



# Spheria Australian Smaller Companies Fund

ARSN 117 083 762 APIR WHT0008AU ISIN AU60WHT00089 ASX SPM02

## Disclosure Update

15 May 2020

Fund closed to investment on mFund

Effective immediately the Fund will no longer accept investment applications and distribution reinvestment via mFund. Applications and distribution reinvestment remain open via the Fund's registry.

Redemptions from the Fund are still available via mFund.

For more information

For more information If you have any questions or require further information, please see the Fund's website at [www.spheria.com.au](http://www.spheria.com.au) or contact investor services on 1300 010 311 or [invest@pinnacleinvestment.com](mailto:invest@pinnacleinvestment.com).

Pinnacle Fund Services Limited ABN 29 082 494 362 AFSL 238371 is the product issuer of the Funds. This document is prepared by Pinnacle as the product issuer and Responsible Entity. The information attached is for general information only. It does not have regard to a specific investment objective, financial situation or the particular needs of any person. You should seek advice regarding the appropriateness of an investment strategy discussed or recommended in the attached information and should understand that statements regarding future prospects may not be realized. You should also note that the returns from investments may fluctuate and that past performance is not necessarily a guide to future performance.

# **Spheria Australian Smaller Companies Fund**

ARSN 117 083 762 APIR WHT0008AU ISIN AU60WHT00089 ASX SPM02

## **Product Disclosure Statement**

30 September 2022

Issued by: Pinnacle Fund Services Limited

ABN 29 082 494 362 AFSL 238371

## Important Information

This Product Disclosure Statement ('PDS') provides a summary of significant information you need to make a decision about the Spheria Australian Smaller Companies Fund ARSN 117 083 762 ('Fund'). The PDS should be considered before making a decision to invest in the Fund. You can access the PDS on the internet at [www.spheria.com.au](http://www.spheria.com.au) or call 1300 010 311 for a copy.

Pinnacle Fund Services Limited ABN 29 082 494 362 AFSL 238371 is the Responsible Entity ('Responsible Entity', 'RE', 'we', 'our', 'us') of the Fund.

We have appointed Spheria Asset Management Pty Limited ABN 42 611 081 326 ('Spheria' or 'Investment Manager') as the investment manager of the Fund. Spheria has been appointed as a corporate authorised representative (1240979) of Pinnacle (AFSL 322140). Pinnacle Fund Services Limited is wholly owned by Pinnacle Investment Management Limited ABN 66 109 659 109 ('Pinnacle').

None of the Responsible Entity, Pinnacle or Spheria guarantees the performance of the Fund or the return of capital or income. Your investment in the Fund is subject to investment risk. This could involve delays in repayment and loss of income or the principal invested.

The information in this PDS is general information only. To the extent the information in this PDS constitutes financial product advice, such advice does not take into account your individual objectives, personal financial situation or needs. Before investing, you should consider the appropriateness of the advice in light of your own objectives, financial situation and needs. We strongly recommend that you consult a licensed financial adviser to obtain financial advice that is tailored to suit your personal circumstances. You should also read this PDS before making any decision about whether to acquire units in the Fund.

The investment offered in this PDS is available only to persons receiving this PDS (electronically or in hard copy) within Australia and New Zealand. Units in the Fund may not be offered or sold within the US, or sold to, or for the account or benefit of, any 'US Persons' (as defined in Regulation S of the US Securities Act 1933, as amended).

All monetary amounts referred to in this PDS are given in Australian dollars and all telephone/fax numbers are to telephone/fax numbers in Australia (unless otherwise stated). All calculation examples shown are rounded to the nearest whole dollar.

A reference to a 'Business Day' is a reference to a day which is not a Saturday, Sunday or public holiday in New South Wales, Australia.

## Updated information

The information in this PDS may change over time. We may update this information where this does not involve a material adverse change and make it available to you, where permitted by law, at [www.spheria.com.au](http://www.spheria.com.au). You can also obtain updated information by contacting Spheria on 1300 010 311. A paper copy of any updated information is available free on request. If a change is considered materially adverse, we will issue a supplementary PDS. By making an application to acquire a unit, you agree to receive certain communications and disclosures in relation to the Fund and units in digital form.

## Contact details

If you have a query in relation to the Fund, please contact us at:

Telephone: 1300 010 311  
Address: PO Box R1313, Royal Exchange NSW 1225  
Email: [service@pinnacleinvestment.com](mailto:service@pinnacleinvestment.com)  
Website: [www.spheria.com.au](http://www.spheria.com.au)

## Contents

|   |    |
|---|----|
| 1. Key features of the Fund.....  | 5  |
| 2. About Pinnacle Fund Services Limited and key service providers ..... | 6  |
| 3. Benefits of investing in the Fund.....                               | 8  |
| 4. How we invest your money.....  | 9  |
| 5. Risks .....  | 15 |
| 6. How the Fund works.....  | 24 |
| 7. Investing in the Fund .....  | 28 |
| 8. How we keep you informed.....  | 38 |
| 9. Fees and other costs .....   | 40 |
| 10. Taxation .....  | 50 |
| 11. Privacy .....   | 57 |
| 12. Investment by New Zealand investors .....                           | 60 |
| 13. Additional Information .....  | 62 |
| 14. Defined terms.....  | 64 |

## 1. Key features of the Fund

For more information on each of the features, please refer to the relevant sections below.

| Feature                                     | Summary   | Section |
|---|---|---------|
| Responsible Entity                          | Pinnacle Fund Services Limited  | 2       |
| Investment Manager                          | Spheria Asset Management Pty Limited  | 2       |
| Administrator                               | Citigroup Pty Limited   | 2       |
| Investment objective <sup>1</sup>           | The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term.   | 4       |
| Benchmark                                   | S&P/ASX Small Ordinaries Accumulation Index   | 4       |
| Minimum suggested investment timeframe      | 5 years or more   | 4       |
| Risk level                                  | High  | 4       |
| Minimum initial investment <sup>2</sup>     | \$25,000  | 7       |
| Minimum additional investments <sup>2</sup> | \$5,000   | 7       |
| Minimum investment balance <sup>2</sup>     | \$5,000   | 7       |
| Minimum withdrawal amount <sup>2</sup>      | \$5,000   | 7       |
| Transaction cut-off time                    | 12pm (Sydney time) on a Business Day  | 7       |
| Fees and expenses <sup>3,4</sup>            | <b>Management fee:</b> 1.10% p.a. on the net asset value of the Fund<br><b>Performance fee:</b> 20% of the difference in the Fund's return (net of management fees) relative to its Benchmark return multiplied by the net asset value of the Fund. | 9       |
| Buy/Sell spread                             | +0.30% / -0.30%   | 9       |
| Distribution frequency                      | Distributions are payable half-yearly.  | 6       |

1. The investment objective is expressed after the deduction of management fees, expense recoveries and taxation, i.e. the investment objective is measured relative to the Fund's Benchmark, after fees and costs and taxes are deducted from the Fund's performance. Refer to Sections 9 and 10 for further information on fees and other costs and taxation. The investment objective is not intended to be a forecast; it is only an indication of what the investment strategy aims to achieve over the medium to long term, assuming financial markets remain relatively stable during that time. The Fund may not achieve its investment objective and returns are not guaranteed.
2. Or less at the discretion of the Responsible Entity. The minimum initial investment and minimum additional investment amounts do not apply to investments through an IDPS (as defined below).
3. Fees and costs may be negotiated for certain investors such as wholesale clients (as defined in the Corporations Act), depending on factors such as the amount invested. See 'Differential fee arrangements' below for further information about negotiable fees.
4. Fees are inclusive of GST and net of any applicable Reduced Input Tax Credits ('RITC').

## 2. About Pinnacle Fund Services Limited and key service providers

### Pinnacle Fund Services Limited

Pinnacle Fund Services Limited ABN 29 082 494 362 AFSL 238371 is the Responsible Entity ('Responsible Entity', 'we', 'our', 'us') of the Spheria Australian Smaller Companies Fund ARSN 117 083 762 ('Fund').

Pinnacle Fund Services Limited is wholly owned by Pinnacle Investment Management Limited ABN 66 109 659 109 AFSL 322140 ('Pinnacle'). Pinnacle supports the development of high-quality investment management businesses and is the distributor of the Fund.

We have appointed Spheria Asset Management Pty Limited ABN 42 611 081 326 ('Spheria' or 'Investment Manager') as the investment manager of the Fund. Spheria has been appointed as a corporate authorised representative (1240979) of Pinnacle.

Neither the Responsible Entity nor Spheria guarantees the performance of the Fund or the return of capital or income. Your investment in the Fund is subject to investment risk. This could involve delays in repayment and loss of income or the principal invested.

### Spheria Asset Management Pty Limited

Spheria is a fundamental based investment manager with a bottom-up focus, specialising in smaller companies. Spheria's investment philosophy is to purchase securities where the present value of future free cash flows can be reasonably ascertained, and the security is trading at a discount to the calculated intrinsic value, subject to certain risk criteria.

### Administrator

Citigroup Pty Limited ('Citi') has been appointed as the Administrator for the Fund. Citi as the Fund's Administrator means that it is responsible for the day to day administration of the Fund.

Citi has no supervisory role in relation to the operation of the Fund and has no liability or responsibility to you for any act done or omission made in accordance with the investment administration agreement. Citi was not involved in preparing, nor takes any responsibility for, this PDS and makes no guarantee of the success of the Fund nor the repayment of capital or any particular rate of capital or income return.

The Responsible Entity may replace Citi or any of its other service providers and appoint new service providers without notice to investors.

### 3. Benefits of investing in the Fund

The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term. This is achieved by investing predominantly in listed companies which are outside the top 100 ASX listed companies by market capitalization (and companies listed on the New Zealand Stock Exchange with an equivalent market capitalization).

#### Significant features and benefits

**Focus on cash generative businesses** | Spheria is a fundamental based investment manager with a discounted cash flow valuation model

**Team experience** | The investment team of Spheria has over 100 years' combined experience investing in equities.

**Potential for higher growth** | Smaller companies generally have more potential for growth relative to large companies as they may be in the early stages of development or are providing new services or technologies.

**Open-minded, holistic thinking** | Spheria assesses businesses with a broader view, noting that global parallels are important in a technologically evolving environment.

**Risk aware** | Assessing risk is central to Spheria's thinking around portfolio construction and investment.



## 4. How we invest your money

### How the Fund operates

In exchange for your invested money, you are issued with interests in the Fund called 'units'. Each unit in the Fund gives the unitholder a beneficial interest in the Fund as a whole, but not in any particular asset of the Fund. Your units are your proportionate share of the Fund and reflect the value of your investment, which will change over time as the market value of the assets of the Fund rise and fall.

You should consider the likely investment return, risk and your investment timeframe when choosing to invest in the Fund. An investment in the Fund is intended to be suitable for investors willing to take more risk in search of greater returns.

### About the Spheria Australian Smaller Companies Fund

**WARNING:** When it comes to choosing to invest in the Fund, you should consider the likely investment return, the risks and your investment timeframe.

| Spheria Australian Smaller Companies Fund      |   |
|--|---|
| <b>Investment return objective<sup>1</sup></b> | The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over the long term.   |
| <b>Benchmark</b>                               | S&P/ASX Small Ordinaries Accumulation Index   |
| <b>Suggested investment timeframe</b>          | 7 years or more   |
| <b>Risk level</b>                              | High. This means there is a high risk of losing money in any year. Conversely, the Fund aims to produce higher returns over the long term. Refer to section 5 for more information on the risks of an investment in the Fund.   |
| <b>Investment guidelines</b>                   | The Fund aims to hold approximately 30 to 80 securities at any time. Individual asset holdings are limited to 10% of the Fund's NAV. The Investment Manager may use exchange traded derivatives for hedging purposes as part of its investment strategy subject to the underlying effective face value being limited to 10% of the NAV of the Fund. |

| Spheria Australian Smaller Companies Fund                                  |  |                                 |
|--|--|---------------------------------|
| <b>Portfolio allocation</b>  | <b>Asset Class<sup>2</sup></b>   | <b>Typical Allocation range</b> |
|  | Australian and New Zealand equities <sup>3</sup>   | 80 - 100%                       |
|  | Cash and cash equivalents  | 0 - 20%                         |
| <b>Currency exposure</b>   | The Fund is unhedged to the Australian dollar, however, has the ability to hold currency exposures that are otherwise aligned with the investment strategy or philosophy. Currency exposures will be managed through derivative contracts.   |                                 |
| <b>Labour standards or environmental, social or ethical considerations</b> | Spheria applies environmental, social (including labour standards) and ethical (incorporating corporate governance) ('ESG') considerations when selecting, retaining or realising the investments of the Fund in addition to other methods in assessing company value. These ESG considerations are primarily taken into account by Spheria to the extent that they financially affect the investment. Spheria's approach to ESG is one of integration and engagement: ESG factors are considered for each investment opportunity through a proprietary scoring system that affects how Spheria values stocks. That is, a lower ESG score as determined by the Spheria would generally lead to a lower valuation for a company, but the ESG score itself is not determinative in whether an investment decision is made. ESG engagement with investee company is routinely employed. |                                 |

1. The investment objective is expressed after the deduction of management fees, expense recoveries and taxation, i.e. the investment objective is measured relative to the Fund's Benchmark, after fees and costs and taxes are deducted from the Fund's performance. Refer to Sections 9 and 10 for further information on fees and other costs and taxation. The investment objective is not intended to be a forecast, it is only an indication of what the investment strategy aims to achieve over the medium to long term, assuming financial markets remain relatively stable during that time. The Fund may not achieve its investment objective and returns are not guaranteed.
2. The above ranges are indicative only. The Fund will be rebalanced within a reasonable period of time should the exposure move outside of the above ranges.
3. While the Fund primarily invests in Australian equities, the Fund may at times also invest in overseas listed equities.

## Use of derivatives

The Investment Manager may invest in derivatives, including futures.

A derivative is a contract between two parties that derives its value from an underlying asset (or group of assets) and can be a highly volatile investment instrument. In addition to managing exposure of the Fund, the use of derivatives offers the opportunity for higher gains and can also magnify losses to the Fund.

The Fund will invest in derivatives that are traded on a regulated exchange. The Fund may invest in derivatives subject to the underlying effective face value being limited to 10% of the NAV of the Fund. The Fund will not use derivatives for gearing purposes.

Risks associated with using derivatives might include the risks associated with the derivative's counterparty, the value of the derivative failing to move in line with expectations or that of the underlying asset, potential illiquidity of the derivative, or the derivative's expiration. The use of derivatives may expose the Fund to risks including counterparty default, legal and documentation risk, and the risk of increased sensitivity of the Fund's unit price to underlying market variables through leverage.

### Direct and indirect investments

In addition to holding direct assets, the Fund may also make investment indirectly, for example by investing in other managed funds where these are aligned with the Fund's investment strategy.

Any costs associated with these investments are outlined in Section 9 'Fees and other costs'.

### Borrowing

Whilst the Fund's constitution permits borrowing and is not restricted in its borrowing levels, the Responsible Entity does not intend to borrow on behalf of the Fund. The Fund will not use derivatives for gearing purposes.

### Change to Fund details

We have the right to change the Fund's asset classes, asset allocation ranges and investment return objectives without prior notice. We will inform investors of any material change to the Fund's details via [www.spheria.com.au](http://www.spheria.com.au) or as otherwise required by law.

## Additional information about the Fund's strategy

### Investment philosophy

Spheria believes the share market is inefficient, increasingly so when gravitating down the market capitalisation spectrum. Successful investing in the smaller companies' segment of the market requires maintaining an open mind as the market is prone to inefficiency. Whilst some managers are categorised as either growth or value focussed, we believe these styles are not mutually exclusive and Spheria's systems and processes allow the team to research and invest in a wide range of opportunities across both the growth and value spectrum.

Spheria's investment philosophy is to focus on higher quality companies, where quality is defined as having competitive advantage and a degree of predictability to earnings. Spheria believes investing in shares is akin to buying a piece of a business, and, as long as the business meets Spheria's investment process, it is considered investable when the prevailing share price is at a discount to the calculated intrinsic value (subject to risk controls).

Assessing risk is fundamental to Spheria's investment philosophy. Risk is implicitly mitigated by ensuring businesses it invests in are capable of generating free cash flow, and that Spheria is buying them with a margin of safety. Explicit risk controls include a preference for companies with low or no balance sheet gearing. When the company does have debt, Spheria ensures that free cash flow can support the level of gearing and is appropriate for the nature of the business.

### Investment process

The investment process of Spheria can be summarised as follows:

#### Screening & Identification

Quantitative screens are used to scan for companies that meet Spheria's free cash flow criteria. A model for the identified company is then automatically populated, which provides detailed financial information including historical analytics.

Qualitative techniques, including industry and company meetings, are also used to identify companies that might meet Spheria's philosophical requirements.

New listings are also a potential source of ideas for the Investment Manager.

#### Fundamental Analysis

Spheria's analysis includes reviewing financial reports and supporting data to better understand the business. Industries in which the company operates are researched and dimensioned, and the business position determined. The company's management, board practices, and track record are also examined.

These leads to Spheria forecasting earnings, cash flows and ultimately a valuation for the company, which is the basis for an investment decision.

#### Risk Factors

Spheria assesses risk on several levels with a primary focus on a company's ability to generate free cash flow, and therein self-fund, through various market cycles. In addition, Spheria examines gearing levels to ensure there is enough earnings and cash flow to cover fixed charge obligations (including interest) with a minimum fixed charge cover required for it to be investable. The portfolio weights are determined based on risk versus return and are adjusted when necessary. In cases of high assessed risk Spheria will hold little to no exposure to an investment. Finally, Spheria also assesses where the business is operating within its own business cycle; is it close to the top in which case forward looking risk assessment should indicate an increase in risk, or near the bottom of its cycle in which case risks are likely to be reducing going forward.

### Portfolio Construction

Spheria assesses each company on its valuation merit with a risk overlay. Its core holdings (larger active weights) have valuation upside and have generally lower risk. satellite holdings (smaller active weights) have valuation upside but perhaps greater risk.

### Labour standards or environmental, social or ethical considerations

ESG risks are ordinarily considered by Spheria as part of the Fund's investment process. Examples of ESG risks which may be considered by Spheria include (amongst others) workplace health and safety, carbon emissions, data security and corporate governance. Spheria's ESG risk integration approach is primarily focused on assessing and managing the

potential financial impact (e.g. reduced future cashflows and/or permanent impairment of asset value) resulting from ESG risks on investment assets.

When reviewing potential investment opportunities for the Fund, Spheria will assess the risk of a permanent loss of capital due to an ESG risk by identifying events that could occur as a result of an asset's exposure to material ESG issues, assigning a probability to each respective event, and assessing the probability and impact of each event on the fair value of the asset.

In terms of the extent to which ESG considerations are taken into account, Spheria's approach is one of integration and engagement: ESG factors are considered for each investment opportunity through a proprietary scoring system that affects how Spheria values stocks. That is, a lower ESG score as determined by Spheria would generally lead to a lower valuation for a company, but the ESG score itself is not determinative in whether an investment decision is made. Spheria's proprietary scoring system focuses on six key areas of enquiry in terms of ESG factors, namely: climate change, resource use, supply chain, labour practices, governance and cybersecurity, and these factors will be considered on a case-by-case basis for each potential investment. ESG engagement with investee company is routinely employed. The matters raised during such engagement will depend on perceived ESG risks and opportunities. Issues addressed during ESG engagement often include climate change and modern slavery, amongst others

Additionally, Spheria does not have a set time for monitoring or reviewing investments. Where Spheria determines that an investment is no longer suitable due to ESG considerations, Spheria may elect to divest such investment.

For more information on Spheria's approach to ESG, please refer to Spheria's Responsible Investment Policy available at <https://spheria.com.au/corporate-responsibility/>.

## 5. Risks

### Risk profile

Depending on the weighting of investments in particular assets, the Fund will have different earnings and risk profiles.

Generally, the greater the potential return of an investment, the greater the risk of loss. To help understand the correlation between risk and return, investors should refer to the following table where, in the second column various risk categories are defined and the third column shows this correlation of potential return.

| Risk Category | Description  | Potential Return <sup>1</sup> |
|---------------|--|-------------------------------|
| Low           | For investors who are looking for some growth but are mostly concerned about protecting their capital.   | Low                           |
| Low-Medium    | For investors who are looking for good long-term returns without large ups-and-downs in the short-term. Investors should aim to invest over a medium period.   | Low-Medium                    |
| Medium-High   | For investors who are prepared to take more risk in exchange for potentially higher returns on their investments over the longer term. Investors should be comfortable with volatility and with the possibility of negative returns. | Medium                        |
| High          | For investors who are willing to take more risk in search of greater returns. Investors should be comfortable with volatility and with the greater possibility of negative returns and should aim to invest over a long period.      | High                          |

1. Past performance is no guide to future performance and cannot be relied upon to predict the future value of an investment.

### Financial Advice

It is recommended that investors obtain professional advice before making any investment decision. Using the categories outlined above is not a substitute for personal advice or a detailed financial plan. The information provided is only a guide to help investors consider their approach to investing. It is recommended investors speak with an adviser to decide on an investment strategy that is best suited for them.

## Risks of Managed Investment Schemes

**All investments carry risk.** All managed investment schemes carry different types of risk which can have varying impacts on returns. Different strategies can carry different levels of risk, depending on the assets that make up that strategy. Assets with the highest long-term returns may also carry the highest level of risk.

Due to uncertainty in all investments, there can be no assurance that the Fund will achieve its investment objectives. The value of your units at any point in time may be worth less than your original investment even after taking into account the reinvestment of Fund distributions. Future returns may differ from past returns and past performance is not a reliable guide to future performance. Returns are not guaranteed, and you may lose some or all of your money.

None of the Responsible Entity, Pinnacle, Spheria, their directors, associates nor any of their related bodies corporate (as defined in the Corporations Act) guarantee the success of the Fund, the repayment of capital or any particular rate of capital or income return. Investments in the Fund are not guaranteed or underwritten by the Responsible Entity, Pinnacle or Spheria or any other person or party and you may lose some or all of your investment.

Risks can be managed but cannot be completely eliminated. It is important to understand that:

- the value of your investment may go up and down;
- investment returns may vary, and future returns may be different from past returns;
- returns are not guaranteed and there is always the chance that you may lose money on any investment you make; and
- laws affecting your investment may change over time, which may impact the value and returns of your investment.

Some of the key risks that may impact the value of your investment in the Fund are outlined below. You need to consider the level of risk that you are comfortable with, taking into account factors such as your objectives, financial situation and needs.



The Fund will be exposed to risks directly as a managed investment scheme, and indirectly through its investment in the underlying assets. The significant risks for the Fund are:

### Concentration risk

The risk associated with a fund that concentrates its investments in a small number of securities or invests in a small subset of an asset class. When investments are concentrated in a smaller number of securities than the broader market index, the unit price of the Fund may be more volatile than the return of the Benchmark or a more diversified Fund as the returns from the underlying assets are more correlated.

### Counterparty risk

The Fund relies on external service providers in its normal operation and investment activities. There is a risk with external counterparty and service provider arrangements that the party to a contract (such as a derivatives contract, physical security trade or foreign exchange contract) defaults on, or fails to perform, its contractual obligations (either in whole or in part). This may result in a loss for the Fund, or the investment activities of the Fund being adversely affected.

### Currency risk

The Fund may have exposure to currencies other than the Australian dollar. The Fund does not aim to hedge this international currency exposure, and the Fund may be exposed to assets denominated in other currencies.

Investing in assets denominated in or primarily exposed to a currency other than the Fund's base currency may cause losses resulting from exchange rate fluctuations. For example, an increase in the value of the Australian dollar relative to other currencies (that the Fund holds assets in) may negatively impact the value of the investment. Conversely, a decline in the Australian dollar relative to other currencies may positively impact the value of the investment.

The Investment Manager may seek to manage the Fund's currency exposure using derivative hedging instruments (for example, foreign exchange forwards swaps, "non deliverable" forwards, and currency options) or cash foreign exchange trades.

Refer also to 'Derivative risk'.

### Cyber Security risk

As the use of technology has become more prevalent in the course of business, the Responsible Entity has become potentially more susceptible to operational risks through breaches of cyber security. A breach of cyber security refers to both intentional and unintentional events that may cause the Responsible Entity to lose proprietary information, suffer data corruption or lose operational capacity. This in turn could cause the Responsible Entity to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss.

### Derivative risk

The Fund may invest in derivatives as part of its investment strategy. A derivative is an instrument whose value is linked to the value of an underlying asset and can be a highly volatile investment instrument. The derivative itself is a contract between two or more parties based upon the asset or assets. In addition to managing exposure of the Fund, the use of derivatives offers the opportunity for higher gains and can also magnify losses to the Fund.

Risks associated with using derivatives might include the risks associated with the derivative's counterparty, the value of the derivative failing to move in line with expectations or with the value of the underlying asset, potential illiquidity of the derivative, or the derivative's expiration.

Additionally, the use of derivatives may expose the Fund to risks including counterparty default, legal and documentation risk, and the risk of increased sensitivity of the Fund's unit price to underlying market variables through leverage.

Refer also to 'Counterparty risk'.

## Equity security risk

The Fund primarily invests in equity securities issued by listed companies. An equity security represents ownership interest held by shareholders in an entity (a company, partnership or trust), realised in the form of shares of capital stock, which includes shares of both common and preferred stock.

A security's share price can rise and fall as a consequence of many factors including, but not limited to, economic conditions, changes in interest rates or currency rates, adverse investor sentiment, management performance, financial leverage, reduced demand for the company's products and services, or factors that affect the company's industry, including changes in regulation or taxation, as well as competitive conditions within the industry. This may result in a loss of value in the portfolio of the Fund and a change in value of your investment.

Equity securities may make payments (regular or irregular) as dividends, and these may fluctuate significantly in their market value with the ups and downs in the economic cycle and the fortunes of the issuing firm.

## Foreign investment risk

The Fund may invest in a range of international securities or foreign investment vehicles, and in companies that have exposure to a range of international economies and regulatory environments.

Global and country specific macroeconomic factors may impact the Fund's international investments, and therefore the Fund's performance. Governments may intervene in markets, industries and companies; may alter tax and legal regimes; and may act to prevent or limit the repatriation of foreign capital. Such interventions may impact the Fund's international investments. Where the Fund is exposed to international investment vehicles, there is a risk that taxation or other applicable laws may change in Australia and such change may affect the operation of the Fund, including how distributions are paid from the Fund, which may affect the operation of the Fund.

## Income risk

The Fund may make payments (regular or irregular) as distributions, depending on the income the Fund receives from underlying assets. These may fluctuate significantly in their value with the ups and downs in the economic cycle and the fortunes of the issuing firm. Additionally, the aggregate effect of holding all assets simultaneously may result in risk due to the losses from other assets.

## Investment strategy risk

The success of the Fund depends upon the Investment Manager's ability to develop and implement investment processes and identify investment opportunities that achieve the investment objectives of the Fund. Matters such as the loss of key staff, the investment manager's replacement as investment manager of the Fund, or the investment manager's failure to perform as expected may negatively impact on returns, risks and/or liquidity.

Additionally, the Fund may fail to perform as expected or be able to achieve its stated objectives thereby reducing the value of your investment and leading to loss.

## Investment structure risk

There are risks associated with investing in a managed investment scheme, such as the Fund. These may involve risks of the Fund's termination, changes to investment strategy or conditions, changes to fees or expenses, or changes to the Fund's operating rules (such as payments or reinvestments of distributions, or additional investments). An investment in the Fund is governed by the terms of the latest constitution and the PDS of the Fund, the Corporations Act, and other laws (such as regulatory updates, government policies, or taxation rules). Investing in the Fund can result in different performance from holding the underlying assets of the Fund directly, for example because of the aggregate effect of holding all assets simultaneously, or the impact of other investor transactions.

The Fund may also invest in other managed investment schemes or collective investment vehicles ('Underlying Fund'). In addition to the risks for the Fund, these also apply to the if Underlying Fund. The Fund may also experience risks the Underlying Fund faces transaction restrictions or liquidity constraints.

## Large transaction risk

If a unitholder has a significant holding in the Fund, the Fund is subject to the risk that such large unitholder may request a significant purchase or redemption of units of the Fund. Large purchases and redemptions may result in: (a) the Fund maintaining an abnormally high cash balance; (b) large sales of portfolio securities impacting market value; (c) increased transaction costs (e.g. brokerage); and/or (d) capital gains being realised which may increase taxable distributions to investors. If this should occur, the returns of investors (including other funds) that invest in the Fund may be adversely affected.

## Liquidity risk

Under extreme market conditions there is a risk that investments cannot be readily converted into cash or converted at an appropriate price. This may be due to the absence of an established market or as a result of a shortage of buyers. This may result in the Fund being unable to liquidate sufficient assets to meet its obligations (for example payment of withdrawals) within required timeframes, or the Fund it may be required to sell assets at a substantial loss in order to do so.

Additionally, different securities may be less liquid than other securities or pose a higher risk of becoming illiquid during times of market stress. The less liquid the security, the less likely the Fund will be able to transact quickly, and the more difficult it may be to sell the security when the investment managers wishes to do so. Therefore, it may become more challenging to realise the investment manager's perception of fair value.

## Market risk

The Fund has exposure to different financial markets. The risk of an investment in the Fund is higher than an investment in a typical bank account investment and the Fund is not expected to behave like a cash investment. Amounts distributed to unitholders may fluctuate, as may the Fund's unit price.

The Fund may be materially affected by market, economic, social and/or political conditions globally and in the jurisdictions and sectors in which it invests or operates. This includes conditions affecting interest rates, the availability of credit,

currency exchange and trade barriers. These conditions are outside the control of the Fund and could adversely affect the liquidity and value of the Fund's investments and may reduce the ability of the Fund to liquidate its positions or make attractive new investments.

The unit price may vary by material amounts, even over short periods of time, including during the period between a withdrawal request or application for units being made and the time the withdrawal unit price or application unit price is calculated. While the Fund net exposure to share markets may vary through the use of derivatives. This means the value of the Fund could fall materially in a short period of time and you could lose some or all of your investment.

## Regulatory risk

The value of some investments may be adversely affected by changes in Australian government policies, regulations and laws, including tax laws and laws affecting registered managed investment schemes. Changes to regulations can affect the Fund's operation (for example changes to taxation rules can affect the Fund's income payments), disclosure (for example new regulations may require different information be reported or disclosed compared to current information), or investment activities (for example new regulations or tax rules may prohibit or restricts practices or activities the Fund relies on).

Refer also to 'Investment structure risk'.

## Small Company risk

Investing in securities of smaller companies may be riskier than investing in larger, more established companies as they are more likely to have limited markets, narrower product lines and they may depend heavily on key personnel.

Smaller companies may have limited financial resources, a less established market for their shares, or fewer shares issued. This can cause the share prices of smaller companies to fluctuate more than those of larger companies. The market for the shares of small companies may be less liquid as they are likely to trade less frequently and in smaller volumes.

Refer also to 'Liquidity risk'.

### Unlisted security risk

Unlike equity securities, an unlisted security is a stock or other financial instrument that is not traded on a formal exchange. As they are not exchange traded, unlisted securities can be less liquid than listed securities as there may not be an established market or market participants may not be as accessible. These also may be less transparent than listed securities as they are not regulated by an established exchange.

Refer also to 'Liquidity risk'.

### Withdrawal risk

There may be circumstances where your ability to withdraw from the Fund is restricted. These circumstances may include (but are not limited to):

- market events affect the liquidity or marketability of the Fund's assets;
- the Fund is no longer Liquid or cannot meet its liquidity requirements; or
- investor activity has affected the Fund's ability to realise assets at an acceptable price.

If we, as Responsible Entity, determine that this is in the best interests of all unit holders, we may suspend or delay withdrawals and these payments may take longer than the typical timeframe. The timeframe in which we have to meet a withdrawal request is set out in the constitution of the Fund and outlined in Section 7 'Investing in the Fund'.

Where the Fund is not Liquid, you may only withdraw when we make an offer to withdraw to all investors, as required by the Corporations Act.

Refer also to 'Investment structure risk', 'Liquidity risk', and 'Market risk'.

## 6. How the Fund works

### How the Fund is valued

All assets within the Fund are usually valued every Business Day. More frequent valuations are permitted under the constitution and we may revalue the Fund's assets more or less frequently if it is considered appropriate or in certain circumstances.

The Gross Asset Value ('GAV') of the Fund equals the market value of the assets. The Net Asset Value ('NAV') of the Fund attributable to the units is obtained by deducting any liabilities (for example fees and costs) from the GAV attributable to the units.

### Unit prices

A unit price is calculated for every Business Day, which is equal to the value of the Fund's net assets attributable to the Class A units divided by the number of Class A units. Generally, the unit price changes daily as the market value of the Fund's assets rises or falls.

The Responsible Entity uses independent pricing services provided by the Fund's Administrator, Citi, for the valuation of the Fund's assets, which is generally calculated on a daily basis. Listed investments are marked to market. The value of unlisted investments is determined by the Responsible Entity after consideration of the recommendations from the scheme's investment manager or the valuation method adopted by an independent third party. Unit prices may be viewed on the Investment Manager's website, [www.spheria.com.au](http://www.spheria.com.au). Unit prices are based on the NAV of the Fund including provision for income and expenses, which have accrued, and an adjustment for a transaction cost factor (see 'Buy/Sell Spread' in Section 9). A copy of documents outlining the unit pricing methodologies and practices, including information about the circumstances, where the Responsible Entity may exercise discretion in determining a unit price and the value of Fund assets is available on request, at no charge, by calling the Responsible Entity on 1300 010 311.



## Impact of investing just before the end of a distribution period

After a distribution is paid, the unit price usually falls by an amount similar to that of the distribution per unit. This means that if you invest just before a distribution, the unit price may already include income that you would be entitled to receive at the distribution date. Consequently, by investing just before a distribution, you may have some of your capital returned as income through the distribution payment.

This could affect your taxation position and we recommend you seek professional taxation advice.

## Unit pricing policy

The Responsible Entity complies with ASIC Class Order 13/655 as it relates to unit pricing requirements and has adopted a compliant policy for unit pricing discretions it uses in relation to the Fund ('Unit Pricing Policy'). Additional documents may be prepared for this purpose from time to time. This document may be revised or updated to reflect changes in the Fund constitution or the pricing policies of the Responsible Entity. The Unit Pricing Policy and discretions exercised by the Responsible Entity are available from us, at no charge, upon request.

## Income distributions

### How you receive income from your investment

Income (such as interest, dividends and realised capital gains) from investments in the Fund will be paid to you via income distributions. Distributions are payable half-yearly, subject to the Fund having sufficient distributable income.

Distributable income takes into account income received from the investment activities of the Fund less any expenses charged to the Fund, as well as net capital gains made due to trading in the assets of the Fund. Revenue losses are not able to be distributed.

Capital gains are generally not distributed until the end (or shortly thereafter) of the period ending 30 June each year. Any net capital losses are carried forward to be offset against capital gains in future income periods.

## Distribution reinvestment

Distributions will be automatically re-invested unless you advise otherwise.

The distribution reinvestment price is the unit price at the end of the distribution period (without the applicable buy spread) less the distribution per unit payable. All units allotted as part of the distribution reinvestment will rank equally in all respects with existing units in the same class. At the time the distribution reinvestment price is set, all information that would, or would be likely to, have a material adverse effect on the realisable price of the units will be publicly available.

Investors may elect to have their distributions paid as cash any time by notifying us or the Fund's Administrator. The change will apply from the date of receipt, as long as it is at least 10 days prior to a distribution date, or such future date as nominated by you.

The Responsible Entity may cancel or suspend distribution reinvestments or modify the terms by which distribution reinvestments are permitted.

## Different classes

As permitted under the constitution, we may issue more than one class of units in the Fund, with different applicable fees and other different conditions of issue. For information relating to other unit classes, please contact us.

## Operational governance

The Fund's operation is governed by its constitution and the Corporations Act, with other Relevant Laws.

## The Fund's constitution

The constitution contains the rules relating to a number of operational issues and practices, including rights, responsibilities and duties of the Responsible Entity and unitholders in the Fund, some of which are outlined in further detail in this document.

Copies of the Fund's constitution can be provided on request. Please contact us on 1300 010 311 for further details.

### The Fund's compliance plan

The Fund's compliance plan outlines how we aim to ensure compliance with the Fund's constitution, the Corporations Act and other relevant laws.

As a registered managed investment scheme, the Fund's compliance plan has been lodged with the Australian Securities and Investments Commission ('ASIC').

### Appointed third parties

The Responsible Entity may appoint third parties to assist with the operational management or governance of the Fund. Unless specifically stated, these third parties have no independent discretion with respect to investment management of Fund's assets.

## 7. Investing in the Fund

### Applications

#### Making an application

##### Direct investors

A copy of the Application Form can be obtained on the Fund's website at [www.spheria.com.au](http://www.spheria.com.au), or by contacting us on 1300 010 311 or by email [service@pinnacleinvestment.com](mailto:service@pinnacleinvestment.com). You can also invest in this Fund via the online application form.

To invest, complete the Application Form (including the provision of other documentation required for identification purposes) and return it, via post, with your initial investment to the Fund Administrator.

Applications received, verified and accepted by Citi prior to 12pm (Sydney time) on a Business Day will generally be processed using the unit price for that day. For applications accepted after 12pm (Sydney time) or on a non-Business Day, generally the next Business Day's unit price will apply.

We reserve the right not to accept (wholly or in part) any application for any reason or without reason. If we refuse to accept an application, any monies received from you will be returned to you without interest.

##### Indirect investors

Investors and prospective investors may also access the Fund indirectly. This PDS has been authorised for use by operators through an IDPS or master trust. An IDPS is an investment and reporting service offered by an operator.

People who invest through an IDPS, master trust or wrap account are indirect investors. Such indirect investors do not acquire the rights of a unitholder of the Fund. Rather, it is the operator or custodian of the IDPS or master trust that acquires those rights. Therefore, indirect investors do not receive income distributions or reports directly from us, do not have the right to attend meetings of unit holders and do not have cooling off rights. Different investment, balance and withdrawal minimums may also apply. Indirect investors should not complete the

Fund's Application Form. The rights of indirect investors are set out in the disclosure document for the IDPS or master trust. If you are investing through an IDPS or a master trust, enquiries should be made directly to the IDPS operator or the trustee of the master trust. Any changes to investor details must also be made through the IDPS operator.

### Additional information about investing

For an application to be valid the Application Form must be completed correctly, must comply with the designated minimum investment amounts, and be appropriately signed by the applicant(s). However, the Responsible Entity may, at its discretion, accept amounts less than the minimum initial investment amounts. We will not be able to process your application if the Application Form is incomplete or incorrectly completed, or we are not satisfied that we have received the necessary proof of identification requirements to meet our obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and associated rules and regulations ('AML/CTF Law').

### Incomplete applications

If, for any reason, we are unable to process your application the application monies will be held by us in a non-interest-bearing trust account for up to 30 days (while we endeavour to verify your identification information or obtain any necessary outstanding information) after which we will return the application monies to you. No interest is received on application monies, including monies for additional investments, and no interest will be paid to you if for any reason your application cannot be accepted.

### Effect of the Application Form

In addition to the acknowledgments contained in the declaration on the Application Form, by completing and signing the Application Form, the investor:

- a) agrees to be bound by the provisions of the Fund constitution;
- b) acknowledges having read and understood the PDS located at [www.spheria.com.au](http://www.spheria.com.au);

- c) authorises the provision of information relating to the investor's account to the named financial adviser, and any other person authorised by that adviser, from time to time;
- d) authorises the use of the TFN information provided on the Application Form in respect of the investor's Fund account;
- e) acknowledges that neither the Responsible Entity, its respective holding companies and officers, nor the Investment Manager and its respective officers and holding companies, guarantees the capital invested by investors or the performance of the specific investments of the Fund;
- f) acknowledges that the provision of the product available through the PDS should not be taken as the giving of investment advice by the Investment Manager or the Responsible Entity, as they are not aware of the investor's investment objectives, financial position or particular needs;
- g) acknowledges that the investor is responsible for ensuring that the information on the Application Form is complete and correct;
- h) acknowledges that neither the Responsible Entity nor its agents are responsible where a loss may be suffered as a result of the investor providing incorrect or incomplete information;
- i) agrees that the Responsible Entity may:
  - i) require the investor to provide any additional documentation or other information and perform any acts to enable compliance with the AML/CTF Law, FATCA, CRS or any other law;
  - ii) at its absolute discretion and without notice to the investor, take any action it considers appropriate including blocking or delaying transactions on the investor's account or refuse to provide services to the investor to comply with the AML/CTF Law or any other law; and
  - iii) in its absolute discretion and without notice to the investor report any, or any proposed, transaction or activity to anybody authorised to accept such reports relating to actual or suspected contraventions of the AML/CTF Law or any other law; and
- j) acknowledges that the Responsible Entity is required to collect the investor's personal information under the Corporations Act and the AML/CTF Law and

agrees that information provided may be used as detailed in the PDS and the Responsible Entity's Privacy Policy.

## Electronic offer document

The application form may only be distributed when accompanied by a complete and unaltered copy of the PDS. The application form contains a declaration that the investor has personally received the complete and unaltered PDS prior to completing the application form.

The Responsible Entity will not accept a completed application form if it has reason to believe that the applicant has not received a complete paper copy or electronic copy of the PDS or if it has reason to believe the application form or electronic copy of the PDS has been altered or tampered with in any way. Whilst the Responsible Entity believes that it is extremely unlikely that, during the period of the PDS, the electronic version of the PDS will be tampered with or altered in any way, the Responsible Entity cannot give any absolute assurance that this will not occur.

Any investor who is concerned with the validity or integrity of an electronic copy of the PDS should immediately request for a paper copy of the PDS directly from the Responsible Entity.

## Withdrawals

### Making a withdrawal

You can decrease your investment in the Fund by redeeming units at any time. The Responsible Entity endeavours to effect payment of withdrawals within 7 days of processing your withdrawal request, however, this timeframe is not guaranteed and there may be occasions when timeframes are significantly longer. Under the Fund's constitution, we have 30 days to satisfy a redemption request. We will not satisfy a withdrawal request if the Fund becomes illiquid (as defined under the Corporations Act). In certain circumstances, such as if there is a freeze on withdrawals, the Responsible Entity may delay payment of your withdrawal proceeds.

In addition to their share of the capital value of the Fund, and as part of the withdrawal proceeds, unit holders will receive their share of any net income of the Fund (corresponding to the unit class, the period of time during which their units were on issue, and the relevant distribution period) . These proceeds are included in the applicable withdrawal unit price and will be treated as capital.

#### Direct investors

Direct withdrawal requests can be made daily, and must be received, verified and accepted by Citi prior to 12pm (Sydney time) on a Business Day. Withdrawal requests received after that time, or on a non-Business Day, will be treated as being received on the next Business Day. Electronic transfer of the withdrawal proceeds can take up to 7 Business Days, however it will often be completed in a shorter period of time.

There is a minimum withdrawal amount of \$5,000 or less at the discretion of the Responsible Entity. In addition, if your withdrawal request would result in your investment balance being less than \$5,000, we may treat your withdrawal request as being for your entire investment. We will provide investors with advance notice of any compulsory withdrawals. Alternatively, we may return your withdrawal request to you unprocessed.

Please note that we only make payments to your nominated bank or financial institution account. No third-party payments will be allowed. There may be circumstances, as permitted under the Fund constitution and Corporations Act, where your ability to withdraw from the Fund is restricted. The following text contains further information on restrictions on withdrawals.

#### Indirect investors

Indirect investors should not complete the Fund's withdrawal form. If you are investing through an IDPS or a master trust, enquiries relating to your account should be made directly to the IDPS operator or the trustee of the master trust. The minimum investment balance does not apply to investments through an IDPS.

#### mFund investors

You may redeem your units in the Fund through mFund via your broker.



Refer to information about 'mFund Settlement Service' for further details

## Delay to withdrawal payments

The Responsible Entity endeavours to effect payment of withdrawals within 7 days of receiving a valid withdrawal request; however, this timeframe is not guaranteed and there may be occasions when timeframes are significantly longer.

Under the Fund's constitution, the Responsible Entity may suspend withdrawal payments under certain circumstances for such period as it considers appropriate. This is likely to not exceed more than 30 days. These circumstances include, but are not limited to:

- we reasonably estimate that we must sell 5% or more of all the Fund's assets to meet outstanding withdrawal requests;
- total outstanding withdrawal requests require us to realise a significant amount of the Fund's assets, which may affect remaining unitholders (for example by creating an expense or tax burden);
- we reasonably consider it to be in the interests of unitholders to do so; or
- the law otherwise permits

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

## If the Fund becomes Illiquid

We may delay or suspend a withdrawal request where we are unable to realise certain assets due to circumstances outside our control, such as when there is restricted or suspended trading in assets held by the Fund, or where the Fund becomes non-liquid as defined by the Corporations Act.

The Fund will be non-liquid under the Corporations Act if it has less than 80% of liquid assets (generally cash and marketable securities). If the Fund is non-liquid, withdrawals from the Fund may only be possible if we make a withdrawal offer in accordance with the Corporations Act. We are not obliged to make such an offer.

However, if we do you will only be able to withdraw your investment in accordance with the terms of a current withdrawal offer. If an insufficient amount of money is available from the assets specified in the withdrawal offer to satisfy all withdrawal requests, the requests will be satisfied proportionately among those unitholders wishing to withdraw from the Fund.

## Other transactions

### Switches

Direct investors may switch from the Fund to another fund managed by Spheria and operated by us at any time. A switch operates as a withdrawal of units in one fund and the investment of units in the other fund and therefore may have taxation implications. Please contact a licensed financial or taxation adviser for further information.

There is no switching fee applicable as at the date of this document. However, a buy and/or sell spread or a contribution fee (where applicable) may apply to the relevant fund(s) at the time of the switch. Before making a decision to switch, you should read the relevant PDS located at [www.spheria.com.au](http://www.spheria.com.au).

### Transferring ownership

You can generally transfer some or all of your investment to another person, although we are not obliged to process a transfer that does not meet prescribed criteria. Transfers may be subject to tax or other relevant regulations, and we recommend you acquire financial advice before making a decision regarding transferring your units.

### Changes and delays to permitted transactions

We can vary the minimum investment amounts for the Fund at any time and can also change the transaction cut-off time. The Responsible Entity has the right to refuse applications or withdrawals for any reason.

Where we consider it to be in the interests of unitholders, we may suspend application or withdrawal requests. Any application or withdrawal request received during a period where transactions have been suspended, or for which a unit price

has not been calculated or confirmed prior to the commencement of a period of suspension, will be deemed to have been received immediately after the end of the suspension period.

## Transaction cut off times

Generally, transaction requests for direct investors can be made every Business Day, and must be received, verified and accepted by Citi prior to 12pm (Sydney time) on a Business Day. Requests received after that time, or on a non-Business Day, will be treated as being received on the next Business Day.

Indirect and mFund investors may be subject to earlier transaction cut-off times. Indirect investors should contact their IDPS operator for transaction cut-off time information, and mFund investors should contact their broker.

## Cooling-off

If you are a retail client (as defined in the Corporations Act) investing directly in the Fund, a cooling-off period is permitted for a period of time following a purchase, when the purchaser may choose to cancel a purchase, for any reason, and obtain a full refund.

If you wish to exercise the cooling off rights, investors who are retail clients have a 14-day cooling-off period in which to decide if the investment is right for you. The 14-day cooling-off period commences on the earlier of the end of the fifth Business Day after we issue the units to you or from the date you receive confirmation of your application.

If you exercise your cooling-off rights, we will return your money to you and no fees will apply. However, the repayment of your investment under the cooling-off right is subject to market adjustment (both positive or negative) during the period in which the investment has been held. Where appropriate, administration costs may also be deducted. Therefore, there may be tax implications for you.

Cooling-off rights do not apply to:

- wholesale clients (as defined in the Corporations Act);

- to the operator of an IDPS or trustee of a master trust. Indirect investors do not have cooling off rights in respect of any units held in the Fund. Speak with the IDPS operator or trustee of a master trust to determine whether any cooling off rights are available to you through the service; or
- where units have been issued as a result of an additional investment, switch or distribution reinvestment plan.

## Complaints

The Responsible Entity has in place a procedure for handling all complaints. All complaints should be made by contacting us:

### Complaints Resolution Officer

Pinnacle Fund Services Limited

PO Box R1313

Royal Exchange NSW 1225

Email: [complaints@pinnacleinvestment.com](mailto:complaints@pinnacleinvestment.com)

Telephone: 1300 010 311

All complaints received will be acknowledged in writing within 1 Business Day or as soon as practicable after receiving the complaint. The Responsible Entity will act in good faith to ensure your complaint is investigated and resolved. If your issue has not been satisfactorily resolved within 30 calendar days, you can lodge a complaint with the Australian Financial Complaints Authority ('AFCA'). AFCA provides fair and independent financial services complaints resolution that is free to consumers. You can contact AFCA at:

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

Telephone: 1800 931 678 (free call)

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

In writing to: Australian Financial Services Complaints Authority, GPO Box 3,  
Melbourne VIC 3001

The dispute resolution process described in this PDS is only available in Australia.

If you are an indirect investor, you may either contact your IDPS operator or us with complaints relating to the Fund. Complaints regarding the operation of your account with the IDPS should be directed to the IDPS operator. If you have first raised a complaint with your IDPS operator and are not happy with how the complaint has been handled, you should raise that with the IDPS operator or the IDPS operator's external dispute resolution service.

## 8. How we keep you informed

### Statements and reports

For the most up to date information on your investment visit [www.spheria.com.au](http://www.spheria.com.au).

At the Investment Manager's website, you can:

- access the PDS documents and the annual financial reports for the Fund;
- download Fund forms which includes the Application Form and other standard administration forms;
- monitor unit prices, investment performance and changes to the Fund; and,
- read the latest views and opinions of the Investment Manager's investment team.

By making an application to acquire a unit, you agree to receive certain communications and disclosures in relation to the Fund and units in digital form.

### Confirmation statement

A statement of confirmation will be sent to you for your initial investment, as well as any additional investments and withdrawals within 3 Business Days of processing via your preferred method of communication.

### Transaction statement

You will receive a transaction statement on a half-yearly basis. The transaction statement will provide you with the total value of your investment as at the end of that period, including any switches, withdrawals, investments and distributions received.

### Annual taxation statement

After making any distribution for the final distribution period (ending 30 June) each year, an annual taxation statement will be posted to the address on your account.

### Distribution statement

A distribution statement will be sent to you in the month following the end of a distribution period, detailing your income distribution and current balance. Please

contact Pinnacle Client Service on 1300 010 311 if you would like to receive an estimate of any upcoming distributions in respect of the Fund.

## Financial report

The annual financial report for the Fund you are invested in, detailing the financial performance of the Fund for the financial year ending 30 June, can be downloaded from [www.spheria.com.au](http://www.spheria.com.au) and will be available by 30 September each year.

## Continuous disclosure

The Responsible Entity will comply with the continuous disclosure requirements for disclosing entities under the Corporations Act where the Fund is a disclosing entity.

This means that the Fund will be subject to regular reporting and disclosure obligations and copies of documents the Responsible Entity lodges with ASIC for the Fund may be obtained from or inspected at an ASIC office.

Upon request, and at no charge, the Responsible Entity will also send you copies of:

- The most recent annual financial report for the Fund lodged with ASIC.
- Any half year financial reports for the Fund lodged with ASIC after the lodgment of the most recent annual financial report and before the date of the relevant PDS.
- Any continuous disclosure notices given by the Fund after the lodgment of that annual report and before the date of the PDS.

Also, we will comply with our continuous disclosure obligations for the Fund by publishing material information on the Fund's website.

## 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 fund 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.

This section shows the fees and other costs you may be charged. The fees and costs charged by the Fund may be deducted from your account, from the returns on your investment or from the Fund's assets as a whole. Taxes are set out in Section 10 of this PDS. You should read all information about fees and costs because it is important to understand their impact on your investment.

**WARNING:** Additional fees and costs may be paid to a financial adviser if a financial adviser is consulted. The details of these fees and costs should be set out in the Statement of Advice by your adviser.

#### FEES AND COSTS SUMMARY: SPHERIA AUSTRALIAN SMALLER COMPANIES FUND

| Type of fee or cost   | Amount                             | How and when paid  |
|---|------------------------------------|--|
| Ongoing Annual Fees and Costs <sup>1,2</sup>  |                                    |  |
| <b>Management fees and costs</b><br>The fees and costs for managing your investment . | 1.10% p.a. of the NAV of the Fund. | The management fee is calculated on the net asset value of the Fund. It is |



FEES AND COSTS SUMMARY: SPHERIA AUSTRALIAN SMALLER COMPANIES FUND

| Type of fee or cost  | Amount   | How and when paid   |
|--|--|---|
|  |  | reflected in the daily unit price and payable monthly in arrears from the Fund.<br>Extraordinary expenses are paid from Fund assets as and when incurred. <sup>3</sup>  |
| <p><b>Performance fee</b><br/>Amounts deducted from your investment in relation to the performance of the product.</p>                           | 0.79% p.a. of the NAV of the Fund. <sup>4</sup>                          | <p>If applicable, a performance fee of 20% of the Fund's outperformance (net of management fees) relative to its Benchmark return, multiplied by the NAV of the Fund. The performance fee is calculated and accrued each Business Day and is reflected in the daily unit price. The performance fee is payable half-yearly as at 31 December and 30 June.</p> |
| <p><b>Transaction costs</b><br/>The costs incurred by the scheme when buying or selling assets.</p>  | Transaction costs are estimated to be 0.00% p.a. of the NAV of the Fund. | Transaction costs associated with dealing with the Fund. As some transaction costs will be paid for by investors who are charged the buy/sell spread when they enter or exit the Fund, the transaction costs shown are net of buy/sell spread.  |
| Member activity related fees and costs (fees for services or when your money moves in or out of the Fund)  |  |   |
| <p><b>Establishment fee</b><br/>The fee to open your investment</p>  | Nil  | Not applicable  |
| <p><b>Contribution fee</b><br/>The fee on each amount contributed to your investment</p>   | Nil  | Not applicable  |
| <p><b>Buy/sell spread<sup>5</sup></b><br/>An amount deducted from your investment representing costs incurred in transactions by the scheme.</p> | 0.30% upon entry and 0.30% upon exit                                     | The buy/sell spread is applied to each application and withdrawal from the Fund and operates to increase the relevant unit price for each new   |

## FEES AND COSTS SUMMARY: SPHERIA AUSTRALIAN SMALLER COMPANIES FUND

| Type of fee or cost   | Amount | How and when paid   |
|---|--------|---|
|   |        | investment and to decrease the unit price for each withdrawal to cover costs of dealing with the Fund's assets. |
| <b>Withdrawal fee</b><br>The fee on each amount you takeout of your investment. | Nil    | Not applicable  |
| <b>Exit fee</b><br>The fee to close your investment.                            | Nil    | Not applicable  |
| <b>Switching fee</b><br>The fee for changing investment options                 | Nil    | Not applicable  |

1. Fees are inclusive of GST and net of any applicable Reduced Input Tax Credits ('RITC').
2. Refer to 'Management costs' below for more information. Fees and costs may be negotiated for certain investors such as wholesale clients (as defined in the Corporations Act), depending on factors such as the amount invested. Refer to 'Differential fee arrangements' below for further information about negotiable fees.
3. Refer to 'Extraordinary Expenses' below for more information.
4. In accordance with the Corporations Regulations, this represents the average of the performance fees charged by the Fund over the past five financial years and which reasonably represents what a typical performance fee may be in any given financial year. However, the actual performance fee payable (if any) will depend on the performance of the Fund and the performance fee estimate provided may not be a reliable indicator of future performance fees.
5. When money moves in or out of the Fund, you may incur a buy/sell spread which is included in the unit price of the Fund. Refer to 'Buy/Sell spread' below for more information.

## Example of annual fees and costs for the Fund

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

| Example of fee or cost       | Amount     | 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 costs | 1.10% p.a. | <b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment \$550. |

| Example of fee or cost        | Amount   | Balance of \$50,000 with a contribution of \$5,000 during the year   |
|-------------------------------|--|--|
| <b>PLUS</b> Performance fees  | 0.79% p.a. <sup>1</sup>  | <b>And</b> , you will be charged or have deducted from your investment \$395 in performance fees each year.                              |
| <b>PLUS</b> Transaction costs | 0.00% p.a.   | <b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment \$0 in transaction costs. |
| <b>EQUALS</b> Cost of Fund    | If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 <sup>2</sup> during the year, you will be charged a fee of \$945.<br><b>What it costs you will depend on the investment option you choose and the fees you negotiate.</b> |  |

1. The example includes a performance fee estimate of 0.79% which is the five-year average of performance fees charged by the Fund. This is the Responsible Entity's reasonable estimate of annual performance fees. However, the actual performance fee payable (if any) will depend on the performance of the Fund and the performance fee estimate provided may not be a reliable indicator of future performance fees of the Fund.
2. The example assumes management costs are calculated on a balance of \$50,000 with the \$5,000 contribution occurring at the end of the first year. Therefore, management costs are calculated using the \$50,000 balance only. Additional fees may apply, including a buy/sell spread (refer to further information below).

## Additional explanation of fees and other costs

### Management costs

The management costs, in relation to the Fund, are generally the administration and investment fees and costs (excluding transaction costs) of the Fund.

These costs include (where relevant):

- Responsible Entity fees;
- administration costs;
- safekeeping fees;
- audit costs;
- borrowing costs; and,
- legal costs.

The Investment Manager pays management costs out of the fees it receives. Therefore, for this Fund, the management fee, performance fee (if any), and indirect costs will typically reflect the total management costs.

## Performance fees

Depending on how well the Fund performs, the Investment Manager may be entitled to receive a performance fee which is payable by the Fund. The five-year average of the performance fee charged by the Fund is 0.79% p.a. or \$395 based on a \$50,000 investment.

The performance fee is equal to 20% of the Fund's outperformance (net of management fees) relative to its Benchmark return, multiplied by the NAV of the Fund. The performance fee is calculated and accrued each Business Day. The Benchmark used for calculating the performance fee is the S&P/ASX Small Ordinaries Accumulation Index. If the Benchmark ceases to be published, we will nominate an equivalent replacement index.

The performance fee is calculated each Business Day and may be positive or negative. If the performance fee is positive, the amount is incorporated in the Fund's unit price. If the performance fee is negative, the negative amount will be carried forward.

The performance fee amount payable by the Fund is equal to the total daily performance fee accrual for each half-year period, ending 31 December and 30 June.

The Investment Manager will only be paid the performance fee if the Fund's net daily performance fee accrual is positive. That is, any previous negative performance fee accruals generated when the Fund underperformed the Benchmark have been recovered.

### Performance fee calculation worked example

The worked example in the following table is shown only for the purpose of illustrating how the performance fee may be calculated for two unrelated days only and assumes there are no applications or withdrawals made during each day. The daily performance fee accrual is actually calculated as the day's opening NAV

excluding the performance fee accrual plus any applications, minus any withdrawals (both assumed to be nil in the examples), multiplied by the Fund's daily out or underperformance of the Benchmark, multiplied by 20% (performance fee rate). The day's performance fee accrual is then added to the performance fee accrual balance (carried over from the previous day) to give the total performance fee for the period. The actual performance in the ordinary course of business, the unit price, the Benchmark, and the hurdles may all fluctuate during the period.

It is also important to note the below table is not an indication of the expected or future performance of the Fund, and that actual performance may differ materially from that used in the following worked example.

| Fee Components   | Example A<br>(Fund outperforms<br>Benchmark) | Example B (Fund<br>underperforms<br>Benchmark) |
|--|--|--|
| Performance fee rate                                     | 20%  | 20%  |
| Opening NAV excluding performance fee accrual            | \$10,000,000                                 | \$20,000,000                                   |
| Fund daily return  | 0.10%  | -0.25%   |
| Benchmark daily return                                   | 0.05%  | 0.70%  |
| Daily out/underperformance of Benchmark                  | 0.05%  | -0.95%   |
| Performance fee accrual (carried over from previous day) | \$20,000                                     | \$75,000                                       |
| Daily performance fee accrual                            | \$1,000                                      | -\$38,000                                      |
| <b>Total performance fee accrual<sup>1</sup></b>         | <b>\$21,000</b>                              | <b>\$37,000</b>                                |

1. If the performance fee accrual was positive on the last day of the performance period, a performance fee would be payable equal to the performance fee accrual (includes the net effect of GST and RITC).

Performance fees vary from year to year according to the Fund's actual performance and can be zero in any financial year. Past performance is not a reliable indicator of future performance. In particular, the performance fee payable (if any) will depend on the performance of the Fund and previous performance fees and may not be a reliable indicator of future performance fees of the Fund.

#### Units withdrawn during a calculation period

The proceeds received by Investors for units withdrawn during a calculation period will be net of any payable performance fees accrued.

Where the accrued performance fee is negative and the number of units on a Business Day decreases, the accrued performance fee will be reduced by the proportion that the number of decreased units bears to the number of units on

issue prior to the withdrawal. For example, if the accrued performance fee is negative and 5% of the units on issue are withdrawn (net of any applications), then the accrued performance fee amount will be reduced by 5%. An implication of this mechanism is that net redemptions for units could cause negative performance fee accruals to be recovered earlier than if no adjustment to the negative performance fee accrual were made, provided that the Fund subsequently outperforms the Benchmark. There is no reciprocal adjustment where the number of units increase.

## Indirect Costs

Indirect costs form part of management fees and costs and include fees and expenses arising from any investment which qualifies as an interposed vehicle (e.g. any underlying fund that the Fund may invest in) and certain OTC derivative costs, where relevant. The Fund's indirect costs are estimated to be 0.00%, which is the actual indirect costs amount for the Fund for the previous financial year. The actual indirect costs payable (if any) will depend on the investments of the Fund and the indirect costs estimate provided may not be a reliable indicator of future indirect costs of the Fund.

## Extraordinary expenses

In general, the management fees, performance fees (when accrued), and indirect costs are all that will be charged. However, under certain circumstances, extraordinary expenses may be paid directly by the Fund. Extraordinary expenses are not of an ongoing nature. Examples of this type of expense include:

- convening of a unitholders' meeting;
- termination of the Fund;
- amending the Fund constitution;
- defending or bringing of litigation proceedings; and
- replacement of the Responsible Entity.

## Transaction costs

Transaction costs associated with dealing with the Fund's assets may be recovered from the Fund. Transaction costs, other than any buy/sell spread (which is described

below), may include brokerage, settlement fees, clearing costs and applicable stamp duty when underlying assets are bought or sold.

The total transaction costs incurred by the Fund for the previous financial year were calculated to be \$75 based on a \$50,000 holding (approximately 0.15% of total average net assets). The total transaction costs, net of buy/sell spread recovery, were calculated to be approximately 0.00% of total average net assets, or \$0 based on a \$50,000 holding. These net transaction costs are borne by the Fund as an additional cost to investors and are shown above in the "Fees and costs summary". These costs are in addition to the management costs set out above. These estimated costs are based on the actual amount for the Fund for the previous financial year. Transaction costs are paid out of the assets of the Fund and are not paid to Spheria.

### Buy/sell spread

The buy/sell spread forms part of the transaction costs. When you invest or withdraw all or part of your investment we generally apply a cost via a unit price 'buy/sell spread', which is an additional cost to you and retained by the Fund. A buy/sell spread operates to increase the relevant unit price for each new investment and to decrease the unit price for each withdrawal to cover costs of underlying portfolio transactions, which include brokerage, share settlement and clearing fees, government charges/stamp duty, bank charges and foreign exchange transaction fees. The current buy/sell spread for the Fund, which is an estimate of these costs, is 0.30 % on both investment and withdrawal. For example, if \$50,000 was invested in, or withdrawn from, the Fund the cost of your buy/sell spread would be \$150 in and \$150 out.

The purpose of the buy/sell spread is to ensure that the costs to the Fund of buying or selling underlying assets are borne by investors as they invest or withdraw and to not disadvantage longer term investors remaining in the Fund.

From time to time, we may vary the buy/sell spread. Any revised spread will be applied uniformly to transacting investors while that spread applies. In circumstances where the Responsible Entity determines that unitholders of the Fund are not being treated equitably (for example, withdrawals in stressed and dislocated markets), the buy/sell spread may be higher than our estimate.

The Responsible Entity has discretion to waive or reduce the buy/sell spread where the Fund incurs no costs, or reduced costs. Investors will be provided with notification of any changes to the buy/sell spread via Spheria's website at [www.spheria.com.au](http://www.spheria.com.au).

### Incidental fees and costs

Standard government fees, duties and bank charges may also apply to your investments and withdrawals, including dishonour fees and conversion costs.

### Adviser fees

We do not pay fees to financial advisers. If you consult a financial adviser you may incur additional fees charged by them. You should refer to the Statement of Advice they give you for any fee details.

### Payment 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.

### Fees for indirect investors (additional master trust or wrap account fees)

Indirect investors must also refer to the fees and costs payable for the IDPS, master trust or wrap account they are investing through. The IDPS operator will be the registered holder of the units and may charge you fees that are different or in addition to the Fund's fees detailed in this section. You should refer to the offer document for the relevant IDPS, master trust or wrap account for more information.

### Differential fee arrangements

The management costs of the Fund may be negotiated with persons who qualify as wholesale clients within the meaning of the Corporations Act, such as sophisticated or professional investors. In negotiating such fees, we will take into consideration our obligations under the Corporations Act. Such arrangements will be by individual



negotiation and will be disclosed separately to relevant clients. Please contact us on 1300 010 311 for further details.

### Changes to fees and other costs

We reserve the right to change fees and other costs, subject to any limitations under the Fund constitution and applicable law. We will give investors 30 days' notice prior to increase in any fees.

The Investment Manager pays costs out of the management fees received. The Fund constitution provides for various fees, specifically a custodian's fee which we do not currently recover from the Fund.

### For more information on fees and costs

If you would like to better understand how our fee structure may impact your investment in the Fund, we recommend that you speak to your financial adviser or visit the ASIC website at [www.moneysmart.gov.au](http://www.moneysmart.gov.au) where a fee calculator is available to help you compare the fees of different managed investment products.

## 10. Taxation

**WARNING:** Investing in a registered managed investment scheme may have tax consequences. You are strongly advised to seek professional tax advice.

The taxation implications of investing in the Fund can be complex and depend on a number of factors, including whether you are a resident or non-resident of Australia for taxation purposes and whether you hold the units on capital account or revenue account.

The Fund is an Australian resident for tax purposes and does not generally pay tax on behalf of its investors. Investors are generally subject to tax on their share of taxable income and capital gains attributed to them by the Fund.

The following tax comments have been prepared on the assumption that:

- the investor holds the units on capital account as a long-term investment;
- the Fund qualifies as an attribution managed investment trust ('AMIT') within the meaning of Section 276-10 of the Income Tax Assessment Act 1997 (Cth) and the Responsible Entity of the Fund elects to apply the AMIT regime to the Fund; and
- the Fund has made an irrevocable "capital election" to apply the Capital Gains Tax ('CGT') provisions pursuant to Section 275-115 of the Income Tax Assessment Act 1997 (Cth).

### Income of the Fund

The Fund has been established as an Australian resident unit trust. In accordance with the AMIT provisions, the Fund is required to determine certain amounts (e.g. assessable income, exempt income, non-assessable non-exempt income and tax offsets).. The Fund then attributes these amounts of assessable income, exempt income, non-assessable non-exempt income and tax offsets (referred to as "characters") to investors on a fair and reasonable basis in accordance with their interests. The attributed trust amounts retain their tax character in the hands of investors and investors will be taxed on their attributed amounts even where amounts are not distributed in cash. Investors will be provided with an AMIT

Member Annual ('AMMA') Statement for tax purposes after 30 June each year to assist the investor in determining their tax position. The AMMA Statement will advise all amounts attributed to an investor by the Fund for inclusion in their income tax returns. The AMMA statements will also advise the character of the income, and any cost-base adjustments required to the units. Generally, no Australian income tax will be payable by the Responsible Entity of the Fund where investors are attributed with all taxable characters of the Fund each year.

The Fund's investments and activities are likely to give rise to income, dividends, and capital gains and losses. Further detail in respect of the Australian tax treatment of these income/gains and losses at the Fund level is provided below.

In normal circumstances, you should expect the Fund to derive assessable income and/or capital gains each year.

### Franking credits

The Fund may derive franking credits from the receipt of franked dividends. These franking credits will be attributed to investors if certain conditions are met. One of these conditions is that the 45-day holding period rule has been satisfied by the Fund.

### Tax losses

In the case where the Fund makes a loss for tax purposes, the Fund cannot distribute the loss to investors. However, subject to the Fund meeting certain conditions, the Fund may be able to take into account the losses in determining the income tax position in subsequent years.

### Taxation of Financial Arrangements (TOFA) rules

The TOFA rules apply tax timing methods to certain "financial arrangements". The TOFA rules mandatorily apply to all financial arrangements entered into by the Fund (for example debt securities and hedging arrangements), provided that the TOFA eligibility criteria is met by the Fund and no exclusions from the TOFA rules apply. Broadly, the TOFA rules have the effect of treating gains and losses from financial arrangements on revenue account and recognise certain gains and losses

on an accruals basis (which may, in certain circumstances, result in a taxing point prior to the realisation of the investment (unless a specific TOFA elective methodology is adopted)).

## Taxation of Australian resident investors

Investors are generally subject to tax on their share of the taxable characters attributed to them by the Fund each year. Investors are treated as having derived their share of the taxable characters of the Fund directly on a flow through basis.

The way in which investors are taxed will depend on the underlying nature of each character they receive (for example, franked dividends to which franking credits may attach, capital gains, foreign income to which foreign income tax offsets may attach, or interest income).

The AMMA Statement, provided to investors after 30 June each year (within 3 months of the end of the income year), will outline the amounts attributed to you by the Fund and the nature of those amounts (i.e. the characters of the total amount attributed), including any foreign income tax offsets and franking credit entitlements.

### Capital gains

To the extent that an investor is attributed with characters of assessable capital gains, investors will include the capital gain in their net capital gain calculation. Certain investors may be entitled to apply the relevant Capital Gains Tax ('CGT') discount in working out the net capital gain to include in their assessable income (refer further comments below).

### Franking credits

If franking credits are attributed to investors by the Fund, investors must include the amount of the franking credits in addition to the franked dividend income in their assessable income.

Certain requirements, including the 45-day holding period rule, may need to be satisfied in order to utilise franking credits in relation to dividends. The investor's particular circumstances will be relevant in determining whether the investor is

entitled to any franking credits, in respect of franked dividends. Where entitled, a tax offset equal to the franking credits will be applied against the tax otherwise payable by investors on their total assessable income, subject to the investor satisfying specific conditions. Corporate investors may be entitled to convert any excess franking credits into tax losses. Certain other investors may be entitled to obtain a refund of any excess franking credits.

## Under and overstatements of taxable income

If the Responsible Entity discovers understatements or overstatements of taxable income and tax offsets in prior years, the Responsible Entity has the ability under the AMIT regime to deal with these understatements and overstatements in the financial year in which they are discovered or to carry these forward to be dealt with in a future income year. That is, the distribution statements in relation to the discovery year may be adjusted to take into account these understatements or overstatements from a prior financial year, rather than re-issuing amended distribution statements for the prior financial year to which the understatements or overstatements relate to.

The amount of attributed income from the Fund which the investor is required to include in their assessable income may be different to the cash distributions received by an investor in respect of their units. This is because the distributions received on the units may be determined by reference to the cash returns received in respect of the Fund, whereas the attributable income of the Fund is determined by reference to the overall income tax position of that Fund.

An investor may be required to make, in certain circumstances, both upward or downward adjustments to the cost or cost base of their unit holdings, where there is a difference between the cash amount distributed by the Fund and the taxable characters attributed by the Fund to investors for any income year.

If the amount of cash distribution received in relation to an income year exceeds the taxable characters (including the discount component of any discounted capital gains) attributed by the Fund, the cost base of the investor's units in the Fund should be reduced by the excess amount. This results in either an increased

capital gain, or a reduced capital loss, upon the subsequent disposal of the investor's units in the Fund. Should the cost base of the units be reduced to below zero, the amount in excess of the cost base should be treated as a capital gain that is to be included in the investor's calculation of their net capital gain.

Conversely, where the cash distribution amount received in relation to an income year falls short of the taxable characters (together with the discount component of any discount capital gain) attributed by the Fund during a financial year, the cost base of the investor's units in the Fund should be increased by the shortfall amount.

## Withdrawals from the Fund and disposal of units

The withdrawal or disposal of a unit in the Fund is the disposal or cancellation of a CGT asset by an investor and a CGT event for tax purposes. To the extent that the proceeds exceed the cost base of the unit, you will make a capital gain. However, if the proceeds are less than your reduced cost base, you will make a capital loss. Generally, a capital loss can only be used to offset against capital gains derived in the current or a future tax year (subject to satisfying certain conditions).

An individual, trust or complying superannuation entity may be able to claim the benefit of the CGT discount if they have held the units for 12 months (excluding the acquisition date and disposal date). A corporate investor cannot claim the benefit of the CGT discount. Gains and losses realised by an investor who holds their units on revenue account will be taxable as ordinary income or an allowable deduction, and will not qualify for the CGT discount.

It is important to highlight that on 8 May 2018 the Australian Government announced a proposed measure to prevent Managed Investment Trusts (MITs) and AMITs from applying the CGT discount at the trust level. On 30 June 2020, the Australian Government announced that the start date that had been previously proposed for this measure (being 1 July 2020) would be revised as a result of the reprioritisation of Australian Government resources and the shortened parliamentary sitting period in 2020 due to the COVID-19 crisis. The start date for this proposal

to apply has been revised to income years commencing on or after three months after the date of Royal Assent of the enabling legislation. At present, the legislation to introduce this new proposal has not yet been released and is still being developed. In this regard, it is recommended that any investors which are MITs or AMITs seek independent professional taxation advice in relation to the status and implications of this proposal before investing in the Fund.

## Non-resident individual unitholders

The above taxation summary is only for investors who are residents of Australia for tax purposes. The tax treatment of non-resident investors in the Fund depends on the investor's particular circumstances and the provisions of the relevant Double Tax Agreement between Australia and the country of residence. It is important that non-resident investors seek independent professional taxation advice before investing in the Fund.

The Fund may be required to withhold tax on part, or all, of the distributions made to non-resident investors.

## Goods and Services Tax ('GST')

Unless otherwise stated, the fees quoted in this PDS are inclusive of the net effect of GST and Reduced Input Tax Credits ('RITC').

## Tax File Numbers and Australian Business Numbers

You are not required to quote your Tax File Number ('TFN') or, if you have one, an Australian Business Number ('ABN')<sup>1</sup> or claim an exemption from providing a TFN.

However, if a TFN or ABN is not provided, or an exemption is not claimed, we are required by law to withhold tax from distributions at the top marginal tax rate plus

---

<sup>1</sup> Under AML/CTF law, disclosure of an ABN is required for those individual investors who are a sole trader.

the Medicare Levy. If you are making this investment on behalf of a business or enterprise you carry on, you may quote your ABN instead of a TFN.

## Tax reforms

The expected tax implications of investing in the Fund may change as a result of changes in the taxation laws and interpretation of them by the Courts and/or the Australian Taxation Office.

It is recommended that investors obtain independent taxation advice that takes into account your specific circumstances regarding investing in the Fund and the potential application of any changes in the tax law.

## Foreign Account Tax Compliance Act ('FATCA') and OECD Common Reporting Standard ('CRS')

Tax evasion is a global problem and international cooperation and sharing of high quality, predictable information between revenue authorities will help them ensure compliance with local tax laws. FATCA was enacted by the United States (U.S.) Congress to improve compliance with U.S. tax laws by imposing due diligence and reporting obligations on foreign financial institutions, notably the obligation to report U.S. citizen or U.S. tax-resident account holders to the U.S. Internal Revenue Service ('IRS').

Similar to FATCA, the CRS for the automatic exchange of information, is a single global standard for the collection and reporting to tax authorities of information by financial institutions on non-Australian residents.

Accordingly, we may request certain information about yourself (for individual investors) or your controlling persons (where you are an entity) in order for the Fund to comply with its FATCA or CRS obligations. In the event that the Fund suffers any amount of withholding tax (including FATCA withholding tax) and/or penalties, neither the Fund nor the Responsible Entity acting on behalf of the Fund, will be required to compensate you for any such tax, except in exceptional circumstances.



## 11. Privacy

When investors apply to invest in the Fund, they acknowledge and agree that:

- a) they are required to provide the Responsible Entity with certain Personal Information to facilitate their application; and
- b) the Responsible Entity may be required to disclose their information to:
  - i third parties carrying out functions on behalf of the Responsible Entity on a confidential basis;
  - ii third parties if that disclosure is required by or to the extent permitted by law;
  - iii related entities to the Responsible Entity, whether in Australia or any overseas jurisdiction; and,
  - iv government or regulatory bodies (such as the Australian Taxation Office) when required by law.

If you have nominated an authorised representative or financial adviser for your investment, we may also provide information to them on their request.

All Personal Information will be collected, used and stored by the Responsible Entity in accordance with our Privacy Policy, a copy of which is available on request. We will use your information for the purpose of marketing products issued by us and our related entities. To ensure that the Personal Information we retain about you is accurate, complete and up to date, please contact us, if any of your details change. You can unsubscribe from marketing communications from us at any time by contacting us.

If you choose not to disclose requested Personal Information, we may not be able to process your application or tell you about other investment opportunities.

### Collecting and using your information

We will only collect personal information that is reasonably necessary for one or more of our functions or required or authorised by law. Generally, this means we collect information for the following purposes:

- to process your application;

- to administer your investment and provide you with reports;
- to monitor and improve the quality of service provided to you; and
- to comply with regulatory or legal requirements, including the Corporations Act, the AML/CTF Law, FATCA and CRS.

We also ask you for some personal details so that we, and our related companies, can keep in touch with you and tell you on an ongoing basis about our other products and services that could be useful to you. We may do this by telephone, electronic messages (e.g. email) and other means. Please contact us if you do not wish your details to be used for marketing purposes.

We may gather information about you from a third party. These include credit agencies, financial advisers, fund managers or intermediaries and spouses. We may also collect details of your interactions with us and our products and services (including from our records of any telephone and email interactions).

If you provide someone else's personal information to us, you must ensure that they first agree on the basis of this privacy section.

### Accessing and correcting your details

You can access, correct or update any Personal Information we hold about you, subject to some exceptions allowed by law, by contacting 1300 010 311. We may charge a reasonable fee for access to your Personal Information.

### What happens if you don't provide information

If, for any reason, you don't provide all necessary information this may have implications for your account. For example:

- we may not be able to action transaction requests (additional application or withdrawal requests) until all required information has been provided;
- we may need to notify the Australian Taxation Office or international tax offices, or apply the highest marginal tax rate to any payments made to your accounts; or
- other possible consequences.

## Disclosing your information

We may exchange your Personal Information with your adviser, authorised representative, Power of Attorney and any other third parties if you request or provide consent to us. In addition, we may exchange Personal Information about you in the following circumstances:

- you consent to the disclosure;
- such disclosure is to your joint investor (if any);
- such disclosure is to companies that provide services to us, to our related bodies corporate (as defined in the Corporations Act), to the Fund, or on our behalf (and our related bodies corporate may also exchange personal information with these companies) - for example administration, custody, investment management, technology, identity verification, auditing, registry, mailing or printing services. These service providers may be located outside Australia, (for example in Canada, Malaysia, Luxembourg, Hong Kong the United Kingdom, or elsewhere), where your Personal Information may not receive the same level of protection as that afforded under Australian law;
- where required or authorised by law, which may include disclosures to the Australian Taxation Office and other Government or regulatory bodies; or
- such disclosure is to organisations related to us such as Pinnacle and its related bodies corporate, whether in Australia or any overseas jurisdiction.

## 12. Investment by New Zealand investors

**WARNING:** Issues to NZ investors.

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

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

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars.

The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

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

## 13. Additional Information

### Consents

Spheria and Citi have consented to be named in this PDS in the form and context in which it is named and, as at the date of this PDS, have not withdrawn their consent. Spheria consents to the inclusion of statements about its investment strategy statements about the extent to which it takes labour standards and environmental, social and ethical considerations into account in making investment decisions, information about its investment team, and statements about when Spheria will effect short selling, leverage or derivatives strategies (where relevant). Spheria and Citi have not authorised or caused the issue of any part of this PDS and takes no responsibility for any part of this PDS other than the inclusion of the statements referred to above.

### Appointment of authorised representative

A person appointed as your authorised representative is authorised by you to:

- apply for units in the Fund and sign all documents necessary for this purpose;
- make requests to redeem all or some of your units (Note: withdrawals processed as directed by the authorised representative fully discharges our withdrawal obligations to you); and
- make written requests for information regarding your units.

The Responsible Entity may act on the sole instructions of the authorised representative until the Responsible Entity is notified that the appointment of the authorised representative is terminated.

You can cancel your appointment of the authorised representative by giving the Responsible Entity 14 days prior notice. Termination of an appointment does not prejudice the following statement. By appointing an authorised representative, you agree to release, discharge and indemnify the Responsible Entity from and against any loss, expense, action, claims or other liability which may be suffered by you or brought against the Responsible Entity for any actions or omissions by you or your authorised representative, whether authorised or not by you or your authorised

representative. Any request for information by an authorised representative will be responded to in writing only. Such written responses will be sent to the authorised representative's email/fax/residential address nominated on the Authorised Representative Form.

If an authorised representative is a partnership or a company, any one of the partners or any director of the company is each individually deemed to have the powers of the authorised representative. It is sufficient for the Responsible Entity to show that it had reasonable grounds for belief that an action was taken or a request given by or for an authorised representative, when determining whether an action or request was taken or given by the authorised representative.

## Indirect investors

Investors and prospective investors may also access the Fund indirectly. This PDS has been authorised for use by operators through an Investor Directed Portfolio Service ('IDPS') or master trust. An IDPS is an investment and reporting service offered by an operator. People who invest through an IDPS, master trust or wrap account are indirect investors. Such indirect investors do not acquire the rights of a unit holder of the Fund. Rather, it is the operator or custodian of the IDPS or master trust that acquires those rights. Therefore, indirect investors do not receive income distributions or reports directly from us, do not have the right to attend meetings of unit holders and do not have cooling off rights. Different investment, balance and withdrawal minimums may also apply. Indirect investors should not complete the Fund's application form. The rights of indirect investors are set out in the disclosure document for the IDPS or master trust. If you are investing through an IDPS or a master trust, enquiries should be made directly to the IDPS operator or the trustee of the master trust.

All changes to an account for an indirect investor, including but not limited to the switches, changes of details, additional investment and redemption requests must be processed through the IDPS, master trust or wrap account provider.

## 14. Defined terms

| Term   | Definition  |
|--|---|
| ABN  | Australian Business Number.   |
| Administrator                                | the appointed administrator of the Fund is Citigroup Pty Limited.   |
| AFSL   | an Australian financial services licence issued by ASIC.  |
| AMIT   | attribution managed investment trust.   |
| AML/CTF Law                                  | our obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and associated rules and regulations.  |
| Application Form                             | the application form for the Fund.  |
| ASIC   | Australian Securities and Investments Commission.   |
| Business Day                                 | a day which is not a Saturday, Sunday or public holiday in New South Wales, Australia.  |
| Buy/Sell Spread                              | the difference between the entry and exit price for a Fund, relating to transaction costs. It is a set, average percentage amount paid by investors when they transact.                   |
| CGT  | Capital Gains Tax.  |
| Corporations Act                             | the Corporations Act 2001 (Cth) and Corporations Regulations 2001 (Cth).  |
| CRS  | OECD Common Reporting Standards.  |
| FATCA  | Foreign Account Tax Compliance Act.   |
| Fund   | Spheria Australian Smaller Companies Fund ARSN 117 083 762.   |
| Fund Forms                                   | the Spheria Fund Forms which incorporate all the necessary forms required for changing your details, applying to, or redeeming from Spheria Funds.  |
| Gross Asset Value ('GAV')                    | the market value of a Fund's assets determined in accordance with the constitution and applicable accounting standards.   |
| Illiquid                                     | that a fund has liquid assets that amount to less than 80% of the fund's assets having regard to Section 601KA of the Corporations Act.   |
| Initial investment                           | an Investor's initial investment which requires the opening of a new Fund account.  |
| Investor Directed Portfolio Service ('IDPS') | or IDPS-like scheme or a nominee or custody service (collectively referred to as master trusts or wrap accounts), refers to a service that allows a person to access the Fund indirectly. |
| Liquid                                       | that a fund has liquid assets that amount to at least 80% of the fund's assets having regard to Section 601KA of the Corporations Act.  |



| Term   | Definition  |
|--|---|
| Net Asset Value ('NAV')                              | the total value of the fund's underlying investment portfolio, less any fees, charges, expenses and other liabilities accrued by the fund, but excludes unitholder liabilities.   |
| PDS  | Product Disclosure Statement for the Fund.  |
| Personal Information                                 | information or an opinion (including information or an opinion forming part of a database) whether true or not, and whether recorded in a material form or not, about an individual whose identity is apparent, or can reasonably be ascertained, from the information or opinion, which is collected or held by the Responsible Entity.  |
| Pinnacle   | Pinnacle Investment Management Limited ABN 66 109 659 109 AFSL 322140.  |
| Pinnacle Fund Services Limited or Responsible Entity | Pinnacle Fund Services Limited ABN 29 082 494 362.  |
| Related Body Corporate                               | as that term is define in Section 9 of the Corporations Act.  |
| Relevant Law   | <p>any requirement of the Corporations Act, the Australian Securities and Investments Commission Act 2001 (Cth), the Superannuation Industry (Supervision) Act 1993 (Cth), the Income Tax Assessment Act 1936 (Cth), the Income Tax Assessment Act 1997 (Cth), the Superannuation Prudential Standards issues by the Australian Prudential Regulation Authority from time to time, the AML/CTF Law and any other present or future law of the Commonwealth of Australia or any State or Territory with which the Responsible Entity, Spheria, or the governing rules of the Fund must satisfy in order:</p> <ol style="list-style-type: none"> <li>1. to secure imposition at a concessional rate of any income tax which, in the opinion of the Responsible Entity, is or may become payable in connection with the Fund; or,</li> <li>2. for the Responsible Entity or Spheria to avoid a relevant penalty, detriment or disadvantage.</li> </ol> |
| RITC   | Reduced Input Tax Credits.  |
| Spheria or Investment Manager                        | Spheria Asset Management Pty Limited ABN 42 611 081 326.  |
| TFN  | Tax File Number.  |
| The US Securities Act                                | US Securities Act of 1933, as amended.  |
| Unit Pricing Policy                                  | a compliant policy adopted by the Responsible Entity for unit pricing discretions it uses in relation to the Fund.  |
| US Persons   | U.S. Person, as defined in Regulation S of the U.S. Securities Act 1933, include:   |

| Term               | Definition  |
|--------------------|---|
|                    | <ul style="list-style-type: none"> <li>• any natural person resident in the United States;</li> <li>• any partnership or corporation organised or incorporated under the laws of the United States;</li> <li>• any estate of which any executor or administrator is a US Person;</li> <li>• any trust of which any trustee is a US Person;</li> <li>• any agency or branch of a foreign entity located in the United States;</li> <li>• any non-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;</li> <li>• any 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 United States; or</li> <li>• any partnership or corporation if organised or incorporated under the laws of any foreign jurisdiction and formed by a US person principally for the purpose of investing in securities not registered under the US Securities Act of 1933, as amended ('the Act'), unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) of Regulation D under the Act) who are not natural persons, estates or trusts.</li> </ul> |
| Withdrawal Request | the form that must be completed when making a withdrawal of your investment from the Fund.  |