund monthly in arrears and reflected in the unit price. As at the date of this PDS, the management fees component covers certain ordinary expenses such as Responsible Entity fees, investment management fees, custodian fees, and administration and audit fees.

The indirect costs and other expenses component of 0.00% p.a. of the NAV of the Fund may include other ordinary expenses of operating the Fund, as well as management fees and costs (if any) arising from interposed vehicles in or through which the Fund invests. The indirect costs and other expenses component is variable and reflected in the unit price of the Fund as the relevant fees and costs are incurred. They are borne by investors, but they are not paid to the Responsible Entity or Investment Manager. The indirect costs and other expenses component incorporate estimated amounts with reference to the relevant costs incurred during the financial year ended 30 June 2023.

In relation to the costs that have been estimated, they have been estimated on the basis of relevant information for a similar investment in the market offered by the Investment Manager. .

Actual indirect costs for the current and future years may differ. If in future there is an increase to indirect costs disclosed in this PDS, updates will be provided on Equity Trustees’ website at [www.egt.com.au/insto](http://www.egt.com.au/insto) where they are not otherwise required to be disclosed to investors under law.

### Performance fees

Performance fees include amounts that are calculated by reference to the performance of the Fund. The performance fees for the Fund are 0.41% of the NAV of the Fund. The performance fee figure that is disclosed in the Fees and Costs Summary is based on an average of the performance fees over the previous four financial years, where each performance fee relevant to the Fund is averaged and totalled to give the performance fees for the Fund.

A performance fee is payable to the Investment Manager where the investment performance of the Fund after management fees exceeds the Benchmark. The performance fee is 20.50% (inclusive of GST) of this excess and is accrued daily in the unit price and paid annually in arrears from the Fund.

No performance fees are payable until any accrued underperformance (in dollar terms) from previous periods has been recovered (this feature is sometimes referred to as a high-watermark).

Please note that the performance fees disclosed in the Fees and Costs Summary 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. Information on current performance fees will

be updated from time to time and available at [www.eqt.com.au/insto](http://www.eqt.com.au/insto).

### Performance fee example

The example below is provided for illustrative purposes only and does not represent any actual or prospective performance of the Fund. We do not provide any assurance that the Fund will achieve the performance used in the example and you should not rely on this example in determining whether to invest in the Fund.

The following is an example of the performance fee expense for a Performance Fee Period payable on units of the Blackwattle Small Cap Long-Short Quality Fund.

- The percentage movement in S&P/ASX Small Ordinaries Accumulation Index to the end of the Performance Fee Period is 5%.
- The Fund's investment return, after deduction of management fees but before deducting any performance fee accrual, for the Performance Fee Period is 10%.
- No Performance Deficit (negative performance fee amounts for previous Performance Fee Periods) exists to carry forward into this Performance Fee Period.

On the basis of the above assumptions, if the Fund's NAV (after deduction of management costs, but excluding any performance fee accrual) attributable to an investor's units was \$50,000, the performance fee expense in respect of those units for that Performance Fee Period would be approximately \$512.50 (10% Fund net return less 5% benchmark return = 5% outperformance x 20.5%).

Please note that the 'investment return' specified in this example:

- is only an example to assist investors to understand the effect of the performance fee expenses on the investment return of the Fund; and
- is not a forecast of the expected investment return for the Fund

### Transaction costs

In managing the assets of the Fund, the Fund may incur transaction costs such as brokerage, buy-sell spreads in respect of the underlying investments of the Fund, settlement costs, clearing costs and applicable stamp duty when assets are bought and sold. Transaction costs also include costs incurred by interposed vehicles in which the Fund invests (if any), that would have been transaction costs if they had been incurred by the Fund itself. Transaction costs are an additional cost to the investor where they are not recovered by the Buy/Sell Spread, and are generally incurred when the assets of the 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 the Fund.

The Buy/Sell Spread that is disclosed in the Fees and Costs Summary 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 application 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 0.30% upon entry and 0.30% upon exit. The dollar value of these costs based on an application or a withdrawal of \$25,000 is \$75 for each individual transaction. The Buy/Sell Spread can be altered by the Responsible Entity at any time and [www.eqt.com.au/insto](http://www.eqt.com.au/insto) 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. The transaction costs figure in the Fees and Costs Summary is shown net of any amount recovered by the Buy/Sell Spread charged by the Responsible Entity.

Transaction costs generally arise through the day-to-day trading of the Fund's assets and are reflected in the Fund's unit price as an additional cost to the investor, as and when they are incurred.

The gross transaction costs for the Fund are 0.53% p.a. of the NAV of the Fund, which incorporate estimated amounts with reference to the relevant costs incurred during the financial year ended 30 June 2023.

In relation to the costs that have been estimated, they have been estimated on the basis of relevant information for a similar investment in the market offered by the Investment Manager.

However, actual transaction 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. The current maximum management fee to which Equity Trustees is entitled is 2.00% of the GAV of the Fund. However, Equity Trustees does not intend to charge that amount and will generally provide investors with at least 30 days' notice of any proposed increase to the management fees component of management fees and costs. In most circumstances, the Constitution defines the maximum level that can be charged for fees described in this PDS. Equity Trustees also has the right to recover all reasonable expenses incurred in relation to the proper performance of its duties in managing the Fund and as such these expenses may increase or decrease accordingly, without notice.

### 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 investment management fee and is not an additional cost to the investor.

### Differential fees

The 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. Please contact the Investment Manager on +612 7208 9922 for further information.

## Example of annual fees and costs for an investment option

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

EXAMPLE – Blackwattle Small Cap Long-Short Quality Fund		
BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR		
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
<b>Plus</b> Management fees and costs	1.60% p.a.	<b>And</b> , for every \$50,000 you have in the Blackwattle Small Cap Long-Short Quality Fund you will be charged or have deducted from your investment \$800 each year
<b>Plus</b> Performance fees	0.41% p.a.	<b>And</b> , you will be charged or have deducted from your investment \$205 in performance fees each year
<b>Plus</b> Transaction costs	0.44% p.a.	<b>And</b> , you will be charged or have deducted from your investment \$220 in transaction costs
<b>Equals</b> Cost of Blackwattle Small Cap Long-Short Quality 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, you would be charged fees and costs of: \$1,225* <b>What it costs you will depend on the investment option you choose and the fees you negotiate.</b>

\* 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.

This example assumes the \$5,000 contribution occurs at the end of the first year, therefore the fees and costs are calculated using the \$50,000 balance only.

**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](http://www.moneysmart.gov.au), which you may use to calculate the effects of fees and costs on account balances. The performance fees stated in this table are based on an average of the performance fees over the previous four financial years, where each performance fee relevant to the Fund is averaged and totalled to give the performance fees for the Fund.. The performance of the Fund for this financial year, and the performance fees, may be higher or lower or not payable in the future. It is not a forecast of the performance of the Fund or the amount of the performance fees in the future.

The indirect costs and other expenses component of management fees and costs and transaction costs may also be based on estimates. As a result, the total fees and costs that you are charged may differ from the figures shown in the table.

## 10. Taxation

### Taxation

The following information summarises some of the Australian taxation issues you may wish to consider before making an investment in the Fund and assumes that you hold your investment in the Fund on capital account and are not considered to be carrying on a business of investing, trading in investments or investing for the purpose of profit making by sale. The information should be used as a guide only and does not constitute professional tax advice as individual circumstances may differ.

A number of tax reform measures are currently under review by the Australian Government. These reforms may impact on the tax position of the Fund and its investors. Accordingly, it is recommended that investors seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Fund.

### General

The Fund is an Australian resident trust for Australian tax purposes. Therefore, the Fund is required to determine its net income (taxable income) for the year of income. On the basis that investors are presently entitled (which is the intention of Equity Trustees) to the net income of the Fund (including net taxable capital gains) or will be attributed their share of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) of the Fund and the Fund is not a public trading trust, the Fund should be treated as a flow-through trust for tax purposes. This means that investors should be taxed on their share of the Fund's net taxable income or the amount attributed to them, and the Fund should not be subject to Australian income tax.

In the case where the Fund makes a loss for Australian tax purposes, the Fund cannot distribute the tax loss to investors. However, the tax loss may be carried forward by the Fund for offset against taxable income of the Fund in subsequent years, subject to the operation of the trust loss rules.

### Attribution Managed Investment Trust (“AMIT”) – core rules

The Fund may qualify as an eligible Attribution Managed Investment Trust (AMIT), and if so, intends to elect into the AMIT regime. The AMIT legislation applies an attribution model whereby Equity Trustees as the Responsible Entity of the Fund attributes amounts of trust components of a particular character to investors on a fair and reasonable basis consistent with the operation of the Fund's Constitution, which includes provisions in relation to AMIT. Under the AMIT rules, the following will apply:

**Fair and reasonable attribution:** Each year, the Fund's determined trust components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) will be allocated to investors on a “fair and reasonable” attribution basis, rather than being allocated proportionally based on each investor's present entitlement to the income of the Fund.

**Unders or overs adjustments:** Where the Fund's determined trust components for a year are revised in a subsequent year (e.g. due to actual amounts differing to the estimates of income, gains / losses or expenses), then unders and overs may arise. Unders and overs will generally be carried forward and adjusted in the year of discovery.

**Cost base adjustments:** Where the distribution made is less than (or more than) certain components attributed to investors, then the cost base of an investor's units may be increased (or decreased). Details of cost base adjustments will be included on an investor's annual tax statement, referred to as an AMIT Member Annual Statement (“AMMA”).

**Large withdrawals:** In certain circumstances, gains may be attributed to a specific investor, for example, gains on disposal of

assets to fund a large withdrawal being attributed to the redeeming investor.

**Penalties:** In certain circumstances (e.g. failure to comply with certain AMIT rules), specific penalties may be imposed.

The new rules are intended to reduce complexity, increase certainty and reduce compliance costs for managed investment trusts and their investors. Where the Fund does not elect into the AMIT regime, or has made the election but the election is not effective for the income year (e.g. the Fund does not satisfy the requirements to be a managed investment trust for the income year), the Tax Law applicable to non-AMITs should be relevant. In particular, the Fund should not generally pay tax on behalf of its investors and instead, investors should be assessed for tax on any income and capital gains generated by the Fund to which they become presently entitled.

#### **Deemed Capital Gains Tax (“CGT”) Election**

Eligible managed investment trusts (“MITs”) may make an election to apply a deemed capital account treatment for gains and losses on disposal of certain eligible investments (including equities and units in other trusts but excluding derivatives, debt securities and foreign exchange contracts). Where the election is made the Fund should hold its eligible investments on capital account and gains/(losses) from the disposal of eligible investments should be treated as capital gains/(losses). Capital gains arising on the disposal of eligible investments held for 12 months or greater may be eligible to be treated as discount capital gains.

Where the CGT election is not made, the Fund should hold its eligible investments on revenue account and gains/(losses) from the disposal of eligible investments should be treated as revenue gains or losses.

#### **Controlled Foreign Company (“CFC”) Provisions**

There are certain tax rules (i.e. the CFC provisions) which may result in assessable income arising in the Fund in relation to investments in foreign equities, where certain control thresholds are met. If such interests were to be held at the end of the income year, the taxable income of the Fund may include a share of net income and gains (i.e. CFC attributable income) from such investments.

#### **Taxation of Financial Arrangements (“TOFA”)**

The TOFA rules may apply to certain “financial arrangements” held by the Fund. In broad terms, the TOFA regime seeks to recognise “sufficiently certain” returns on certain financial arrangements on an accruals basis for tax purposes rather than on a realisation basis. Where returns from derivative instruments are not “sufficiently certain” they will continue to be recognised on a realisation basis, unless specific tax timing elections are made.

#### **Taxation Reform**

The tax information included in this PDS is based on the taxation legislation and administrative practice as at the issue date of this PDS, together with proposed changes to the taxation legislation as announced by the Government. However, the Australian tax system is in a continuing state of reform, and based on the Government’s reform agenda, it is likely to escalate rather than diminish. Any reform of a tax system creates uncertainty as to the full extent of announced reforms, or uncertainty as to the meaning of new law that is enacted pending interpretation through the judicial process. These reforms may impact on the tax position of the Fund and its investors. Accordingly, it will be necessary to closely monitor the progress of these reforms, and investors should seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Fund.

#### **Tax File Number (“TFN”) and Australian Business Number (“ABN”)**

It is not compulsory for an investor to quote their TFN or ABN. If an investor is making this investment in the course of a business

or enterprise, the investor may quote an ABN instead of a TFN. Failure by an investor to quote an ABN or TFN or claim an exemption may cause the Responsible Entity to withhold tax at the top marginal rate, plus the Medicare Levy, on gross payments including distributions or attribution of income to the investor. The investor may be able to claim a credit in their tax return for any TFN or ABN tax withheld. Collection of TFNs is permitted under taxation and privacy legislation.

By quoting their TFN or ABN, the investor authorises Equity Trustees to apply it in respect of all the investor’s investments with Equity Trustees. If the investor does not want to quote their TFN or ABN for some investments, Equity Trustees should be advised.

#### **GST**

The Fund is registered for GST. The issue or withdrawal of units in the Fund and receipt of distributions are not subject to GST.

The Fund may be required to pay GST included in management and other fees, charges, costs and expenses incurred by the Fund. However, to the extent permissible, the Responsible Entity will claim on behalf of the Fund a proportion of this GST as a reduced input tax credit. Unless otherwise stated, fees and charges quoted in this PDS are inclusive of GST and take into account any available reduced input tax credits. The Fund may be entitled to as yet undetermined additional input tax credits on the fees, charges or costs incurred. If the Responsible Entity is unable to claim input tax credits on behalf of the Fund, the Responsible Entity retains the ability to recover the entire GST component of all fees and charges.

The impact of GST payments and credits will be reflected in the unit price of the Fund. Investors should seek professional advice with respect to the GST consequences arising from their unit holding.

#### **Australian Taxation of Australian Resident Investors**

##### **Distributions**

For each year of income, each Australian resident investor will be required to include within their own tax calculations and tax return filings the assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) of the Fund attributed to them by Equity Trustees as the Responsible Entity of the Fund.

The tax consequences for investors in the Fund depends on the tax components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) of the Fund attributed to them.

Investors will receive an Annual Tax Statement (or an “AMMA” for an AMIT) detailing all relevant taxation information concerning attributed amounts and cash distributions, including any Foreign Income Tax Offset (“FITO”) and franking credit entitlements, returns of capital, assessable income, and any upwards or downwards cost base adjustment in the capital gains tax cost base of their units in the Fund (in the case of an AMIT).

An investor may receive their share of attributed tax components of the Fund or net income in respect of distributions made during the year or where they have made a large withdrawal from the Fund, in which case their withdrawal proceeds may include their share of net income or attributed tax components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits). In addition, because Australian investors can move into and out of the Fund at different points in time, there is the risk that taxation liabilities in respect of gains that have benefited past investors may have to be met by subsequent investors.

##### **Foreign Income**

The Fund may derive foreign source income that is subject to tax overseas, for example withholding tax. Australian resident investors should include their share of both the foreign income and the amount of the foreign tax withheld in their assessable

income. In such circumstances, investors may be entitled to a FITO for the foreign tax paid, against the Australian tax payable on the foreign source income. To the extent the investors do not have sufficient overall foreign source income to utilise all of the FITOs relevant to a particular year of income, the excess FITOs cannot be carried forward to a future income year.

#### Disposal of Units by Australian Resident Investors

If an Australian resident investor transfers or redeems their units in the Fund, this may constitute a disposal for tax purposes depending on their specific circumstances.

Where an investor holds their units in the Fund on capital account, a capital gain or loss may arise on disposal and each investor should calculate their capital gain or loss according to their own particular facts and circumstances. As noted above, proceeds on disposal may include a component of distributable income. In calculating the taxable amount of a capital gain, a discount of 50% for individuals and trusts or 33 & 1/3% for complying Australian superannuation funds may be allowed where the units in the Fund have been held for 12 months or more. No CGT discount is available to corporate investors.

Any capital losses arising from the disposal of the investment may be used to offset other capital gains the investor may have derived. Net capital losses may be carried forward for offset against capital gains of subsequent years but may not be offset against ordinary income.

The discount capital gains concession may be denied in certain circumstances where an investor (together with associates) holds 10% or more of the issued units of the Fund, the Fund has less than 300 beneficiaries and other requirements are met. Investors who together with associates are likely to hold more than 10% of the units in the Fund should seek advice on this issue.

#### Australian Taxation of Non-Resident Investors

##### Tax on Income

The Fund expects to derive income which may be subject to Australian withholding tax when attributed by Equity Trustees as the Responsible Entity of the Fund to non-resident investors.

Australian withholding tax may be withheld from distributions of Australian source income and gains attributed to a non-resident investor. The various components of the net income of the Fund which may be regarded as having an Australian source include Australian sourced interest, Australian sourced other gains, Australian sourced dividends and CGT taxable Australian 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.

#### Disposal of Units by Non-Resident Investors

Based on the Fund's investment profile, generally non-resident investors holding their units on capital account should not be subject to Australian capital gains tax on the disposal of units in the Fund unless the units were capital assets held by the investor in carrying on a business through a permanent establishment in Australia. Australian tax may 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 in relation to the tax consequences of the disposal of their units.

## 11. Other important information

### Consent

The Investment Manager, Administrator, Custodians and Prime Broker 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, administrator, custodian and prime broker of the Fund respectively; and
- their written consent to the inclusion of the statements made about them and the Fund which are specifically attributed to them, in the form and context in which they appear.

The Investment Manager, Administrator, Custodian and Prime Broker 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, the Administrator, the Custodian or the Prime Broker nor their employees or officers accept any responsibility arising in any way for errors or omissions, other than those statements for which it has provided its 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, 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.

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, 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 breach of the Corporations Act in relation to the Fund which has had, or is likely to have, a materially adverse effect on investors' interests.

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 number of units they hold in a class 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 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.

#### **Indemnity**

Equity Trustees, as the responsible entity of the Fund, is indemnified out of the Fund against all liabilities incurred by it in the proper performance of 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 a written AML/CTF Program. A fundamental part of the AML/CTF Program is that Equity Trustees must hold up-to-date information about investors (including beneficial owner information) in the Fund.

To meet this legal requirement, we need to collect certain identification information (including beneficial owner information) and documentation ("KYC Documents") from new investors. Existing investors may also be asked to provide KYC Documents as part of an ongoing customer due diligence/verification process to comply with AML/CTF laws. If applicants or investors do not provide the applicable KYC Documents when requested, Equity Trustees may be unable to process an application, or may be unable to provide products or services to existing investors until such time as the information is provided.

In order to comply with AML/CTF Laws, Equity Trustees may also disclose information including your personal information that it holds about the applicant, an investor, or any beneficial owner, to its related bodies corporate or service providers, or relevant regulators of AML/CTF Laws (whether inside or outside Australia). Equity Trustees may be prohibited by law from informing applicants or investors that such reporting has occurred.

Equity Trustees and the Investment Manager shall not be liable to applicants or investors for any loss you may suffer because of compliance with the AML/CTF laws.

#### **Common Reporting Standard ("CRS")**

The CRS is developed by the Organisation of Economic Co-operation and Development and 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.

#### **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.

## 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 and not the Application Form accompanying the PDS. 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 (except in relation to access to Equity Trustee's complaints resolution process – see Section 8) 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 IDPS Guide or other disclosure document issued by the IDPS Operator

## 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 and U.S. controlling persons 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.

## Your privacy

The Australian Privacy Principles contained in the Privacy Act 1988 (Cth) ("Privacy Act") regulate the way in which we collect, use, disclose, and otherwise handle your personal information. Equity Trustees is committed to respecting and protecting the privacy of your personal information, and our Privacy Policy details how we do this.

It is important to be aware that, in order to provide our products and services to you, Equity Trustees may need to collect personal information about you and any other individuals associated with the product or service offering. In addition to practical reasons, this is necessary to ensure compliance with our legal and regulatory obligations (including under the Corporations Act, the AML/CTF Act and taxation legislation). 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).

You must therefore ensure that any personal information you provide to Equity Trustees is true and correct in every detail. If any of this personal information (including your contact details) changes, you must promptly advise us of the changes in writing. While we will generally collect your personal information from you, your broker or adviser or the Investment Manager and Administrator directly, we may also obtain or confirm information about you from publicly available sources in order to meet regulatory obligations.

In terms of how we deal with your personal information, Equity Trustees will use it for the purpose of providing you with our

products and services and complying with our regulatory obligations. Equity Trustees may also disclose it to other members of our corporate group, or to third parties who we work with or engage for these same purposes. Such third parties may be situated in Australia or offshore, however we take reasonable steps to ensure that they will comply with the Privacy Act when collecting, using or handling your personal information.

The types of 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/Prime Broker and Administrator, auditors, or those that provide mailing or printing services;
- our other service providers;
- regulatory bodies such as ASIC, ATO, APRA and AUSTRAC; and
- other third parties who you have consented to us disclosing your information to, or to whom we are required or permitted by law to disclose information to.

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" of such communications by contacting us using the contact details below. In addition to the above information, Equity Trustees' Privacy Policy contains further information about how we handle your personal information, and how you can access information held about you, seek a correction to that information, or make a privacy-related complaint. Full details of Equity Trustees' Privacy Policy are available at [www.eqt.com.au](http://www.eqt.com.au). You can also request a copy of the Policy by contacting Equity Trustees' Privacy Officer on +61 3 8623 5000 or by email to [privacy@eqt.com.au](mailto:privacy@eqt.com.au).

## 12. Glossary of important terms

### AFSL

Australian Financial Services Licence.

### Application Form

The Application Form that accompanies this PDS.

### ASIC

Australian Securities and Investments Commission

### AFSL

Australian Financial Services Licence.

### Application Form

The Application Form that accompanies the PDS.

### ASIC

Australian Securities and Investments Commission.

### ATO

Australian Taxation Office.

### 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, New South Wales, Australia.

### Buy/Sell Spread

The difference between the application price and withdrawal price of units in the Fund, which reflects the estimated transaction costs associated with buying or selling the assets of the Fund, when investors invest in or withdraw from the Fund.

**Constitution**

The document which describes the rights, responsibilities and beneficial interest of both investors and the Responsible Entity in relation to the Fund, 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 shares, 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 holds an AFSL No. 240975.

**Fund**

Blackwattle Small Cap Long-Short Quality Fund

**Fund Benchmark**

After the transition period (see below), the S&P/ASX Small Ordinaries Accumulation Index

The Fund will enter a six-month transition period beginning 21 November 2023 and ending 21 May 2024. During this transition period, the Fund Benchmark will be 50% cash rate as determined by the Reserve Bank of Australia and 50% S&P/ASX Small Ordinaries Accumulation Index.

**ARSN**

631 094 534

**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 Guide**

Investor-Directed Portfolio Service guide

**IDPS Operator**

An entity responsible for operating an IDPS.

**Indirect Investors**

Individuals who invest in the Fund through an IDPS.

**Investment Manager**

Blackwattle Investment Partners Pty Ltd

**Net Asset Value (NAV)**

Value of the investments of the Fund after deducting certain liabilities including income entitlements and contingent liabilities.

**PDS**

This Product Disclosure Statement, issued by Equity Trustees.

**Responsible Entity**

Equity Trustees Limited.

**Retail Client**

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

**Reserve Bank**

Reserve Bank of Australia

**RITC**

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

**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**

Person or entity which is not a Retail Client.