



# MUNRO GLOBAL GROWTH FUND (HEDGE FUND)

## Product Disclosure Statement

Ordinary Units | ARSN 630 318 053 | ASX Code MAET

19 October 2020

### **Responsible Entity**

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### **Investment Manager**

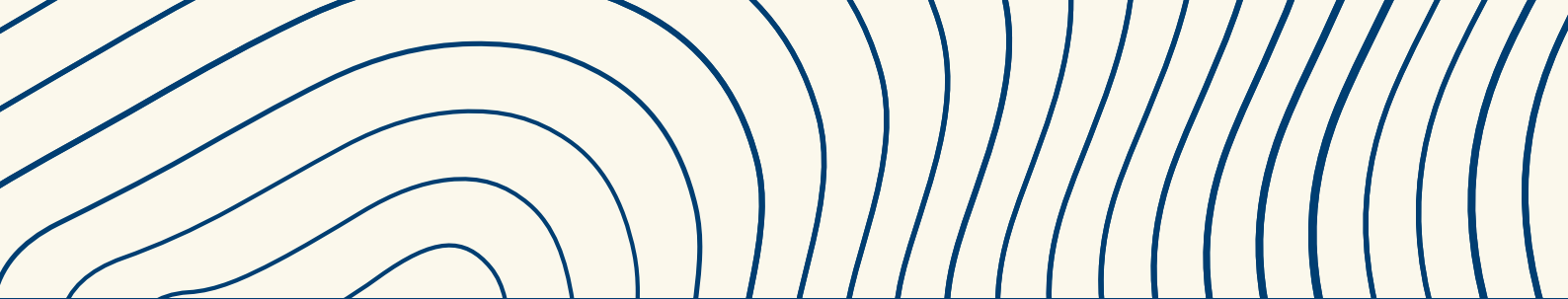
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### **Client Service**

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This Product Disclosure Statement (PDS) dated 19 October 2020 is issued by GSFM Responsible Entity Services Limited ABN 48 129 256 104, AFSL 321517, (**GSFM Responsible Entity Services, GRES, the Responsible Entity or we**), the responsible entity for the Munro Global Growth Fund (Hedge Fund) ARSN 630 318 053 ABN 26 838 223 410 (**Fund**). It is important that you read this PDS carefully before deciding whether to invest. The application form accompanying this PDS, which contains important terms relating to the Fund, should also be read before deciding to invest.

In preparing this PDS, we have not taken into account the investment objectives, needs or financial position of any person. Before making an investment decision on the basis of this PDS, investors should consider whether investing in the Fund is suitable to their individual circumstances and seek advice from a qualified financial adviser.

## Important information

The offer in this PDS is available only to persons receiving this PDS (electronically or otherwise) in Australia and New Zealand and does not constitute an offer or recommendation in any jurisdiction, or to any person to whom it would be unlawful to make such an offer.

The initial Units in the Fund will be issued to an applicant off-market. Following the issue of those initial Units, investors can buy Units on the AQUA market of the ASX through a stockbroker, trading platform or via a financial adviser. Such investors may use this PDS for informational purposes only.

A copy of this PDS has been lodged with the Australian Securities & Investments Commission (**ASIC**). As at the date of this PDS, the Units are yet to be quoted for trading on the ASX. An application has been made to the ASX for Units in the Fund issued pursuant to this PDS to be quoted for trading on the AQUA market of the ASX under the AQUA Rules. We will only accept applications to create Units once the exposure period for the PDS has expired. The exposure period expires 7 days after lodgement of the PDS with ASIC, subject to possible extension by ASIC for a further period of up to 7 days. Neither ASIC nor the ASX take any responsibility for the contents of this PDS.

No information or representation in connection with the Fund, which is not contained within this PDS, should be relied upon in making an investment decision about the Fund. No person is authorised to make representations in respect of the Fund which are not contained in this PDS.

GRES has appointed the general partnership, which trades as Munro Partners, as investment manager of the Munro Global Growth Fund (ARSN 612 854 547) (**Underlying Fund**) (**Munro or Investment Manager**) and has entered into a services agreement under which Munro will provide certain services to the Fund. The partners of Munro have been appointed as an authorised representative of Munro Asset Management Limited ABN 28 163 522 254 AFSL 480509 (**Munro Asset Management**).

An investment in the Fund is subject to investment and other risks, including possible delays in payment and loss of income and capital invested. Investments in the Fund are not deposits with or other liabilities of the Responsible Entity or any of its related bodies corporate, affiliates, associates or officers. None of GRES, Munro, J.P. Morgan Chase Bank N.A. (Sydney Branch) (the **custodian**) nor their related bodies corporate, affiliates, associates or officers, guarantee any particular rate of return or the performance of the Fund, nor do they guarantee the repayment of capital from the Fund. For more details on the risks, please refer to **Section 5** of this PDS, 'Risks of investing in the Munro Global Growth Fund (Hedge Fund).'

No person other than the Responsible Entity has caused or authorised the issue of this PDS nor do any of them take any responsibility for the preparation of this PDS or the establishment or performance of the Fund. ASIC takes no responsibility for the contents of this PDS.

The information in this PDS is up-to-date at the time of preparation. However, some information may change from time to time. If a change is considered materially adverse, we will issue a supplementary PDS or a new PDS. Information in this PDS that is not materially adverse to investors can be updated by us. The updated information will be available on our website, [www.gsfm.com.au](http://www.gsfm.com.au). Please check our website, contact your financial adviser, or call 1300 133 451 for any updates prior to investing. A paper copy of any updates will be provided free of charge on request.

Photographs and images in this PDS do not represent assets of the Fund unless otherwise indicated.

A paper copy of this PDS (and any supplementary documents) can also be obtained free of charge on request by calling 1300 133 451.

## Warning statement for New Zealand Investors

The following disclosure is made to enable us to offer the Fund's Units in New Zealand under the mutual recognition scheme between Australia and New Zealand.

### Warning statement

1. This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
2. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.
3. There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
4. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
5. Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

6. The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
7. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

### Currency exchange risk

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

### Trading on financial product market

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

### Dispute resolution process

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



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# KEY FEATURES



Munro Global Growth Fund (Hedge Fund)		Where to find more information
ARSN	630 318 053	
ASX Code	MAET	
Units available under this PDS	Ordinary	
Responsible Entity	GSFM Responsible Entity Services Limited ( <b>GRES, Responsible Entity, we, our, us</b> )	Section 2
Investment Manager	Munro Partners ( <b>Munro or Investment Manager</b> ) The Chief Investment Officer for the Fund is Nick Griffin. The investment team includes portfolio managers, Jeremy Gibson, James Tsinidis and Kieran Moore.	Information on Munro and the investment team can be found in Sections 2 & 9.
Type of investment	The Fund is a managed fund which is a registered managed investment scheme whose Units will trade on the AQUA market of the ASX. An application has been made to the ASX for Units in the Fund to be quoted for trading on the AQUA market of the ASX. This means investors have the opportunity to buy or sell a diversified portfolio of assets in a single transaction.	
Investment return objective	The objective of the Fund is to provide investors with meaningful, risk adjusted, absolute returns through exposure to global growth equities over the medium to long term, while maintaining a capital preservation mindset.	Section 3
Benchmark	MSCI All Country World Index in \$A (Net).	
Investor profile	The Fund has an investment horizon of three to five years and may be suitable for investors seeking capital growth via exposure to global shares and who are prepared to accept the risks of the Fund set out in Section 5.	
Minimum suggested time frame for holding investment	At least 3-5 years. Please note this is a guide only, not a recommendation.	
Base currency	The Fund is denominated in Australian dollars.	More information can be found in 'Currency Management' in Section 3.
About the Fund	The Fund will gain its exposure to international equity markets by investing in the Munro Global Growth Fund (ARSN 612 854 547) ( <b>Underlying Fund</b> ) and cash. <b>In this PDS, where we refer to the Fund's investments we generally do so on a 'look-through' basis; that is, we are referring to the underlying assets that the Fund is exposed to through its investment in the Underlying Fund.</b>	
Asset classes	Through its investment in the Underlying Fund, the Fund will be exposed to international equities of 0-100% (including equity derivatives) and cash of 0-100% based on the Net Exposure Limit.  As the Underlying Fund's investments can change at any time and are primarily listed international equities sourced on global markets, the geographical location of material assets of the Underlying Fund can be anywhere in the world.  The above asset classes are ranges for the Underlying Fund, in which the Fund will invest. If market movements, investments into or withdrawals from the Underlying Fund, or changes in the nature of an investment, cause the Underlying Fund to move outside these ranges, or a limit set out in this PDS, this will be addressed by GRES or Munro as soon as reasonably practicable.	More information on the asset classes the Fund and Underlying Fund invest in can be found in Section 3.



Munro Global Growth Fund (Hedge Fund)	Where to find more information
<p><b>Investment strategy and how the Fund and Underlying Fund are managed</b></p> <p>The Fund will invest in Units in the Underlying Fund and cash. The Underlying Fund invests primarily in listed international equities, deploying a long/short equities strategy with a long bias.</p> <p>The investment strategy is designed to identify sustainable growth trends that are under-appreciated and mispriced by the market, and the resulting winning and losing stocks.</p>	<p>Further information regarding the 'Investment strategy and how the Fund is managed' can be found in Section 3.</p> <p>The risks associated with the Fund's investment strategy are set out in Section 5.</p> <p>The Fund's risk management strategy is set out in Section 3.</p>
<p><b>Investment guidelines</b></p> <p>The portfolio of the Fund, through its investment in the Underlying Fund, will be constructed observing the following guidelines:</p> <p><b>Exposure management</b> is driven by bottom-up idea generation. Typical gross exposure ranges between 50-150% and typical net exposure between 50-100%;</p> <p><b>Portfolio concentration:</b> typically, the portfolio will range between 30-50 investments, including both long and short positions;</p> <p><b>Position sizing:</b> typically, average Long Positions are 3% of the Fund's Net Asset Value (NAV) and average Short Positions are 1.5% of NAV;</p> <p><b>Short philosophy:</b> Short Positions are typically represented on a single stock basis targeting poorly positioned or overvalued companies, or as a portfolio hedging tool.</p>	<p>Further information regarding portfolio construction can be found in Section 3.</p> <p>The risks associated with the Fund's investment strategy are set out in Section 5.</p> <p>The Fund's risk management strategy is set out in Section 3.</p>
<p><b>Fund structure</b></p> <p>The Fund is a registered managed investment scheme whose Units will trade on the AQUA market of the ASX. The Fund will invest in Units in the Underlying Fund, which is an unlisted registered managed investment scheme. GRES is the responsible entity of both the Fund and the Underlying Fund.</p> <p>GRES has appointed a number of key service providers, including Munro, that are involved in the ongoing operation and administration of the Fund.</p>	<p>A diagram showing the flow of investment money through the Fund's structure is set out in Section 3.</p> <p>The risks associated with the Fund's structure are set out in Section 5.</p> <p>Further information regarding the key service providers is set out in Section 3.</p>

Munro Global Growth Fund (Hedge Fund)	Where to find more information	
<p><b>Valuation, location and custody of assets</b></p>	<p>The Fund’s assets are valued each business day by the administrator who will act as the administrator for the Fund and the Underlying Fund.</p> <p>Assets and liabilities of the Fund are generally valued at their market value in accordance with the Constitution.</p> <p>The Fund, via its investment in the Underlying Fund, invests primarily in listed international equities but may also enter over-the-counter (<b>OTC</b>) derivative positions and may occasionally use exchange traded derivatives. The assets of the Underlying Fund will be denominated in a variety of foreign currencies.</p> <p>The Fund’s assets are held in custody by the custodian in Australia.</p> <p>The Underlying Fund’s assets are held in custody overseas by the independent custodian or its appointed sub-custodians.</p> <p>The Underlying Fund invests in derivative contracts (and associated collateral and margins paid) which are held by the Prime Broker, clearers and other counterparties based overseas.</p> <p>FX contracts of the Underlying Fund are held by the Prime Broker.</p>	<p>Further information regarding the Fund’s valuation policy is set out in Section 1.</p> <p>The target asset allocation ranges for the Fund and information regarding the Fund’s use of derivatives are provided in Section 3.</p> <p>Further information regarding the custodian is set out in Section 3.</p> <p>Further information regarding the Underlying Fund’s assets held in favour of the Prime Broker is set out in ‘Location and custody of assets’ in Section 3.</p> <p>The risks associated with the Fund’s use of derivatives, collateral risk and counterparty risk are described in Section 5.</p>
<p><b>Derivatives</b></p>	<p>The Fund via its investment in the Underlying Fund will have exposure to derivatives. The Underlying Fund uses derivatives as part of its investment strategy where the Investment Manager has identified opportunities that will maximise returns (investment purposes) or as a hedging tool when potential negative returns are identified.</p> <p>The types of derivatives the Underlying Fund may use include OTC derivatives, with International Swaps and Derivatives Association Inc. (<b>ISDA</b>) counterparties, and exchange traded derivatives. Typically, OTC transactions are swaps or contracts for difference on listed equities, equity swap baskets, and foreign currency positions. The types of exchange traded derivatives used are predominantly: equity options; futures contracts and options; and foreign currency futures and swaps.</p>	<p>Further information regarding the Fund’s use of derivatives is provided in Section 3.</p> <p>The risks associated with the use of derivatives are described in Section 5.</p>



Munro Global Growth Fund (Hedge Fund)		Where to find more information
<b>Entering and exiting the Fund</b>	<p>Once quoted (and subject to market conditions), investors can enter and exit the Fund by buying and selling Units on the AQUA market on the ASX at the prevailing market prices for the Units.</p> <p>Investors may also be able to make an off-market withdrawal request to withdraw their investment from the Fund where trading in the Units has been suspended for more than five consecutive ASX Trading Days, subject to the provisions of the Fund's Constitution.</p> <p>There may be circumstances where applications into or withdrawals from both the Fund and/or the Underlying Fund are suspended. This may occur, for example, because of financial market disruptions or closures, or where we reasonably consider it to be in the interests of investors. If this occurs, in determining the value of an asset, we will use the asset values determined after the suspension is lifted. We will generally honour all withdrawal requests from Unit holders in the Fund and/or the Underlying Fund (including that of the Fund, subject to the Fund and/or the Underlying Fund being liquid (as relevant)). If either the Fund and/or the Underlying Fund becomes illiquid (as defined in the Corporations Act), Units may only be withdrawn if we make a withdrawal offer to all Unit holders in accordance with the Constitution and/or the Underlying Fund's Constitution and the Corporations Act.</p>	Further information about buying and selling units, off market withdrawals, suspension of redemptions and what happens if the Fund/ Underlying Fund become illiquid are provided in Section 7.
<b>Market making</b>	<p>The Responsible Entity, on behalf of the Fund acts as the market maker for the Fund providing liquidity to market participants. At the end of each Business Day, Units are created or cancelled by the Responsible Entity depending on the net quantity traded for that particular day on the ASX.</p> <p>The Responsible Entity has appointed Macquarie Securities (Australia) Limited (<b>Macquarie</b>) as agent to execute its market making activities as a trading participant under the ASX Operating Rules.</p> <p>The Fund will bear the risk of the market making activities undertaken by the Responsible Entity on the Fund's behalf, which may result in either a cost or benefit to the Fund.</p> <p>The liquidity provided by the market maker will ultimately be constrained by day-to-day events including but not limited to, the continuing ability of the market maker to create and redeem Units.</p>	Section 7  The risks associated with market making are set out in Section 5.
<b>Market liquidity</b>	<p>Investors can buy and sell Units from/to other investors in the secondary market in the same way as other listed ASX securities. Macquarie, in its capacity as market making agent of the Fund, provides liquidity to investors by acting as a buyer and seller of Units.</p> <p>The Fund may not always be able to make a market in times of uncertainty about values, due to its duty to act in the best interests of members.</p>	The risks associated with ASX liquidity are set out in Section 5.
<b>Net Asset Value and iNAV</b>	<p>The NAV of the Fund is calculated on each Business Day in accordance with the Constitution. The NAV will incorporate the value of the assets of the Fund, less any liabilities of the Fund. The NAV per Unit is calculated by dividing the NAV of the Fund by the number of Units on issue in the Fund.</p> <p>An indicative NAV per Unit (<b>iNAV</b>) will be calculated and published by a pricing agent on behalf of the Fund throughout the ASX Trading Day. The iNAV will be updated for foreign exchange movements in the Fund's portfolio stocks by individual stock domicile and be updated in respect of non-ASX stocks that have live market prices during the ASX Trading Day. Portfolio stocks that are not traded during the ASX Trading Day will be valued using their last traded price and adjusted by any changes in their corresponding exchange's futures index in accordance with the iNAV provider's fair valuation methodology.</p>	Section 7

Munro Global Growth Fund (Hedge Fund)		Where to find more information
<b>Leverage</b>	<p>The Fund will not borrow to leverage. However, the Underlying Fund may be leveraged through the use of derivatives and short selling.</p> <p>Munro does not use leverage to increase the net invested position of the Underlying Fund greater than the Gross Exposure Limit.</p> <p>The maximum Gross Exposure Limit set for the Underlying Fund taking into account leverage is 200% of the NAV of the Underlying Fund.</p>	<p>Further information regarding borrowing in the Fund can be found in Section 3.</p> <p>An example of the impact of leverage on investment returns and losses in the Underlying Fund is set out in Section 3.</p> <p>The risks associated with leverage in the Fund are described in Section 5.</p>
<b>Short selling</b>	<p>Short selling is undertaken as part of the investment strategy of Fund via its investment in the Underlying Fund to benefit from falling securities prices or as a portfolio hedging tool. Short positions are subject to a more prudent risk taking approach with smaller position sizing and more frequent profit taking. The Underlying Fund engages in short selling by borrowing securities from the Prime Broker and providing collateral to the Prime Broker.</p>	<p>Further information regarding short selling in the Fund is provided in Section 3.</p> <p>The risks associated with short selling are described in Section 5.</p>
<b>Liquidity</b>	<p>At the date of this PDS, we reasonably expect that at least 80% of the Fund's assets are capable of being realised, at the value ascribed to those assets when calculating the Fund's most recent Net Asset Value, within 10 days.</p>	Section 3
<b>Risk level of the Fund</b>	<p>High</p> <p><b>Compared to an investment in funds that have invested in assets such as fixed interest or cash there is a relatively high risk of the value of your investment going down in any year.</b></p>	The key risks are set out in Section 5.
<b>Risk management in the Fund and the Underlying Fund</b>	<p>The Investment Manager manages risk for the Fund and the Underlying Fund by employing the following risk management guidelines:</p> <ul style="list-style-type: none"> <li>• Gross Exposure: Maximum 200%, Typically 50%-150%;</li> <li>• Short Exposure: Maximum 100%, Typically 0%-50%</li> <li>• Net Exposure: Maximum 100%, Typically 50%-100%;</li> <li>• Regional limits: None. In practice varying Areas of Interest create differing market exposures;</li> <li>• Sector limits: None. In practice varying Areas of Interest create differing sector exposures;</li> <li>• Long stock limit: 10% of NAV at cost;</li> <li>• Short stock limit: 5% of NAV at cost; and</li> <li>• Cash: If no suitable investments can be found or short term market risks are high the Investment Manager can raise the cash weightings of the Underlying Fund to 100%.</li> </ul> <p>The Underlying Fund will only engage the services of counterparties with a S&amp;P credit rating of A- or better.</p>	<p>The key risks of the Fund are set out in Section 5.</p> <p>Further information about the risk management of the Fund is set out in Section 3.</p>
<b>Prime Broker</b>	<p>Morgan Stanley &amp; Co International plc (<b>Morgan Stanley</b>) has been appointed as Prime Broker for the Underlying Fund.</p> <p>Morgan Stanley is the clearing member providing derivative clearing and settlement facilities for the Underlying Fund. GRES reserves the right to appoint other or additional clearers from time to time.</p>	<p>Section 3</p> <p>Further information about Morgan Stanley is set out in 'Material contracts' in Section 9.</p>

Munro Global Growth Fund (Hedge Fund)		Where to find more information
<b>Custodian</b>	J.P. Morgan Chase Bank N.A. (Sydney Branch) ( <b>J.P. Morgan</b> ) provides custody services for the Fund.  Morgan Stanley provides custodian services for the Underlying Fund's assets.	
<b>Administration and Unit Registry</b>	J.P. Morgan provides administration services for the Fund and the Underlying Fund.  Mainstream Fund Services Pty Ltd ( <b>Mainstream Fund Services</b> ) provides unit registry services for the Fund and the Underlying Fund.	Section 3
<b>Fund performance</b>	Please see <a href="http://www.gsfm.com.au">www.gsfm.com.au</a> for information about the Fund's performance, including performance history. <b>Due to the historical nature of performance information and the volatility of returns, past returns are not a reliable indicator of future returns.</b>	
<b>Cooling off and complaints</b>	Cooling off rights do not apply to Units traded on the ASX under the AQUA Rules.  We have complaints handling procedures in place.	Section 10
<b>Transaction confirmations</b>	Investors buying or selling Units in the Fund on the ASX will receive transaction confirmations from their stockbroker or trading platform.	
<b>Changes to Fund detail</b>	We have the right to close or terminate the Fund and change the Fund's investment return objective, investment strategy, benchmark, asset classes and asset allocation ranges and limits, without prior notice in some cases.  We will inform investors of any material change to the Fund's details in their next regular communication or as otherwise required by law, which in some circumstances, may require prior notice to investors or the issue of a supplementary PDS or new PDS. Information in this PDS that is not materially adverse to investors may be updated by us and will be available on our website, <a href="http://www.gsfm.com.au">www.gsfm.com.au</a> . A paper copy of any updates will be provided free of charge on request.	
<b>Continuous disclosure</b>	The Fund has certain regular reporting and continuous disclosure obligations pursuant to the Corporations Act. All continuous disclosure notices are available at <a href="http://www.gsfm.com.au">www.gsfm.com.au</a> .	Section 10

## KEY FEATURES

Munro Global Growth Fund (Hedge Fund)		Where to find more information
<b>Product features</b>		
<b>Management Fee</b> <sup>1,2</sup>	1.35% p.a. of the Net Asset Value of the Units of the Fund.	Further information on the Management Fee is provided in Section 6.
<b>Performance Fee</b> <sup>1,2</sup>	<p>A Performance Fee of 10.00% of the increase in the Net Asset Value during each Performance Fee Period (the six months to 30 June and 31 December each year), subject to exceeding a High Watermark and Hurdle Rate, calculated daily and paid half yearly.</p> <p>The Hurdle Rate is the 10 year Australian Government Bond Yield plus 3.5% per annum.</p> <p>The Responsible Entity and Investment Manager will waive any performance fee that is attributable to profits from market making activities.</p>	Further information on the Performance Fee is provided in Section 6.
<b>Distribution</b>	<p>Generally, annually. However, there may be periods when no distributions are made.</p> <p>Information in relation to distributions will be disclosed to the ASX via the ASX Market Announcements Platform.</p> <p>GRES may establish a Distribution Reinvestment Policy (<b>DRP</b>). You can find more information about the DRP in Section 7.</p>	Section 7
<b>Website</b>	<p>The following information can be obtained from our website at <a href="http://www.gsfm.com.au">www.gsfm.com.au</a></p> <ul style="list-style-type: none"> <li>• the Fund's monthly NAV;</li> <li>• the Fund's daily NAV per Unit;</li> <li>• the Fund's iNAV;</li> <li>• the underlying investments held by the Fund;</li> <li>• copies of announcements made to the ASX via the ASX Market Announcements Platform (including continuous disclosure notices and distribution information);</li> <li>• copies of the latest PDS; and</li> <li>• copies of Annual Reports and financial statements.</li> </ul>	
<b>Reporting</b>		
<b>Monthly and Quarterly Fund Updates</b>	Monthly and Quarterly Fund Updates are available on the website <a href="http://www.gsfm.com.au">www.gsfm.com.au</a>	Section 1
<b>CHESS Holding Statements</b>	When investors purchase Units on the ASX they will receive a holding statement from the unit registrar which sets out the number of Units they hold. The holding statement will specify the "Holder Identification Number" allocated by CHESS or "Security Holder Reference Number".	Section 1
<b>Unit pricing</b>	<p>The Fund's NAV and NAV per Unit will be calculated each Business Day and posted on the website <a href="http://www.gsfm.com.au">www.gsfm.com.au</a>.</p> <p>Unit prices for the Underlying Fund are calculated each Business Day and posted on the website <a href="http://www.gsfm.com.au">www.gsfm.com.au</a>.</p>	Section 7
<b>Annual fund reporting</b>	<p>Annual financial report for the Fund*</p> <p>Annual Investment Statement</p>	Section 1
<b>Annual tax reporting</b>	Attribution Managed Investment Trust ( <b>AMIT</b> ) Member Annual Statement ( <b>AMMA Statement</b> )	Section 8

\* Available at [www.gsfm.com.au](http://www.gsfm.com.au). A paper copy will be provided free of charge on request.

1. Please refer to Section 6 'Fees and other costs' of this PDS for complete details on fees and charges and how they are calculated.

2. All fees are inclusive of GST, less any applicable input tax credits and reduced input tax credits.

## AQUA Rules

An application has been made to the ASX for the Units in the Fund to be quoted for trading on the AQUA market of the ASX under the AQUA Rules. The AQUA Rules form part of ASX Operating Rules. The Fund will not be listed on the ASX under the ASX Listing Rules.

The AQUA Rules have been designed to offer greater flexibility and are specifically designed for managed funds, ETFs and structured products.

In operational terms, the market for products quoted under the AQUA Rules operates in the same way that it does for listed equities, with continuous matching of bids and offers and an opening and closing auction.

As most investors are more familiar with the ASX Listing Rules, it is important to note the main differences between the AQUA Rules and the ASX Listing Rules which are set out below:

ASX Listing Rules	ASX AQUA Rules
<b>Control</b>	
<p>An issuer:</p> <ul style="list-style-type: none"> <li>controls the value of its own securities and the business it runs,</li> <li>the value of those securities is directly influenced by the equity issuer's performance and conduct.</li> </ul> <p>E.g. the management and board generally control the fate of the business and, therefore, have direct influence over the share price.</p>	<p>An issuer:</p> <ul style="list-style-type: none"> <li>does not control the value of the assets underlying its products, but</li> <li>offers products that give investors exposure to the underlying assets – such as shares, indices, currencies or commodities.</li> </ul> <p>The value (price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself.</p> <p>E.g. a managed fund issuer does not control the value of the shares it invests in.</p>
<b>Continuous Disclosure</b>	
<p>Products under the ASX Listing Rules are subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.</p>	<p>Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act but must disclose information about:</p> <ul style="list-style-type: none"> <li>the net tangible assets (NTA) or the NAV of the funds;</li> <li>dividends, distributions and other disbursements;</li> <li>net monthly redemptions; and</li> </ul> <p>any other information that is required to be disclosed to ASIC under section 675 of the Corporations Act must be disclosed to ASX via the ASX Company Announcement Platform at the same time it is disclosed to ASIC.</p> <p>The AQUA Rules require an issuer of a product quoted under the AQUA Rules to provide the ASX with information the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products.</p>
<b>Periodic Disclosure</b>	
<p>Issuers must disclose their half yearly and annual financial information or their annual report to the ASX under Chapter 4 of the ASX Listing Rules.</p>	<p>Issuers of products quoted under the AQUA Rules are not required to disclose half yearly and annual financial information or annual report to the ASX. However, the Responsible Entity is required to lodge with ASIC and disclose to the ASX the Fund's financial reports (as required under Chapter 2M of the Corporations Act).</p>

ASX Listing Rules	ASX AQUA Rules
<b>Corporate Control</b>	
<p>Requirements in the Corporations Act and the ASX Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issuers, restricted securities, disclosure of directors’ interests and substantial shareholdings apply to companies and schemes.</p>	<p>Certain requirements in the Corporations Act and the ASX Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors’ interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules.</p> <p>An issuer of products quoted under the AQUA Rules are subject to a general requirement to provide the ASX with any information concerning itself that may lead to the establishment of a false market or materially affect the price of its products.</p> <p>Section 601FM of the Corporations Act continues to apply in relation to the removal of a responsible entity of a registered managed investment scheme by an extraordinary resolution of members.</p>
<b>Related Party Transactions</b>	
<p>Chapter 10 of the ASX Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.</p>	<p>Chapter 10 of the ASX Listing Rules does not apply to AQUA products.</p> <p>However, because the Fund is a registered managed investment scheme, we are still required to comply with the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act relating to related party transactions.</p>
<b>Auditor Rotation</b>	
<p>There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the Corporations Act.</p>	<p>Issuers of products under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the Corporations Act.</p> <p>A responsible entity of a registered managed investment scheme will continue to be required to undertake an independent audit of its compliance with its scheme’s compliance plan in accordance with section 601HG of the Corporations Act.</p>
<b>Disclosure</b>	
<p>Entities admitted under the ASX Listing Rules are subject to the requirements of the Corporations Act in relation to the issue of a PDS.</p>	<p>Products quoted under the AQUA Rules will also be subject to these requirements of the Corporations Act.</p>

# 1. DISCLOSURE BENCHMARKS



As the Fund will be a fund of hedge funds via its investment in the Underlying Fund, the benchmarks and disclosure principles in this PDS will be taken to apply to the Underlying Fund on a 'look-through' basis.

This PDS addresses the following benchmarks:

## Benchmark 1: Valuation of assets

The Fund, via its investment in the Underlying Fund, will predominantly invest in exchange traded assets, and as such, the valuation of the Underlying Fund's assets will typically be the listed market price of the asset. This means that exchange traded pricing sources may be utilised for valuation purposes in all but very limited circumstances.

This benchmark addresses whether valuations of the Underlying Fund's non-exchange traded assets are provided by an independent administrator or an independent valuation service provider.

### Non-exchange traded assets

GRES implements a policy of, and adheres to, the benchmark by having independent valuation service providers for the Underlying Fund's non-exchange traded instruments such as OTC derivatives, cash and cash instruments. These are valued using market data sourced from independent third party valuation providers.

J.P. Morgan, the Fund's and the Underlying Fund's administrator, has various pricing and valuation policies and procedures which are reviewed by GRES periodically. These are consistent with industry standards and result in valuation and unit price calculations being independently verifiable.

In accordance with its documented procedures and policies, J.P. Morgan determines the valuation for each asset each day. The non-exchange traded investments of the Underlying Fund will be valued using market data sourced electronically from independent third party vendors unless J.P. Morgan is able to obtain an appropriate valuation from an independently verifiable source, in accordance with industry standards.

### Exchange traded assets

J.P. Morgan values the exchange traded securities at their market value; which are the prices provided by the relevant market exchange on which the Underlying Fund's assets are bought and sold.

J.P. Morgan uses the valuations described above for non-exchange traded assets and exchange traded assets when it calculates the total market value of the Underlying Fund's assets and the Underlying Fund's unit prices each day. Where instruments are quoted in foreign currencies, the price will be converted to Australian dollars using the exchange rate as at the close of business in London. All unit prices are reviewed for reasonableness by GRES.

## Benchmark 2: Periodic reporting

This benchmark addresses whether we will provide periodic disclosure of certain key information on an annual or monthly basis.

GRES adheres to this benchmark as it has and implements a policy to provide investors with regular reporting on key Fund and Underlying Fund information which can be accessed at [www.gsfm.com.au](http://www.gsfm.com.au).

This includes:

- Net Asset Value (**NAV**) per Unit for each Business Day posted on the Fund's and Underlying Fund's Unit Prices page;
- Total NAV at the end of each month posted on the Fund's and Underlying Fund's product page;
- Distribution details posted annually on the Fund's and Underlying Fund's Distributions page; and
- Monthly net (after fees) returns for the Fund and the Underlying Fund can be found on the Fund's and Underlying Fund's Performance page respectively.



## Monthly Updates

The Monthly Updates for the Fund and the Underlying Fund provide an overview of the Fund's and the Underlying Fund's performance and the investment activities of the Fund and the Underlying Fund over the previous month and are available at [www.gsfm.com.au](http://www.gsfm.com.au) or can be obtained free of charge by contacting us.

The Monthly Update for the Fund and the Underlying Fund provides:

- Current total NAV and NAV per Unit of the Fund and the Underlying Fund and the redemption value of a Unit in the Fund and the Underlying Fund as at the date the NAV was calculated;
- Current funds under management;
- Changes to key service providers (if any) including any change in their related party status;
- Net return on the Fund's assets (after fees, costs and taxes);
- Material changes to the Fund and/or the Underlying Fund's investment strategy (if any);
- Material changes to the Fund and/or the Underlying Fund's risk profile (if any); and
- Changes to the individuals playing a key role in the investment decisions for the Fund and/or the Underlying Fund (if any).

In addition, the Fund will provide the monthly Portfolio Disclosure within 60 days of each month and monthly redemptions and Net Units on Issue.

## Annual reporting

The following information is provided on an annual basis as soon as is practicable after the relevant period:

- The actual allocation to each asset type in the Fund and the Underlying Fund;
- Monthly or annual investment returns since inception for the Fund and the Underlying Fund;
- Liquidity profile of the Fund's and the Underlying Fund's assets;
- Maturity profile of the Fund's and the Underlying Fund's liabilities (if applicable);
- The Fund's and the Underlying Fund's leverage ratio;
- The derivative counterparties engaged by the Underlying Fund; and
- Changes to key service providers of the Fund and the Underlying Fund during the year. We may provide this information more frequently where it is considered a material change to the Fund and the Underlying Fund.

We will provide this information in the June Quarterly Update, which will be available on our website at [www.gsfm.com.au](http://www.gsfm.com.au) or can be obtained free of charge by contacting us.

## 2. ABOUT GSFM RESPONSIBLE ENTITY SERVICES AND MUNRO PARTNERS



### The Responsible Entity

GSFM Responsible Entity Services Limited (**GRES**) is the Responsible Entity for the Fund and the Underlying Fund. As Responsible Entity, GRES issues units in the Fund and is responsible for its operation.

### Investment Manager

The Responsible Entity has appointed Munro to act as Investment Manager for the Underlying Fund pursuant to an investment management agreement (**Investment Management Agreement**). The Responsible Entity and Munro have also entered into a services agreement under which Munro will provide certain services to the Fund (**Services Agreement**). The partners of Munro have been appointed as an authorised representative of Munro Asset Management.

Munro is a global equity manager whose core focus is on growth equities. Munro provides investors with a global investment manager with the ability to identify the sustainable growth trends that are under appreciated and mispriced by the market, and the resulting winning and losing stocks.

Munro seeks to invest clients' money as it would invest its own. Munro focuses on generating absolute returns and seeks to generate meaningful, risk adjusted, absolute returns over the medium to long term, while maintaining a capital preservation mindset.

The Investment Management Agreement and the Services Agreement do not contain any unusual or materially onerous terms.

For more information on the Investment Management Agreement and Services Agreement please refer to 'Material contracts' in Section 9 of the PDS.

### The investment team

The investment team for the Fund and the Underlying Fund is led by Nick Griffin, who has 22 years' investment market experience, including managing global long/short equity mandates out of Melbourne and Edinburgh for over 14 years. Nick was Head of International Strategy at his previous employ until 2016, when he formed Munro Partners. Nick holds a Bachelor of Commerce (Hons) degree from the University of Melbourne and a Graduate Diploma in Applied Finance and Investment.

The Munro investment team includes portfolio managers Jeremy Gibson, James Tsinidis and Kieran Moore. Jeremy Gibson has 17 years' experience in financial services, of which 11 years were in the UK investing in global equities. Jeremy holds a Bachelor of Business and the Chartered Financial Analyst® designation. James Tsinidis has 15 years' experience in financial services, with 7 years' experience in global long/short equity mandates. James holds a Bachelor of Commerce. Kieran Moore has 6 years' experience in financial services, all in global long/short equity mandates and holds a Bachelor of Commerce and the Chartered Financial Analyst® designation. Kieran and James have worked with Nick previously.

The investment team is supported by co-founders, Ronald Calvert and Jonathan Spensley. Ronald has over 15 years' experience in financial services and funds management, holds a Bachelor of Commerce from the University of Melbourne and is a Member of the Institute of Chartered Accountants. Jonathan has over 20 years' experience in financial services and funds management, holds a Bachelor of Commerce from Deakin University and a Graduate Diploma in Applied Finance and Investment.

Nick Griffin is responsible for implementation of the strategy of the Fund and the Underlying Fund on a day to day basis. Nick primarily spends his time on investment activities applicable to the Munro Global Growth investment strategy. Nick is supported by the investment team, each of whom dedicates the time necessary for the implementation of the Fund's investment strategy, along with the other funds managed by Munro.

At the date of this PDS there has been no adverse regulatory finding against the Investment Manager or individuals in the investment team.

More information on the Munro team can be located at <http://www.munropartners.com.au/>.



# 3. ABOUT THE MUNRO GLOBAL GROWTH FUND (HEDGE FUND)

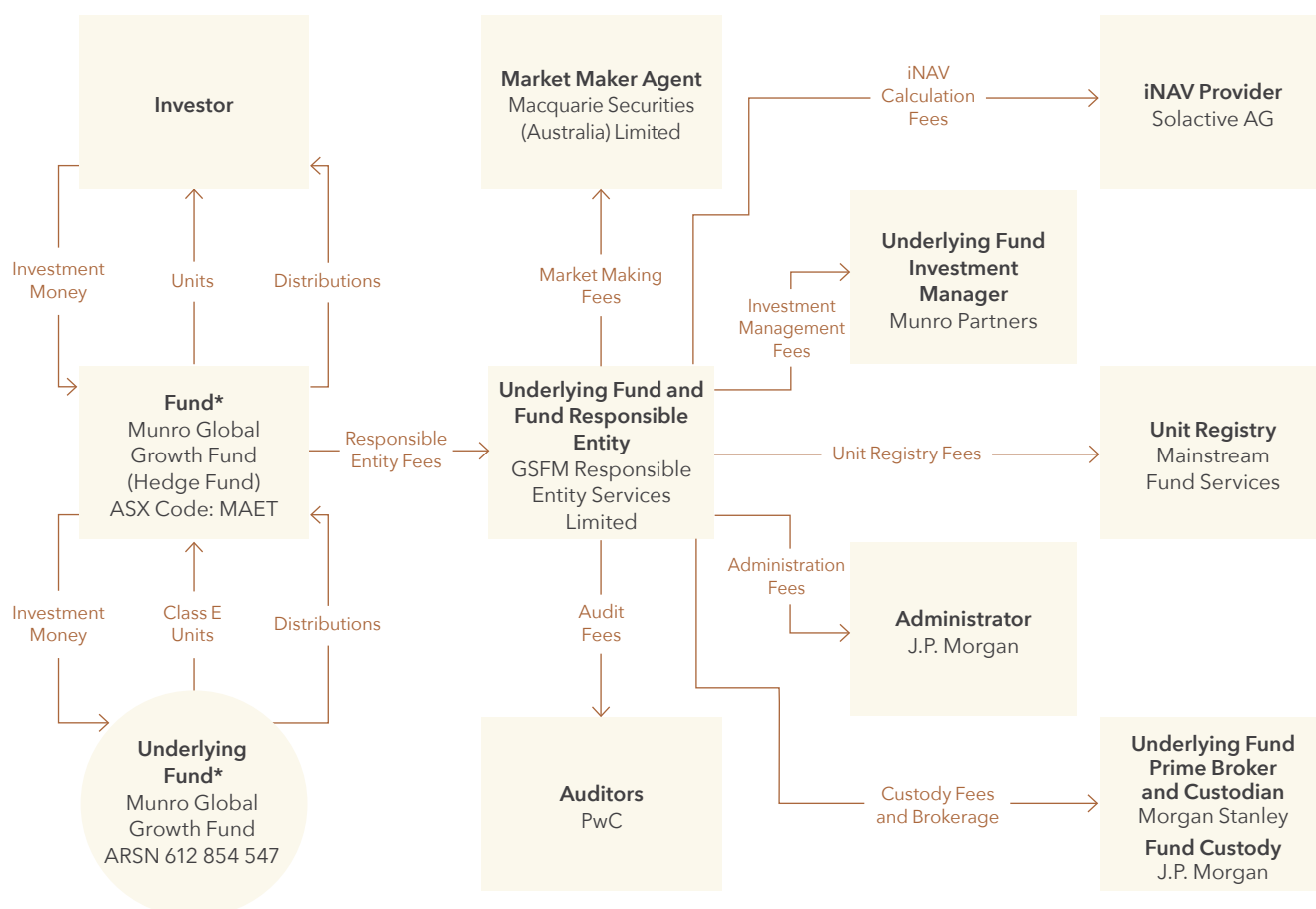
## Fund structure

The Fund is a registered managed investment scheme whose Units will trade on the AQUA market of the ASX. The Fund will primarily invest in Units of the Munro Global Growth Fund ARSN 612 854 547 (**Underlying Fund**), an unlisted registered managed investment scheme.

Investors in the Fund hold Units in the Fund, which represent their beneficial interest in the assets of the Fund, but do not give an interest in any particular asset of the Fund. We may at our discretion, issue additional Units in the Fund of the same class or of a different class to the Units already on issue.

## Investment structure

The following diagram shows the Fund's structure and the flow of investment money through the structure.



\* Fund Assets are held by the custodian

All the entities shown in the Fund structure diagram on the previous page, with the exception of Morgan Stanley & Co International plc, are domiciled in Australia and subject to the jurisdiction of ASIC and Australian law. Morgan Stanley is domiciled in the UK and is regulated by the UK Financial Conduct Authority.

With the exception of the Investment Manager, there are no related party relationships between the Responsible Entity and its key service providers. For further information please refer to 'Related party transaction and conflicts of interest' in Section 10.

For further information on the service providers of the Fund please refer to 'Service providers' later in this section.

## Investment objective

The objective of the Fund is to provide investors with meaningful, risk adjusted, absolute returns through exposure to global growth equities over the medium to long term, while maintaining a capital preservation mindset.

The Fund seeks to achieve its investment objective by investing primarily in Units in the Underlying Fund.

## Investment philosophy

Munro is an active manager focused on delivering absolute returns. Munro's investment philosophy focuses on identifying and investing in companies that have the potential to grow at a faster rate and more sustainable basis than the overall market. This philosophy is based on three overriding principles:

1. **Earnings growth drives stock prices:** companies that can consistently earn more than the year before are generally rewarded with higher stock prices over time;
2. **Sustained earnings growth is worth more than cyclical earnings growth:** companies with consistent growth, independent of cyclical factors and above that of competitors, will generally be valued at higher multiples; and
3. **The market will often misprice growth and its sustainability:** while consensus earnings estimates often underestimate growth, the pegging of valuations to market multiples often underestimates the sustainability and cash flow generation capacity of that growth, allowing opportunities to invest in stocks well below their intrinsic value.

## Investment strategy and how the Fund is managed

### Investment strategy

The Fund will implement a concentrated, absolute return international equities strategy with a core focus on growth. Munro's research process and active portfolio management is overlaid with risk management and an overarching focus on capital preservation as part of the overall strategy execution.

To gain exposure to the international equity markets and implement its investment strategy, the Fund has determined to invest primarily in Units in the Underlying Fund as the Underlying Fund invests in a portfolio of listed global equities with the aim of generating meaningful, risk adjusted, absolute returns to investors over the medium to long term while maintaining a capital preservation mindset. The Fund acts as a feeder fund to the Underlying Fund. A due diligence process was not required to be undertaken by the Fund when selecting the Underlying Fund as it has the same Responsible Entity and Investment Manager, and is a means by which the Responsible Entity and Investment Manager will provide investors on the AQUA market with an indirect exposure to the assets of the Underlying Fund.

The number of equity holdings the Underlying Fund will hold will typically range between 30 and 50 holdings, including both long and short positions. The Underlying Fund will generally invest in:

- listed global equities;
- cash equivalent instruments;
- exchange traded derivatives; and
- over the counter equity swaps.

There are no regional, market capitalisation or sector constraints and no allocation limits in respect of the location, class or currency of assets of the Underlying Fund. An immaterial portion of the Underlying Fund's assets may be invested in IPO Securities. The Underlying Fund may make other investments as permitted by the Underlying Fund's Constitution.

Munro has a strong focus on capital protection. The Underlying Fund's flexible investment mandate allows Munro to hold more cash in the Underlying Fund when warranted, such as when no suitable investments can be found or short term market risks are high, and dynamically manage its market and currency exposure with the aim of protecting investors' capital and to enhance the potential for positive long term absolute returns.

### 3. ABOUT THE MUNRO GLOBAL GROWTH FUND (HEDGE FUND)

To identify companies with the ability to grow at a faster rate and a more sustainable basis than the overall market, Munro relies on its research function, which sits at the core of the investment process. Munro strongly believes that investing is a process of continuously meeting and partnering with the management teams of the companies it invests in and their customers. At every step, Munro relies on regular management contact and investor meetings to help its managers formulate and identify the best inputs into the investment process.

Munro's investment strategy can be summarised as follows:

#### MUNRO IS FOCUSED ON GROWTH

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Of the over 20,000 listed companies in the world, many profess to be growing, but only a small portion actually grow independently of the broader economic cycle. This is where the Munro investment process focuses. Identifying sustainable growth trends that are under appreciated and mispriced by the market, and the resulting winning and losing stocks.

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#### MUNRO GOES THE EXTRA MILE

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Munro's comprehensive and disciplined investment process seeks earnings upside/downside, valuation multiple upside/downside and catalysts. This process eliminates those areas where the investment trends are well understood and appreciated by the market, while isolating ideas where the market has mispriced the growth and its sustainability.

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#### MUNRO IS A STOCK PICKER

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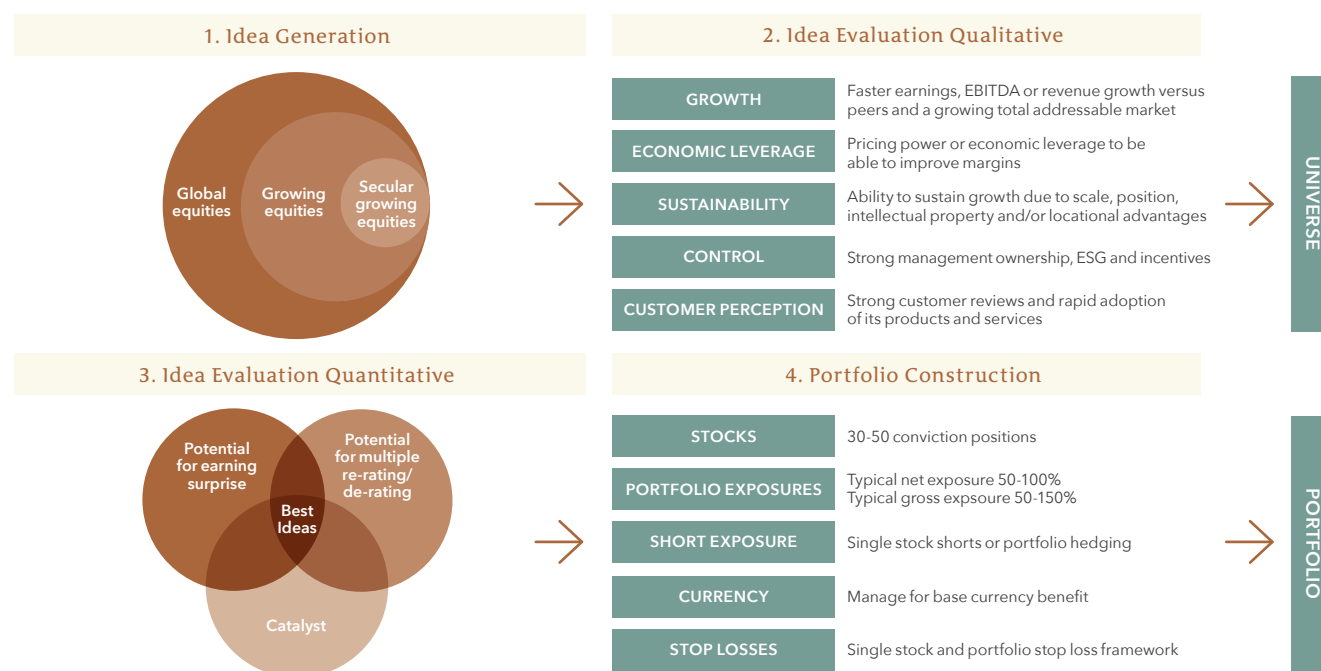
The investment process generates a high hit rate of performing ideas and allows them to be appropriately sized and monetised over long time periods. Munro's concentration on stock and sector bets is important, while risk management, portfolio construction and rigorously eliminating underperforming positions are crucial to generating strong absolute returns and outperformance over multiple cycles.

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The Fund has an investment horizon of three to five years and may be suitable for investors seeking capital growth via exposure to global shares and who are prepared to accept the risks of the Fund set out in Section 5.

## Investment process

Munro’s proprietary 4 step process generates a focused investment universe and filters these structural growth ideas into a concentrated portfolio of investments. This is achieved by leveraging top-down thematic views (‘Areas of Interest’ or ‘Aoi’) and Munro’s bottom-up stock library to generate high conviction investment ideas.



The diagram above is shown for informational purposes only, and is not indicative of future portfolio characteristics.

## Step 1.

### IDEA GENERATION

Ideas are generated from a combination of top-down thematic and bottom-up views. The investment management team identifies medium-to-long-term structural themes and the resulting investment trends, and distinguishes between trends that are well understood and priced-in by the market, and those that are under appreciated and overlooked. The goal of this first step is to identify potential investments that may qualify for Munro's focused universe of secular growing equities.

## Step 2.

### IDEA EVALUATION QUALITATIVE

Once identified, key investment ideas must pass through five qualitative tests to be included in the universe of secular growing equities.

Munro looks for the following five key company characteristics to gauge whether a listed company is likely to benefit or lose from a particular growth trend and whether that will be sustained over an extended period of time:

- **Growth:** included companies should exhibit faster earnings, EBITDA or revenue growth versus peers and a growing total addressable market;
- **Economic leverage:** included companies should exhibit pricing power or economic leverage to be able to improve margins;
- **Sustainability:** included companies should exhibit an ability to sustain their growth due to scale, position, intellectual property and/or locational advantages;
- **Management control:** included companies should exhibit strong management ownership and incentives; and
- **Customer perception:** included companies should exhibit strong customer reviews and rapid adoption of its products and/or services.

Once investment ideas have been included in Munro's focused investment universe, they are then subjected to the three quantitative tests below before being considered for inclusion in the portfolio.

## Step 3.

### IDEA EVALUATION QUANTITATIVE

- **Earnings Upside/Downside:** build in-house valuation model with bull and bear case scenarios to assess Munro's earnings assumptions versus consensus assumptions;

- **Multiple Upside/Downside:** evaluate a corporate characteristics score to determine the appropriate earnings multiple and subsequent price target; and
- **Catalysts:** map the catalyst calendar for the timing and magnitude of potential earnings and multiple re-ratings.

Having been evaluated via the quantitative tests, key investment ideas must satisfy the following prescribed hurdles before inclusion in the portfolio:

- **Long Positions:** must rate highly in at least two of the three quantitative factors, with the potential for the investment to double in value within three to five years of the initial investment.
- **Short Positions:** must rate negatively in all three quantitative factors, with the potential for the investment to fall 10-20% in value within six months of the initial investment.

## Step 4.

### PORTFOLIO CONSTRUCTION

The qualitative and quantitative tests are then combined to build a collection of high conviction, index, region and sector unaware investments. These are then collated into a portfolio for the Underlying Fund while observing the following guidelines:

- **Exposure management:** driven by bottom-up idea generation. Typical gross exposure ranges between 50-150% and typical net exposure between 50-100%. Exchange traded option positions frequently used to protect downside;
- **Portfolio concentration:** typically, the concentrated portfolio will range between 30-50 investments including both long and short positions;
- **Position sizing:** an average Long Position of 3% of the Fund's Net Asset Value and an average Short Position of 1.5% of NAV;
- **Short philosophy:** Short Positions approach are typically represented on a single stock basis targeting poorly positioned or overvalued companies, or as a portfolio hedging tool. Short Positions are subject to a more prudent risk-taking approach that incorporates smaller position sizing and more frequent profit-taking; and
- **Aggregate portfolio risk:** established, 'off the shelf' portfolio management software is used for real-time reporting and pre/post trade compliance. The investment team actively measures portfolio correlations, sector risks, style exposure and aggregate valuation metrics which is formally reviewed weekly. In addition, the portfolio is managed within clear risk parameters and formal internal reviews of positions and exposures are undertaken at predetermined drawdowns.



## Key assumptions underpinning the investment strategy

The following assumptions underpin the investment strategy's ability to produce investment returns:

The investment strategy is designed to produce absolute investment returns that are based on the Investment Manager's investment selection skills in establishing long positions in companies with unrecognised potential and short positions in poorly positioned or overvalued companies. The Underlying Fund and subsequently the Fund will tend to post positive returns relative to its benchmark when the long positions increase in value and the short positions decrease in value. Conversely, the Underlying Fund and therefore the Fund will tend to post negative returns relative to its benchmark when the short positions increase in value and the long positions decrease in value. Investors should evaluate the skills, expertise and experience of the Investment Manager accordingly.

In addition, not particular to the Fund, the Fund's returns will be influenced by market conditions and specific market risks.

The risks associated with this investment strategy, the Fund's structure and investing in the Fund and how these risks are managed are discussed later in this section in 'Risk management and monitoring' and in 'Risks of investing in the Munro Global Growth Fund (Hedge Fund)' in Section 5.

You should ensure that you understand the investment terms used in this section before you invest in the Fund. Please refer to 'Important investment terms explained' at the back of this PDS.

## Changes to investment strategy

We reserve the right to change the Fund's investment return objective, investment strategy, benchmark, asset classes and asset allocation ranges and limits, without prior notice in some instances. We will inform you of any material change to the Fund's details in the next regular Fund communication or as otherwise required by law. Notices of material changes will also be available on our website [www.gsfm.com.au](http://www.gsfm.com.au).

## The types of assets in which the Fund may invest

The Fund will primarily invest in Units of the Underlying Fund, an Australian domiciled unlisted registered managed investment scheme.

The Fund via its investment in the Underlying Fund will generally invest in listed global equities, cash equivalent instruments, and OTC and exchange traded derivatives. There are no allocation limits in respect of the location, class or currency of assets and a small portion of the Underlying Fund's assets may be invested in IPO Securities.

Asset types by asset class	Allocation range	
	Min	Max
<b>Listed global equities</b> (including Exchange Traded Funds (ETFs))	0	100%
<b>Exchange traded derivatives</b> (including equity options, futures and foreign currency futures and swaps)	0	100%
<b>Over-the-counter (OTC) derivatives*</b> (including swaps, equity basket swaps, contracts for difference on listed equities and foreign currency positions)	0	100%
<b>Cash</b> (including cash at bank, term deposits, money market instruments, bank bills of exchange, certificates of deposit, asset backed promissory notes and other cash-like instruments)	0	100%

\* *Derivatives allocation range is the notional value of derivatives. The aggregate exposure to all OTC derivative counterparties will not exceed 10% of the NAV of the Underlying Fund.*

## Currency management

The Fund is denominated in Australian dollars. The assets of the Underlying Fund will be denominated in a variety of foreign currencies, and the exchange rates of those currencies compared to each other and the Australian dollar may change over time. Any changes to exchange rates will therefore affect the Fund when its assets are valued in Australian dollars. For example, a change in the value of the Australian dollar relative to other currencies may negatively impact the value of an investment in the Underlying Fund. Munro will seek to manage the Underlying Fund's currency exposure through a combination of cash or spot foreign exchange trades and foreign currency derivatives.

## Borrowing

While the use of borrowing is allowed under the Constitution and the Underlying Fund's Constitution, borrowing will not be used by the Fund or the Underlying Fund.

Munro may execute its short selling investment strategy for the Underlying Fund by borrowing a security(ies) from another party with the belief that the security(ies) will diminish in monetary value and be subsequently repurchased in the market to repay the lender at a profit.

## Use of derivatives

Derivatives are instruments whose value is derived from the value of an underlying asset and include futures, options and swaps.

As the Fund will predominantly invest in the Underlying Fund, it will implement the same investment policy as the Underlying Fund in relation to approved derivatives and limits on derivatives across its portfolio.

Investments in derivatives will be utilised by the Underlying Fund where Munro has identified appropriate opportunities that will either maximise returns (i.e. for investment purposes) or mitigate negative returns identified (i.e. for hedging purposes).

The Underlying Fund may enter OTC positions with International Swaps and Derivatives Association Inc. (ISDA) counterparties. Typically, OTC transactions are swaps, equity basket swaps, or contracts for difference on listed equities and foreign currency positions. Generally, the Prime Broker is the only derivative counterparty used by the Underlying Fund.

However, the Investment Manager may choose to enter into derivative transactions with other counterparties where it is appropriate. Where another derivative counterparty is proposed to be used by the Investment Manager, GRES will ensure that before entering into the OTC position, the counterparty meets the requirements of the AQUA Rules. GRES will monitor and manage the counterparty risk associated with these transactions.

The aggregate exposure of the Underlying Fund (and thereby the Fund) to all OTC derivative counterparties, including assets held by the Underlying Fund as collateral under an OTC derivative, is managed so that it does not exceed a maximum of 10% of the Net Asset Value of the Underlying Fund (and thereby the Fund). The assets that the Underlying Fund will hold as collateral under an OTC derivative are cash, negotiable certificates of deposit (NCDs) or equities.

In respect of OTC derivatives, the Responsible Entity must disclose on a monthly basis:

- the aggregate exposure of the Underlying Fund/Fund to all OTC derivative counterparties as a percentage of the NAV of the Underlying Fund/Fund;
- the value of the assets held by the Underlying Fund/Fund (excluding the value of the OTC derivatives but including any collateral obtained under the OTC derivatives) as a percentage of the NAV of the Underlying Fund/Fund; and
- the swap costs it has incurred or will incur in relation to the OTC derivatives in the Underlying Fund/Fund and a breakdown of the collateral under an OTC derivative held by the Underlying Fund/Fund by security type, country, sector, currency and credit-rating.

This information relating to OTC derivatives will be available on the Responsible Entity's website at [www.gsfm.com.au](http://www.gsfm.com.au) within 5 business days after the end of each month.

Where the NAV of the Underlying Fund/Fund has been reduced to reflect a discount of the value of an OTC derivative, the Responsible Entity will disclose on its website how such discounting has affected the relevant percentages relating to the aggregate exposure of the Underlying Fund/Fund to all OTC derivative counterparties or value of the assets held by the Underlying Fund (as applicable).

The Responsible Entity will also disclose on its website at [www.gsfm.com.au](http://www.gsfm.com.au) the swap costs it has incurred or will incur in relation to the OTC derivatives of the Underlying Fund and a breakdown of the collateral held by the Underlying Fund by security type, country, sector, currency and credit-rating as soon as this information becomes available but in any event no later than within 5 business days after the end of each month.

The Underlying Fund will also occasionally use exchange traded derivatives contracts. Derivatives exchanges create a visible and transparent marketplace for buying and selling exchange traded derivatives. The exchange traded contracts used by the Underlying Fund are standardised and subject to the rules and regulations of the exchange and regulatory authorities in the relevant jurisdictions where the Underlying Fund buys assets. The types of exchange traded derivatives used are predominantly equity options, futures contracts and options, and foreign currency futures and swaps. These are used for hedging against losses on specific long positions, against the overall portfolio and/or managing foreign currency risk.

Where applicable, we will provide relevant information with respect to derivatives in the Monthly Updates for the Underlying Fund, which will be available at [www.gsfm.com.au](http://www.gsfm.com.au).

Morgan Stanley is the clearing member providing derivative clearing and settlement facilities for the Underlying Fund. Morgan Stanley is domiciled in the UK and is regulated by the UK Financial Conduct Authority.

Only clearing houses with international capability and strong global reputations will be appointed to clear the Underlying Fund's exchange traded futures and swaps and options transactions.

The Underlying Fund may only enter into and execute derivative trades with counterparties which maintain at a minimum an issuer credit rating of at least A- (S&P) or as otherwise approved by the Responsible Entity.

Please refer to 'Derivatives risk', 'Collateral risk' and 'Counterparty default risk' in Section 5 'Risks of investing in the Munro Global Growth Fund (Hedge Fund)' for more details on the risks associated with the use of derivatives by the Underlying Fund.

## Short selling

The Fund via its investment in the Underlying Fund engages in short selling by selling securities that the Underlying Fund does not currently own, but which it borrows from the Prime Broker and in respect of which it provides collateral to the Prime Broker. Short selling is undertaken as part of the investment strategy to benefit from falling securities prices, or as a portfolio hedging tool. Short Positions are subject to a more prudent risk-taking approach with smaller position sizing and more frequent profit-taking.

Where applicable, Munro will provide relevant information with respect to shorting in its Monthly Updates, which will be available at [www.gsfm.com.au](http://www.gsfm.com.au).

As the Fund will predominantly invest in the Underlying Fund, it will implement the same investment policy as the Underlying Fund in relation to short selling across its portfolio.

Please refer to 'Short selling risk', 'Collateral risk' and 'Counterparty default risk' in Section 5 'Risks of investing in the Munro Global Growth Fund (Hedge Fund)' for more details on the risks associated with short selling.

## Leverage

Leverage is defined as where a fund's exposure to the underlying assets is greater than the capital invested in those underlying assets. Leverage can be created through borrowing, or through the use of derivative instruments which can result in economic leverage such that the notional or effective exposure of a fund to these assets exceeds the net asset value of the fund.

Both the Fund and the Underlying Fund will not borrow to leverage. However, the Underlying Fund may be leveraged through the use of derivatives and short selling. Munro does not use leverage to increase the net invested position of the Underlying Fund greater than the Gross Exposure Limit. The maximum Gross Exposure Limit set for the Underlying Fund taking into account leverage is 200% of the Net Asset Value of the Underlying Fund.

For example, for every \$1 of the Underlying Fund's Net Asset Value, the gross invested position of the Underlying Fund is limited to \$2.

Compared with a fund that has no leverage and assuming a scenario where the Gross Exposure Limit has reached its maximum of 200% of Net Asset Value:

- A 10% increase in the return on assets of the Underlying Fund would result in a 20% increase in the Net Asset Value. For an investment of \$50,000 in the Underlying Fund this would mean the investment would increase by \$10,000 (being \$50,000 x 20%).
- Conversely, a 10% decrease in the return on asset of the Underlying Fund would result in a 20% decrease in the Net Asset Value. For an investment of \$50,000 in the Fund this would mean the investment would decrease by \$10,000 (being \$50,000 x 20%).

This example has been provided for reference purposes only. Any assumptions underlying these examples are hypothetical only.

Although the Underlying Fund has the capacity to increase exposure to 200% of the Net Asset Value of the Underlying Fund, typically the Underlying Fund will operate in the 50%-150% gross exposure range.

### 3. ABOUT THE MUNRO GLOBAL GROWTH FUND (HEDGE FUND)

Where applicable, we will provide relevant information with respect to leverage in the Monthly Updates.

As the Fund will predominantly invest in the Underlying Fund, it will implement the same investment policy as the Underlying Fund in respect of acceptable types of leverage and limits on leverage across its portfolio.

Please refer to 'Derivatives risk', 'Leverage risk' and 'Short selling risk' in Section 5 'Risks of investing in the Munro Global Growth Fund (Hedge Fund)' for more details on the risks associated with the use of derivatives, leverage and short selling.

When the Underlying Fund employs leverage through either derivative exposure or short selling the Prime Broker may require assets of the Underlying Fund such as equity and/or cash to be deposited as collateral. Please refer to 'Collateral risk' and 'Counterparty risk' in Section 5 'Risks of investing in the Munro Global Growth Fund (Hedge Fund)'.

## Risk management and monitoring

Risk management and capital preservation are integral parts of Munro's investment philosophy and portfolio management. In addition, the portfolio of the Underlying Fund and subsequently the Fund is managed within clear risk parameters and formal internal reviews of positions and exposures are undertaken at pre-determined drawdowns. Munro intends to invest the Underlying Fund's assets consistent with the following portfolio guidelines as part of its overall risk management process:

- Gross Exposure: Maximum 200%, Typically 50-150%;
- Short Exposure: Maximum 100%, Typically 0-50%
- Net Exposure: Maximum 100%, Typically 50-100%;
- Regional limits: None. In practice varying Areas of Interest create differing market exposures;
- Sector limits: None. In practice varying Areas of Interest create differing sector exposures;
- Long stock limit: 10% of NAV at cost;
- Short stock limit: 5% of NAV at cost; and
- Cash: If no suitable investments can be found or short term market risks are high the Investment Manager can raise the cash weightings of the Underlying Fund to 100%.

For further information on the risks of investing in the Fund please refer to 'Risks of investing in the Munro Global Growth Fund (Hedge Fund)' in Section 5.

## Labour, environmental, social and ethical considerations

The Responsible Entity does not itself take into account labour standards and environmental, social and ethical considerations for the purposes of selecting, retaining or realising investments.

The Responsible Entity has delegated investment decisions for the Fund to the Investment Manager.

Munro Partners, as Investment Manager, is a signatory to the United Nations supported Principles for Responsible Investment (PRI), the world's leading proponent of responsible investment. Munro recognises and is committed to considering Environmental, Social and Governance (ESG) factors, along with other key financial criteria and economic factors, in the course of its investment process and in the monitoring of portfolio investments when in its view these factors have a material impact on either investment risk or return. Munro considers this approach to be consistent with the framework provided by PRI for integrating all material factors, including ESG factors, into the investment decision making process as to whether it invests in, continues to hold, or sells any particular security. In cases where Munro's investment process identifies that minimum standards are not being met by a company it may look to engage with the company to improve ESG levels, avoid investment or divest. The investment process does not take into account labour standards and ethical considerations when selecting, retaining or realising investments for the Fund except to the extent that such issues might adversely impact the investment fundamentals of an investment under consideration.

Munro has an ESG Policy in place, which outlines how Munro integrates ESG factors into the investment process.

Munro's proprietary investment process includes a qualitative factor assessment that includes ESG considerations, which are assessed, measured, and quantified on an individual company basis. Companies that are focused on short term financial goals at the expense of long term sustainability, exhibit ineffective control governance and poor customer perception are generally excluded from our investment universe.

## Location and custody of assets

The assets of the Fund will be held in custody in Australia by J.P. Morgan. The Underlying Fund's assets are held in custody overseas by the independent custodian, Morgan Stanley or its appointed sub-custodians. The Underlying Fund's assets and their location are always separately identified in the books and records of the custodian.

As is standard practice for global investment dealings the custodian may appoint sub-custodians to hold assets for the Underlying Fund in their relevant jurisdiction. Assets held in their local jurisdiction may be registered in the name of the custodian or sub-custodian, due to the nature of the law or market practice in the relevant jurisdiction, if it is not feasible to do otherwise. These assets and any cash held by the custodian will not be segregated from the custodian's own assets and so may not be well protected. Please refer to 'Custody risk' in Section 5 'Risks of investing in the Munro Global Growth Fund (Hedge Fund)'.

The custody arrangements are based on enforceable written contracts that set out the obligations of the custodian (and its liability in the event of a breach), including but not limited to details of how instructions will be given, how records are to be kept and notification and reporting requirements.

Collateral for OTC derivatives positions may be held directly by the derivatives counterparty and may not be segregated from the derivative counterparty's own assets. As such, in the event of the derivative counterparty's insolvency, the Underlying Fund may not be able to recover its collateral in full. Please refer to 'Collateral risk' and 'Counterparty default risk' in Section 5 'Risks of investing in the Munro Global Growth Fund (Hedge Fund)'.

For further information on the Prime Broker and custodians please refer to 'Service providers' later in this section and Section 9 'Material contracts' of this PDS.

## Liquidity

The Fund through its investment in the Underlying Fund, will primarily invest in listed securities, exchange traded derivatives and over the counter derivatives. At the date of this PDS, we reasonably expect that at least 80% of the Fund's and the Underlying Fund's assets are capable of being realised at the value ascribed to those assets when calculating the Fund's most recent net asset value, within 10 days. Where applicable, we will provide relevant information with respect to liquidity in the Monthly Updates for both the Fund and the Underlying Fund.

Please refer to 'Liquidity risk' in Section 5 'Risks of investing in the Munro Global Growth Fund (Hedge Fund)'.

## Service providers

We have appointed a number of key service providers that are involved in the ongoing operation of the Fund and the Underlying Fund. Where applicable, we have appointed the same service providers for the Fund as used by the Underlying Fund and have relied on the due diligence previously undertaken in respect of these service providers.

GRES has a policy which sets out the procedures for selecting, monitoring and reviewing the performance of third party service providers. GRES conducts annual and other periodic reviews to ensure compliance with service level obligations.

The key service provider arrangements are summarised below:

### Investment Manager

We have appointed Munro as the investment manager of the Underlying Fund. The Responsible Entity and Munro have also entered into a Services Agreement under which Munro will provide certain services to the Fund. Please refer to 'The Investment Manager' in Section 2 'About GSFM Responsible Entity Services and Munro Partners' for more details on the investment manager.

Additionally, GRES has appointed Munro to complete the day-to-day processes required to deliver the Fund portfolio to the iNAV provider and to submit orders to the Market Making Agent for liquidity purposes.

### Custodian, Administrator and Unit Registry

We have appointed J.P. Morgan to provide custody and fund administration, portfolio accounting, portfolio compliance reporting, unit pricing, financial reporting, and taxation reporting services for the Fund.

We have appointed Mainstream Fund Services to provide unit registry services for the Fund.

Further, as described previously in 'Location and custody of assets', Morgan Stanley will provide custody services for all the Underlying Fund's investments. Morgan Stanley may appoint sub custodians from time to time. GRES may remove Morgan Stanley as custodian of the Underlying Fund and appoint other custodians in its place at any time without notice to investors.



### 3. ABOUT THE MUNRO GLOBAL GROWTH FUND (HEDGE FUND)

There are Service Level Agreements (**SLA**) in place with Morgan Stanley & Co International, J.P. Morgan and Mainstream Fund Services which clearly delineate the responsibilities of all parties.

We can terminate J.P. Morgan's appointment as custodian and/or administrator in the circumstances specified under the respective agreements governing these relationships.

We can terminate Mainstream Fund Services' appointment as unit registry in the circumstances specified under the agreement governing this relationship.

GRES can terminate Morgan Stanley's appointment as custodian and/or Prime Broker for the Underlying Fund in the circumstances specified under the respective agreements governing these relationships at any time without notice to investors.

GRES remains liable to Unit holders for acts and omissions of the custodians, administrator and unit registry. In addition, neither the custodians, administrator nor the unit registry have any supervisory obligation to ensure that GRES complies with its obligations as responsible entity of the Fund and the Underlying Fund and are not responsible for protecting the rights of Unit holders.

#### Prime Broker

GRES has appointed Morgan Stanley, a member of the Morgan Stanley Group of companies, to provide brokerage services to the Underlying Fund under the terms of the International Prime Brokerage Agreement (**Agreement**) entered into between the Responsible Entity on behalf of the Underlying Fund and the Prime Broker for itself and as agent for certain other members of the Morgan Stanley Group of companies (**Morgan Stanley Companies**).

The services provided by the Prime Broker may include the provision to the Underlying Fund of margin financing, clearing, settlement, and stock borrowing and foreign exchange facilities. The Underlying Fund may also utilise the Prime Broker, other Morgan Stanley Companies and other brokers and dealers for the purposes of executing transactions for the Underlying Fund.

The Prime Broker is authorised by the Prudential Regulatory Authority (**PRA**) and regulated by the FCA and the PRA.

For more information on Morgan Stanley and the International Prime Brokerage Agreement refer to Section 9 'Material contracts' of this PDS.

#### Brokers Clearing

We have appointed Morgan Stanley to provide options clearing and settlement facilities for the Underlying Fund. We may appoint other or additional clearers from time to time. For more information, please refer to 'Use of derivatives' in Section 3 of this PDS.

#### Derivative Counterparties

The Underlying Fund may only enter and execute derivative trades with counterparties, which maintain at a minimum an issuer credit rating of at least A- (S&P) or as otherwise approved by the Responsible Entity.

#### Market Making Agent

GRES has appointed Macquarie Securities (Australia) Limited (**Macquarie**) as its agent to execute its market making activities in order to provide liquidity for Units on the AQUA market of the ASX and to facilitate settlement. Macquarie will earn a fee as a result of these activities.

For more information, please refer to 'Market making agent costs' in Section 6 and 'Market maker and market making agent' in Section 7 of this PDS.

#### iNAV Provider

We have appointed Solactive AG, a Germany based provider of financial indices and other ETF services to provide the calculation of the indicative Net Asset Values (**iNAVs**) for the Fund.

#### Auditor and Tax Agent

We have appointed PricewaterhouseCoopers (**PwC**) as the independent auditor of the Fund and compliance plan as required by the Corporations Act.

GRES has appointed KPMG as external tax agent to perform tax related services in regard to the Fund's distributions, tax returns and taxation advice and other matters.

We will inform investors of any changes to the key service providers to the Fund during the year on an annual basis. We may provide this information more frequently where it is considered a material change to the Fund. The updated information will also be available on our website at [www.gsfm.com.au](http://www.gsfm.com.au).

# 4. BENEFITS OF INVESTING IN THE MUNRO GLOBAL GROWTH FUND (HEDGE FUND)



## What are ETPs?

Exchange traded products (**ETPs**) are quoted managed investment schemes that provide you with the opportunity to buy a diversified portfolio of assets in a single transaction. ETPs include certain managed funds, ETFs and structured products.

Active ETPs are actively managed ETPs that have an investment manager appointed to make decisions about the ETPs underlying portfolio allocation with a goal to outperform a target benchmark.

## What are the benefits of ETPs in general?

- **Diversification:** ETPs provide you with the ability to diversify your portfolio through holding a single security;
- **Liquidity and transparency:** as a traded security, the ETP enables you to enter and exit your investment on the ASX anytime during trading hours;
- **Taxation advantages:** an ETP will change in value as the underlying portfolio changes in value and may provide income for you through distributions and franking credits. The turnover of the underlying portfolio is low, reducing the level of capital gains incurred by you and tax paid. For full details on taxation, please see the section 'How managed investment schemes are taxed' Tax'; and
- **Lower cost:** since ETPs are typically able to achieve lower operating costs, the management fees are generally lower compared to other forms of retail managed funds. However, brokerage or adviser fees may still apply when buying or selling an ETP.

## What are the benefits specific to this Fund?

The Fund, via its investment in the Underlying Fund, will invest in a global portfolio of high conviction listed equities, with the aim of generating meaningful, risk adjusted absolute returns to investors over the medium to long term while maintaining a capital preservation mindset. The Underlying Fund will generally invest in listed, liquid global equities with no regional, market capitalisation or industry sector constraints. The number of equity holdings and options positions the Underlying Fund will hold will typically range between 30 and 50 holdings including both long and short positions. Short selling, leveraging and derivatives are all utilised where appropriate opportunities are identified that will either maximise returns (i.e. for investment purposes) or mitigate negative returns identified (i.e. for hedging purposes).

The benefits of investing in the Fund include:

- **Access to investment opportunities.** Munro, via its investment management team and investment process, has the ability to seek out and invest in some of the most innovative and fastest growing companies in the world today. The Fund provides pooled buying power allowing the Investment Manager to gain access to corporate investment opportunities and lower the overall cost of investing. These opportunities would be harder to find and harder to access by individual retail investors;
- **Access to an experienced investment management team.** Munro's Chief Investment Officer has a proven 14-year track record in running global investment mandates. Both the manager and the investment process have a strong track record of absolute returns and market outperformance over multiple market cycles; and
- **Risk management.** Munro only manages global equities funds. The flexible investment mandate allows the Underlying Fund to hold more cash when warranted, such as when no suitable investments can be found or short term market risks are high, and also allows Munro to dynamically hedge currency exposure. The Underlying Fund can actively manage risk, managing its market and currency exposure with the aim of protecting clients' capital and enhancing the potential long term returns of its investments.





## 5. RISKS OF INVESTING IN THE MUNRO GLOBAL GROWTH FUND (HEDGE FUND)

All investments carry risk. Different investment strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long term returns may also carry the highest level of short term risk.

Risk can be managed but it cannot be completely eliminated. While Munro's disciplined investment approach aims to provide investors with meaningful, risk adjusted, absolute returns over the medium to long term while maintaining a capital preservation mindset, it is important that you carefully consider the risks of investing in the Fund to understand that:

- the value of your investment will vary;
- the level of returns will vary and future returns may be different from past returns;
- returns are not guaranteed and you may lose some of your money; and
- laws affecting managed investment schemes may change.

The risk level of an investment in the Fund is high and there are potential fluctuations associated with an investment in the Fund. In particular, the value of your investment will be impacted by the performance of the underlying companies or investments in which the Fund via its investment in the Underlying Fund invests in addition to the performance of the share market generally, foreign exchange markets and the global economy generally, and the skills of the Investment Manager. The Investment Manager will attempt to manage and mitigate risks, however not all risk can be eliminated and some risks are outside the control of the Investment Manager. If risks eventuate, then it can have a negative impact on distributions and the value of your investment.

**WARNING:** The appropriate level of risk for you will depend on a range of factors including your investment goals, your age, your investment time frame, where other parts of your wealth are invested and your level of risk tolerance.

Investing in the Fund exposes investors to the following specific risks:

**Borrowing risk** - Borrowing of cash or securities within the Underlying Fund could magnify the impact of any movements in the prices of the underlying investments of the Fund and therefore the value of your investment. Consequently, these investments may produce more volatile gains or losses compared to investing in the same investments without making use of borrowings. While the use of borrowing of cash is allowed under the Constitution and the Underlying Fund's Constitution, the Fund and the Underlying Fund will not borrow cash. However, when implementing its short selling strategy, the Underlying Fund will borrow securities from the Prime Broker.

**Company specific risk** - The value of the investment in a company may vary because of change to management, changes to its financial or operating circumstances, actions of regulators or competitors or changes in the market environment the company operates in. These factors may cause a company's share price to perform differently to that of the broader market. The Fund may therefore underperform the market and/or its peers due to its company specific exposures. The Investment Manager aims to reduce these risks by conducting thorough analysis and research of the Underlying Fund's investments.

**Collateral risk** - The Underlying Fund enters into derivatives arrangements that require it to deliver collateral to the derivative counterparty or clearer. As such, the Fund may be exposed to certain risks in respect of that collateral including, the Underlying Fund:

- will be required to post initial margin/collateral to the derivative counterparty or clearer in the form of cash. The Underlying Fund will need to have sufficient liquid assets to satisfy this obligation;
- may from time to time, if the value of the derivative arrangements move against it, be required to post variation margin/collateral with the derivatives counterparty or clearer on an ongoing basis. The Underlying Fund will need to have sufficient liquid assets to satisfy such calls, and in the event it fails to do so, the counterparty may have a right to terminate such derivatives arrangements; and
- may be subject to the credit risk of the derivatives counterparty or clearer. In the event the counterparty or clearer becomes insolvent at a time it holds margin/collateral posted with it by the Underlying Fund, the Underlying Fund will be an unsecured creditor and will rank behind preferred creditors.

Provision of collateral may not always prevent investors from incurring losses

The Underlying Fund will also provide long securities to the Prime Broker as collateral for short positions borrowed. The maximum value of this collateral is 140% of the value of the short positions. As part of the Prime Broking Arrangement, the Prime Broker is able to use this collateral for its own purposes, including lending out as part of its own securities lending program. Neither GSFM nor Munro receive any fees for provision of this collateral.

**Concentration risk** – The Fund via its investment in the Underlying Fund will hold a concentrated portfolio of 30-50 securities (including both long and short positions) which may result in the Fund's returns being dependent on the returns of individual companies. This has the potential to increase the gains or losses and volatility of returns for investors. It may also result in the Fund's returns differing significantly from those of its benchmark.

**Counterparty default risk** – This is also sometimes referred to as 'credit risk'. It is the risk that entities upon which the Underlying Fund's investments depend may default on their obligations, for instance by failing to make a payment when due. Such parties can include the Prime Broker, custodians, brokers (including clearing brokers), foreign exchange counterparties, derivative counterparties and deposit taking banks. Default on the part of an issuer or counterparty could result in a financial loss to the Fund as a result of its investment in the Underlying Fund.

Risks from the Prime Broker arise because under the terms of the Prime Broker Agreement (**PBA**), assets of the Underlying Fund such as investments or cash may be transferred to the Prime Broker or its affiliates as margin to secure liabilities owed to it by the Underlying Fund arising from the use of derivatives or the borrowing of securities. As is typical for most prime broker agreements, under the PBA, the Prime Broker may deal with the assets of the Underlying Fund for its own purposes as though the assets of the Underlying Fund were its own assets. If there is a termination or close-out of the PBA the obligation of the Prime Broker to return equivalent assets is replaced by an obligation to return the cash value of such assets under the terms of the PBA, and the Underlying Fund will rank as an unsecured creditor of the Prime Broker. As such, there is a risk that the Underlying Fund and hence the Fund may not be able to recover such equivalent assets in full in the event of the insolvency of the Prime Broker.

The Responsible Entity will manage these risks as far as is practicable by dealing with counterparties with strong global reputations, which maintain at a minimum an issuer credit rating of at least A- (S&P) or as otherwise approved by the Responsible Entity, ensuring enforceable legal agreements are in place and by monitoring these counterparties.

**Currency risk** – The Fund via its investment in the Underlying Fund will predominantly be investing in international equities, and as such, adverse movements in exchange rates to the Australian dollar will affect the value of capital and income of the Underlying Fund. The Investment Manager will seek to manage the Underlying Fund's currency exposure through a combination of cash or spot foreign exchange trades and foreign currency derivatives. However, there is a risk that the Investment Manager either chooses not to hedge its currency risk or does not implement a currency hedge effectively, thereby exposing the Underlying Fund and hence the Fund to a greater degree of currency risk than intended. Currency markets are highly volatile and adverse movements in an exchange rate against the Underlying Fund could lead to the Fund suffering losses, where the Investment Manager does not implement an adequate currency hedge.

**Custody risk** – The Underlying Fund's investments may be registered in the name of the Prime Broker or a third party in their local jurisdiction. As a consequence, the investments may not be segregated from the Prime Broker's or the third party's own investments and in the event of their default may not be as well protected.

In addition, the Underlying Fund's investments may be borrowed, lent or otherwise used by the Prime Broker and its affiliates for its or their own purposes, whereupon such investments will become the property of the Prime Broker or the relevant affiliate and the Underlying Fund will have a right against the Prime Broker or the relevant affiliate for the return of equivalent assets. The Underlying Fund will rank as an unsecured creditor in relation to that and, in the event of the insolvency of the Prime Broker or the relevant affiliate, the Underlying Fund may not be able to recover such equivalent assets in full.

The Responsible Entity will manage these risks as far as is practicable by dealing with counterparties with strong global reputations, which maintain at a minimum an issuer credit rating of at least A- (S&P) or as otherwise approved by the Responsible Entity, ensuring enforceable legal agreements are in place and by monitoring these counterparties.

**Cyber security risk** – This is the risk that the information technology systems used by us and our service providers when managing and operating the Fund may expose the Fund to potential cyber security breaches including but not limited to unauthorised access to and/or erroneous use of proprietary information, Unit holder's personal information or Fund data.

## 5. RISKS OF INVESTING IN THE MUNRO GLOBAL GROWTH FUND (HEDGE FUND)

**Derivative risk** - The Underlying Fund will trade in derivatives. Investments in derivatives may cause losses associated with changes in market conditions, such as fluctuation in interest rates, equity prices or exchange rates, and changes in the value of a derivative may not correlate perfectly with the underlying asset.

Derivative transactions may be highly volatile and can create investment leverage, which could cause the Fund via its investment in the Underlying Fund to lose more than the amount of assets initially contributed to the transaction. As OTC derivatives are customised instruments, the Underlying Fund may be unable to liquidate the derivative contract at a fair market price within a reasonable timeframe.

Although not all of these risks can be eliminated, the Responsible Entity and Investment Manager manage these risks as far as is practicable by:

- adhering to the risk constraints of the Underlying Fund particularly in regard to maximum gross and net exposures;
- regularly monitoring the derivative positions of the Underlying Fund;
- monitoring and ensuring that the Underlying Fund can pay all of the obligations associated with derivatives from the appropriate amount of cash or physical assets held by the Underlying Fund; and
- using clearers, intermediaries or counterparties the Investment Manager considers reputable.

**Fund risk** - Risks particular to the Fund include the risk that it could be terminated, the fees and expenses could change, GRES could be replaced as Responsible Entity and Munro could be replaced as Investment Manager. There is also a risk that investing in the Fund may give different results from investing individually because of income or capital gains accrued in the Fund at the time of investing and the consequences of investment and withdrawal by other investors.

You could receive back less than you invested and there is no guarantee that you will receive any capital or income.

Investment in the Fund is governed by the terms of the Fund's Constitution and these terms may be changed by a special resolution passed by investors (i.e. passed by 75% of the investors who vote in person or by proxy). This means that the terms and conditions may change, even though you may vote against any changes.

GRES aims to keep Fund risk to a minimum by monitoring compliance with the risk constraints and how the various risks may impact on the Fund and by acting in the Unit holders' best interest as a whole.

**iNAV risk** - At any time, the price at which Units of the Fund trade on the ASX may not reflect accurately the Net Asset Value of each such Unit. The adoption of a robust pricing methodology for the iNAV is intended to minimise this differential as is the role of agent market maker but will not be able to eliminate it entirely.

The market price and the iNAV price may also deviate because the market price of Units of the Fund is a function of supply and demand amongst investors wishing to buy and sell such Units and the bid-offer spread that the agent market maker is willing to quote for those Units.

The iNAV is indicative only and may not accurately reflect the true value of the underlying assets of the Fund.

**Interest rate risk** - Changes in interest rates can have a positive or negative impact directly or indirectly on investment values or returns.

**International investments risk** - Investing in international securities poses additional risks. The performance of international securities can be adversely affected by the different political, regulatory and economic environments in countries where the Fund via its investment in the Underlying Fund invests, and fluctuations in foreign currency exchange rates may also adversely affect the value of foreign securities. In addition, the Underlying Fund may invest in securities in emerging markets which are typically more volatile than developed markets. Potentially adverse political, economic, legal and tax, or social conditions in those markets may affect Fund investment returns.

**Investment Manager risk** - The success of the Fund depends on the competency of the Investment Manager and its ability to identify investment opportunities which achieve the Fund's objective. Like any fund, this is dependent on the skills of the Investment Manager's personnel, quantitative analysis and research activities undertaken by the Investment Manager and on historical relationships between stocks acting in a manner which is consistent with the Investment Manager's analysis, over time. If the Investment Manager does not exercise an adequate level of skill, including in the interpretation of the data, the investment process is flawed or inaccurate or any of the historical relationships on which the strategy is based break down, then this may cause losses to the Fund.

**Key person risk** - The loss of key personnel from the Investment Manager of the Fund may adversely affect the Fund's performance. Munro's partnership structure is designed to retain key personnel through all partners having ownership in the business.

**Leverage risk** - Certain transactions may give rise to a form of leverage. In particular, the Fund via its investment in the Underlying Fund uses derivatives and many derivatives have a leverage component. In addition, leverage may also be incorporated through the use of short selling and/or currency hedging. While leverage creates an opportunity for greater total returns for the Fund, it may also magnify losses. In addition, there is a risk that the leveraged positions will tend to be more volatile, and thus the Fund may experience greater volatility than investments in a comparable portfolio without leverage. Munro intends to limit this risk by strict adherence to its investment process and risk management practices.

**Liquidity risk** - Although the Units will be quoted under the AQUA Rules there can be no assurances that there will be a liquid market, and an investor's ability to buy or sell Units may be restricted. Although the Responsible Entity intends to act as market maker in the Units on behalf of the Fund to assist in maintaining liquidity for the Fund on the ASX, this service may not be available at all times or the Responsible Entity may be unable to provide these services (such as where there are operational disruptions or unusual conditions, or other events set out in the ASX Operating Rules). Please refer to 'Market making risk' to understand the arrangements we have in place to assist in maintaining liquidity for the Fund.

In addition, there is also the risk that:

- it may be difficult to realise within a reasonable time frame the full value of particular securities in which the Fund via its investment in the Underlying Fund is invested because of market conditions or liquidity issues with respect to the specific securities; or
- the Fund itself may become illiquid. This could have a detrimental effect on the value of the investments, or may impact an investor's ability to withdraw from the Fund.

We closely monitor cash levels in the Fund to manage this risk and ensure that there is adequate liquidity to meet the needs of investors in ordinary circumstances.

**Market risk** - Changes in legal, tax and economic conditions, social and/or political events, investor sentiment and market variables such as interest rates and exchange rates can all influence (negatively or positively) the value of the Fund's investments.

**Market making risk** - Under the AQUA Rules, the Responsible Entity has certain market making obligations in respect of the Fund, in particular to facilitate an orderly and liquid market in the Fund. The Responsible Entity intends to act as market maker in the Units on behalf of the Fund. The Fund will bear the risk and cost of the market making activities undertaken by the Responsible Entity on the Fund's behalf. There is a risk that the Fund could suffer a material cost as a result of the market making activities by the Responsible Entity (i.e. an error in the execution of the market making activities or as a result of the price at which the Units are transacted on the ASX) that may adversely affect the NAV of the Fund. The Fund may not always be able to make a market in times of uncertainty about values, due to its duty to act in the best interests of members.

**Market making agent risk** - We have appointed Macquarie as market making agent to execute the Fund's market making activities. There is a risk that the market making agent could make an error in executing the Fund's market making activities. Additionally, the Fund may enter into transactions to acquire or to liquidate assets in anticipation of the market making agent fulfilling its settlement processing obligations in a correct and timely manner. If the market making agent does not fulfil its settlement processing obligations in a correct and timely manner, the Fund could suffer a loss.

Whilst we monitor our market making agent's ability to execute the market making activities and comply with the settlement processing obligations, there is no guarantee that these requirements will always be fulfilled, particularly if there is an error by the market making agent.

**Operational risk** - The Fund's day to day operations may be adversely affected by circumstances beyond the reasonable control of the Responsible Entity, such as failure of technology or infrastructure, or natural disasters.

**Regulatory risk** - The risk that a change in government policies (including taxation), laws and regulations may adversely affect the value of an investment in the Fund or its underlying assets.

**Service provider risk** - The risk that third party service providers engaged by the Responsible Entity to provide certain services to the Fund including for example, prime broking, clearing, administration, custody and valuation services, do not properly perform their obligations and duties and cause harm to the Fund.

## 5. RISKS OF INVESTING IN THE MUNRO GLOBAL GROWTH FUND (HEDGE FUND)

**Short selling risk** - The Underlying Fund may sell an investment 'short' when the Investment Manager believes the price of a particular investment (e.g. a share) will fall. The short selling of a security, derivative or currency exposure may involve a greater risk of investment than buying that same security, derivative or currency exposure. Short selling is used to benefit portfolio value when markets or a security are falling but may detract if the market or security rises in value. Because there is theoretically no limit to how high the price of a security might go, losses are unlimited. The Investment Manager intends to limit this risk by strict adherence to its investment process and investment guidelines.

**Trading risk** - The Fund is quoted for trading on the AQUA market of the ASX under the AQUA Rules and there is a risk that the ASX may under certain circumstances suspend trading or even remove the Fund from quotation on the ASX. The underlying assets held by the Fund may also be suspended or delisted. Under these circumstances, we may take measures, such as suspending the creation and redemption process, or we may potentially terminate the Fund. To mitigate the risk in relation to the Fund, we will use our best endeavours to meet all ASX requirements to ensure the Units in the Fund remain quoted, including putting in place compliance and monitoring procedures. However, there is no guarantee that these requirements will always be met. Although the Units in the Fund are quoted on the ASX, there can be no assurance that there will be a liquid market. There is the risk that the issue price and redemption price applicable to a Unit may differ from the trading price of a Unit on the ASX. The trading price is dependent upon a number of factors, including demand for the Units in the Fund. The risk is mitigated as the application and redemption mechanism is designed to minimise the likelihood that the Units will trade on the ASX at a significantly different price to the issue price or redemption price.

**Underlying Fund risk** - By investing in Units in the Underlying Fund, the Fund is also exposed to each of the risks that the Underlying Fund is itself exposed to. These include but are not limited to: company specific risk; collateral risk; concentration risk; counterparty default risk; currency risk; custody risk; cyber security risk; derivative risk; fund risk; interest rate risk; international investments risk; investment manager risk; leverage risk; liquidity risk; market risk; operational risk; regulatory risk; service provider risk; and short selling risk. Each of these risks (as described above) will therefore apply at the Fund and Underlying Fund levels.

## 6. FEES AND OTHER COSTS



### DID YOU KNOW?

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

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

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

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

### TO FIND OUT MORE

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

The managed funds fee calculator can also be used to calculate the effect of fees and costs on account balances.

**WARNING:** You should read all the information about fees and costs because it is important to understand their impact on your investment in the Fund.

**WARNING:** If you consult a financial adviser you may also pay an additional fee that will be set out in the Statement of Advice between you and the financial adviser.

**Additional brokerage fees may also be payable directly to your broker, or your financial adviser who uses a stockbroking service on your behalf. You should consider the Financial Services Guide provided by your broker or financial adviser.**

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole. The following can be used to compare costs between different managed investment schemes.

Taxes are set out in Section 8 'How managed investment schemes are taxed' of this PDS.



## Munro Global Growth Fund (Hedge Fund)

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the Fund</b>		
<b>Establishment Fee</b> The fee to open your investment	Nil	Not applicable
<b>Contribution Fee</b> The fee on each amount contributed to your investment	Nil	Not applicable
<b>Withdrawal Fee</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Exit Fee</b> The fee to close your investment	Nil	Not applicable
<b>Management Costs</b> <sup>1,2,3,4</sup>		
<b>Management Costs</b> The fees and costs for managing your investment	2.68% p.a. of Net Asset Value	<p>Management costs consist of the following components:</p> <ol style="list-style-type: none"> <li>1) The Management Fee component is 1.35% p.a. of Net Asset Value. The Management Fee is calculated daily and is based on the value of the Fund on that Business Day. An estimate is accrued daily in the Net Asset Value (<b>NAV</b>) per Unit and is paid to the Responsible Entity monthly in arrears from the assets of the Fund.</li> <li>2) The indirect costs component is 0.00% p.a. of the Net Asset Value.<sup>4</sup> Indirect costs are deducted from the assets of the Fund as and when they are incurred and reflected in the NAV per Unit and are not charged separately to an investor.</li> <li>3) The Performance Fee is estimated as 1.33% of the Net Asset Value of the Fund. The Performance Fee is calculated as 10.00% of the amount by which the NAV per Unit increases, subject to exceeding Hurdle Rate and High Watermark. The estimated Performance Fee is only payable if the NAV per Unit exceeds both the High Watermark and Hurdle Rate. The Performance Fee is calculated each Business Day and accrued daily in the NAV per Unit and paid to the Responsible Entity bi-annually within 30 days of 31 December and 30 June in arrears from the assets of the Fund.<sup>5</sup></li> </ol>
<b>Service Fees</b>		
<b>Switching Fee</b> The fee for changing investment options	Nil	Not applicable

1. All fees and costs set out in this section are inclusive of GST and any applicable stamp duty, less any applicable input tax credits and reduced input tax credits.
2. An allowance for transactional and operational costs applies to investments into and withdrawals from the Fund. Please refer to 'Transactional and operational costs' in the 'Additional explanation of fees and costs' in this section of the PDS.
3. The amount of this fee can be negotiated if you are a wholesale client under the Corporations Act. Please refer to 'Differential fees' in the 'Additional explanation of fees and costs' in this section of the PDS.
4. All estimates of fees in this section are based on information available as at the date of this PDS. As the Fund is newly established, these figures reflect the Responsible Entity's reasonable estimate at the date of this PDS of costs that will apply for the current financial year (adjusted to reflect a 12 month period).
5. This is a reasonable estimate at the time of this PDS of the prospective Performance Fee for the current financial year and has been calculated based on actual Performance Fees for the Underlying Fund payable over the life of the Underlying Fund (adjusted to reflect a 12 month period). The estimated Performance Fee is only payable if the NAV per Unit exceeds both the High Watermark and Hurdle Rate. Past performance is not a reliable indicator of future performance. A Performance Fee is not always payable. The actual Performance Fee payable (if any) will depend on the performance of the Fund over the relevant period. See 'Performance Fee' in the 'Additional explanation of fees and costs' section below for a dollar worked example.

Estimated and/or historical fees and costs may not be an accurate indicator of the fees and costs you may pay in the future.



## Example of annual fees and costs

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

Example		Balance of \$50,000 with a contribution of \$5,000 during year <sup>1</sup>
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management Costs <sup>2,3</sup>	2.68% p.a. of Net Asset Value	And, for every \$50,000 you have in the Fund you will be charged up to \$1,340 <sup>3</sup> each year.
EQUALS Cost of the Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of: <b>\$800</b> <b>What it costs you will depend on the fees you negotiate.</b>

1. The example assumes that the \$50,000 is invested for the entire year and that the \$5,000 contribution occurs at the end of the first year, so that the management costs are calculated using the \$50,000 balance only. In practice, an investor's actual investment amount will vary daily and the actual fees and costs we charge are based on the value of the Fund which also fluctuates daily.
2. Additional fees and costs may apply. An allowance for transactional and operational costs applies to investments into and withdrawals from the Fund. Please see 'Transactional and operational costs' in the 'Additional explanation of fees and costs' in this section of the PDS.
3. The figure used for the management costs (consisting of the Management Fee of 1.35%, indirect costs of 0.00% and Performance Fee of 1.33%) in the example above reflects the Responsible Entity's reasonable estimates at the time of this PDS of those costs that will apply for the current financial year (adjusted to reflect a 12 month period). This figure is inclusive of GST and any applicable stamp duty, less any applicable input tax credits and reduced input tax credits. The reasonable estimate of the Performance Fee for the current financial year has been calculated based on actual Performance Fees for the Underlying Fund payable over the life of the Underlying Fund (adjusted to reflect a 12 month period). The estimated Performance Fee is only payable if the NAV per Unit exceeds both the High Watermark and Hurdle Rate. A Performance Fee is not always payable. The actual Performance Fee payable (if any) will depend on the performance of the Fund over the relevant period. See 'Performance Fee' in the 'Additional explanation of fees and costs' section below for a dollar worked example.

## Additional explanation of fees and costs

### Management costs

The management costs of the Fund are composed of a Management Fee component, a Performance Fee component and an indirect cost component as set out in the table above. Please refer to 'Indirect costs' which follows in this section. The management costs do not include transactional and operational costs.

### Management Fee

The Management Fee for the Fund is 1.35% per annum of the Net Asset Value of Units of the Fund. The Management Fee is calculated and accrued daily in the Unit price of the Units in the Fund and is paid monthly in arrears. From the Management Fee we pay all investment management fees (including the fees of the Investment Manager), all normal operating expenses of the Fund including custody fees, audit fees, accounting fees, legal and regulatory fees and all other normal costs except abnormal costs as described later in this section and transactional and operational costs. We will provide prior notice to investors if we seek to recover normal operating expenses from the Fund in the future.

### Performance Fee

Munro may be entitled to receive a Performance Fee equal to 10.00% of the increase in Net Asset Value per Unit of the Fund during each Performance Fee Calculation Period (the six months to 30 June and 31 December each year), subject to exceeding the Hurdle Rate (which is the 10 year Australian Government Bond Yield plus 3.5% p.a.) as well as a High Watermark.

Further information about the Performance Fee and how it is calculated and paid is included later in this section of the PDS under the heading 'Calculation of the Performance Fee'.

### Indirect costs

Indirect costs are any amounts paid from the Fund's assets that we know or where required, reasonably estimate will reduce the return of the Fund or the amount or value of the income of, or assets attributable to the Fund (such as costs associated with investing in OTC derivatives) or an underlying managed fund in which the Fund invests including for example, the Underlying Fund. Indirect costs do not include the Management Fee, Performance Fee and abnormal costs as set out elsewhere in this section. The Fund may incur indirect costs via its investment in the Underlying Fund (which does invest in OTC derivatives to gain investment exposure to certain assets, and does expect to do so in the upcoming financial years), which would be accrued and reflected in the value of the Fund's holding. As such, indirect costs are reflected in the Fund's NAV per Unit and are not charged separately to investors.

The Fund will invest in Class E Units in the Underlying Fund, where the Management Fee and Performance Fee will be 0.00%.

As at the date of this PDS, the Fund via its investment in the Underlying Fund does invest in OTC derivatives to gain investment exposure to certain assets and does expect to do so in the upcoming financial years. The management costs set out in the table on the previous page include indirect costs of 0.00% p.a. of the Net Asset Value, which is the Responsible Entity's reasonable estimate, based on the information available to us as at the date of this PDS, of those costs for the current financial year (adjusted to reflect a 12 month period). As such, the actual indirect costs may differ from the amount in that table and from year to year.

### Abnormal costs

We may recover other costs or expenses incurred (or that will be incurred) by us in connection with the management of the Fund including, but not limited to, those resulting from abnormal circumstances (such as a change of the responsible entity or investment manager, termination of the Fund or Unit holder meetings) out of the assets of the relevant class of the Fund for which such cost or expense is incurred. We do not believe we can reliably estimate abnormal costs or expenses but expect that the circumstances which cause such costs to be incurred will not occur regularly. The management costs set out in the table above include abnormal expenses of 0.00% p.a. of the Net Asset Value of the Fund, which is the Responsible Entity's reasonable estimate at the date of this PDS of those costs for the current financial year (adjusted to reflect a 12 month period).

### Transactional and operational costs

The Fund may incur transactional and operational costs directly or indirectly via its investment in the Underlying Fund. Transactional and operational costs are costs associated with the buying and selling of the Fund's assets and are charged directly to the Fund. These costs include brokerage, settlement costs, and securities borrowing costs, clearing costs, stamp duty, GST and other taxes and, where applicable, the buy-sell spread applied to any transactions in the Underlying Fund. Transaction costs will also be incurred for the creation and redemption of Units by the market maker. Transactional and operational costs are an additional cost to investors and are not included in the 'management costs', instead they are recovered as incurred and reflected in the NAV per Unit of the Fund and are borne indirectly by investors as they reduce the returns generated by the Fund, and consequently, your investment.

The transactional and operational costs are expressed as a percentage of the average Net Asset Value of the Fund. The Responsible Entity reasonably estimates at the date of this PDS that the transactional and operational costs that will apply for the current financial year will be 0.67% p.a. of Net Asset Value (adjusted to reflect a 12 month period).

At the Underlying Fund level, the total transactional and operational costs for the previous financial year were approximately 0.67% p.a. of the Net Asset Value of that Fund. Some of the transactional and operational costs will be offset by the buy/sell recovery. The Responsible Entity reasonably estimates at the date of this PDS that the net transactional and operational costs (representing the total transactional and operational costs minus the total amount recovered through the buy/sell spread of +0.15%/-0.15% at the Underlying Fund level) for the current financial year will be 0.60% p.a. of the Net Asset Value (adjusted to reflect a 12 month period).

The net transactional and operational costs are borne by the Fund.

The estimated transactional and operational costs at the date of this PDS are calculated using the transactional and operational costs incurred by the Underlying Fund for the previous financial year and will vary from year to year to reflect the actual expenses incurred by the Fund. This means that estimated and/or historical costs may not be an accurate indicator of the fees and costs an investor may pay in the future. This is because the turnover in the underlying assets may change substantially as investment and markets conditions change, which may affect the level of transactional and operational costs incurred.

Around the end of each financial year, where new transactional and operational costs information is not materially adverse, the updated information will be posted on our website [www.gsfm.com.au](http://www.gsfm.com.au) and we will advise you in the next regular communication after the change. If there is a material change to these costs we will issue a supplementary PDS or a new PDS.

### Underlying Fund's Buy/Sell spread

The buy/sell spread is an additional cost incurred by investors (including the Fund) when they invest in or withdraw from the Underlying Fund. The buy/sell spread is an adjustment to the unit price to cover those transactional and operational costs associated with buying and selling the Underlying Fund's assets. The buy/sell spread aims to ensure that non-transacting investors do not pay the transactional and operational costs associated with an investor (including the Fund) investing in or withdrawing from the Underlying Fund. The buy/sell spread is not a fee paid to us but is paid to the Underlying Fund to offset the transactional and operational costs incurred.

The buy/sell spread may vary from time to time to reflect changes in the transactional and operational costs incurred, or likely to be incurred. The buy/sell spread for the Underlying Fund is currently 0.15% of the Net Asset Value per Unit when there is an application for or a withdrawal of Units in the Underlying Fund. If we do vary the buy/sell spread, we will not provide prior notice unless the change is material. The updated information will be posted on our website [www.gsfm.com.au](http://www.gsfm.com.au).

## Calculation of the Performance Fee

### How is the Performance Fee calculated and paid?

Depending on how well the Fund via its investment in the Underlying Fund, performs we may be entitled to a performance fee which is payable by the Fund. The Performance Fee is calculated and accrued daily in the unit price of the Units of the Fund and is payable within 30 days of the end of each Performance Fee Calculation Period (the six months to 30 June and 31 December each year). This fee is calculated by the administrator and invoiced directly to the Fund by the Responsible Entity and subsequently paid by the Responsible Entity to Munro.

The Performance Fee is equal to 10.00% of the return of the Units for the period (net of management fees and all transaction and operational costs). The Performance Fee will accrue and be payable at the end of the Performance Fee Calculation Period when the Net Asset Value per Unit of the Fund at the end of the Performance Fee Calculation Period exceeds the Net Asset Value per Unit of the Fund at the beginning of the Performance Fee Period and is above the Hurdle Rate and the High Watermark. The Responsible Entity and Investment Manager will waive any performance fee that is attributable to profits from market making activities.

The Net Asset Value at the end of the Performance Fee Calculation Period is adjusted to take into account any applications, redemptions and distributions, including pending distributions. The Hurdle Rate is the 10 year Australian Government Bond Yield in the preceding period plus 3.5% per annum. The High Watermark is the highest Net Asset Value per Unit at the end of any preceding Performance Fee Calculation Period. Having a High Watermark ensures that any negative returns must be surpassed before a Performance Fee is accrued and payable.

Where the payment of the Performance Fee would result in the Net Asset Value (prior to being adjusted to take into account any applications, redemptions and distributions, including pending distributions) per Unit at the end of the Performance Fee Calculation Period falling below the High Watermark or Hurdle Rate, the Performance Fee will be reduced to the extent necessary to ensure the Net Asset Value (prior to being adjusted to take into account any applications, redemptions and distributions, including pending distributions) per Unit does not fall below the High Watermark or the Hurdle Rate.

Only when the Units have increased in value and made up the underperformance (i.e. exceeded the High Watermark) and performance is in excess of the Hurdle Rate, will a Performance Fee be paid at the end of the Performance Fee Calculation Period.

When you make an investment in the Fund, any accrued Performance Fee will have already been calculated and included in the valuation of the Units.

When you make a withdrawal from the Fund any accrued Performance Fee will have already been calculated and included in the valuation of the Units as at the time of withdrawal.

Generally, the greater the investment performance of the Fund, the greater the Performance Fee and therefore the greater the overall management costs for the Fund. The management costs set out in the table on page 35 include a Performance Fee of 1.33% p.a. of the Net Asset Value, which is the Responsible Entity's reasonable estimate at the date of this PDS of the Performance Fee for the current financial year (adjusted to reflect a 12 month period). The reasonable estimate of the prospective Performance Fee has been calculated based on actual Performance Fees for the Underlying Fund payable over the life of the Underlying Fund (adjusted to reflect a 12 month period). The actual Performance Fee payable (if any) will depend on the performance of the Fund over the relevant period.

## 6. FEES AND OTHER COSTS

The worked example in the following table is for illustrative purposes only, it is not an indication of the expected or future hurdle rate nor expected or future performance of the Fund and assumes no applications or withdrawals made during the Performance Period.

Performance period of six months (e.g. 1 July - 31 December)	Component	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Performance Fee	%	10.00%	10.00%	10.00%	10.00%
Hurdle Rate (10 year Australian Government Bond Yield plus 3.5% p.a.)	% per annum	6.50%	6.50%	6.50%	6.50%
Previous High Watermark	\$ per Unit	5.2000	5.2000	5.2000	5.2000
Hurdle rate applied to Previous High Watermark	\$ per Unit	5.3690	5.3690	5.3690	5.3690
Opening NAV per Unit (e.g. 1 July)	\$ per Unit	5.0000	5.0000	5.0000	5.0000
Fund return for Performance Fee Period (excluding Performance Fee)	%	0.00%	5.00%	7.50%	15.00%
Closing NAV per Unit (e.g. 31 December) before Performance Fee	\$ per Unit	5.0000	5.2500	5.3750	5.7500
Did the Fund performance exceed the High Watermark?		No	Yes	Yes	Yes
Did the Fund performance exceed the Hurdle Rate?		No	No	Yes	Yes
Performance Fee per Unit	\$ per Unit	-	-	0.0060	0.0550
Closing NAV per Unit (e.g. 31 December) after Performance Fee	\$ per Unit	5.0000	5.2500	5.3690	5.6950
End of Period High Watermark / New Watermark	\$ per Unit	5.2500	5.2500	5.3690	5.6950
Units held by Unit holder	Units	10,000.00	10,000.00	10,000.00	10,000.00
Opening value of investment (e.g. 1 July)	\$	50,000.00	50,000.00	50,000.00	50,000.00
Closing value of investment (e.g. 31 December)	\$	50,000.00	52,500.00	53,690.00	56,950.00
Performance fee paid	\$	-	-	60.00	550.00
Net return for Performance Fee Calculation Period for six months	%	0.00%	5.00%	7.38%	13.90%

## Fee maximums and changes to fees

We are entitled under the Constitution to charge a contribution fee and withdrawal fee each of 5.00%, a Management Fee up to 3.00% per annum of the NAV of the Fund and a Performance Fee up to 20.0% of the increase in the NAV, subject to a High Watermark and Hurdle Rate (exclusive of GST). We have elected to limit our Management Fee to 1.35% of the NAV, the Performance Fee to 10.00% (both inclusive of GST and net of any applicable reduced input tax credits) and in the case of the contribution fee and withdrawal fee, waive these fees altogether.

We may elect to change the fees and costs outlined in this section (e.g. due to changes in economic conditions and size of the Fund) without investor consent. We will provide you at least 30 days written notice of any increase in the fees.

## Sell spreads for off-market withdrawals

Investors have a right to redeem their Units with us in exceptional circumstances. Please see 'Off-market withdrawals' in Section 7 for further information.

In these circumstances, we may charge a sell spread which is a type of transactional and operational cost. The purpose of the sell spread is to ensure that only investors transacting in the Fund's Units at a particular time bear the Fund's costs of selling the Fund's Units as a consequence of their transaction.

The sell spread for the Fund is expressed as a percentage of the NAV of the Fund and is the difference between the NAV of the Fund and the withdrawal unit price. It reflects an estimate of the transactional and operational costs expected to be incurred in selling the Fund's assets as a result of withdrawals made by investors.

The current sell spread of the Fund for off-market withdrawals is 0.15% however a different sell spread may apply if the estimate changes.

## Market making agent costs

GRES has appointed a market participant Macquarie Securities (Australia) Limited (**Macquarie**), as its agent to execute its market making activities in order to provide liquidity on the AQUA market of the ASX and facilitate settlement. Macquarie will earn a fee as a result of these activities which comprises of a variable and fixed element. This variable element of the fee is applicable to the value of the net Units purchased and sold by Macquarie on behalf of the Fund and is recovered from the assets of the Fund as a normal operating expense.

For the first twelve months from the Fund's inception, the fixed market making fee will be paid to Macquarie by GRES and will not be recovered from the Fund. At the date of this PDS, the Responsible Entity cannot provide an estimate of the future market making agent fees which may be recovered from the Fund.

## Stockbroker fees for investors

Investors will incur customary brokerage fees and commissions associated with buying and selling Units on the AQUA market of the ASX. This fee should be discussed with your stockbroker prior to investing.

## Adviser remuneration

We may, subject to the law, pay indirect remuneration to licensed financial advisers and other financial service providers. These amounts are paid from our own resources so that they are not an additional cost to the Fund or to you. We will only make these payments to the extent they are permitted by law.

We keep a register of indirect remuneration (e.g. non-monetary benefits valued between \$100 and \$300) paid to other financial services licensees. The register is publicly available and you may inspect this register by calling 1300 133 451.

## Indirect Investors

If you invest in the Fund through a master trust or wrap account (**IDPS**), the fees and costs applicable to the IDPS (and set out in the IDPS offer document or client agreement) are payable in addition to the fees and costs stated in this PDS.

## Differential fees

We may charge fees on a different basis to a wholesale client (as defined under the Corporations Act) based on individual negotiation between us and that wholesale client.

We may, in certain circumstances determined by us, as permitted under law, negotiate special arrangements concerning fees (including fee reductions and rebates) with other investors.

We may, where permitted under the law, charge fees on a different basis to certain employees of GRES and employees of its associated entities.

Through the operation of rebates which are paid from the fees that we receive, we may effectively charge net fees on a different basis to:

- a wholesale client (as defined under the Corporations Act) based on individual negotiation between us and that wholesale client; and/or
- other investors in special circumstances determined by us and permitted under the law. These investors may be entitled to a rebate of up to 0.25% to be reinvested in the Fund.

All of the above arrangements will involve a rebate of the fees that we earn and hence:

- the fees that are charged to all investors in the Fund without the rebate is identical; and
- any rebates that we pay to wholesale investors or to staff are not an additional cost to the Fund or to you.

Relevant investors should contact the Responsible Entity in relation to negotiating fees. See the inside cover of this PDS for our contact details.

## Related party payments

GSFM Pty Limited (**GSFM**) is a related party of GRES. GSFM provides distribution, administrative and support services to GRES. GRES pays fees to GSFM in this regard on arms-length commercial terms.

The Investment Manager of the Fund is a related party of GSFM. GRES pays fees to Munro on arms-length commercial terms.

# 7. DEALING WITH YOUR INVESTMENT



## Unit pricing

The Net Asset Value of the Fund is calculated on each Business Day in accordance with the Constitution. The NAV will incorporate the value of the assets of the Fund, less any liabilities including Management Fees payable and amounts accrued in relation to Performance Fees of the Fund. The NAV per Unit is calculated by dividing the NAV of the Fund by the number of Units on issue in the Fund.

The NAV and NAV per Unit are generally calculated as at the close of trading on each Business Day, usually one Business Day in arrears. The NAV per Unit will vary as the market value of the Fund's assets rise or fall.

The Fund's NAV and NAV per Unit will generally be calculated each Business Day except where withdrawals are suspended (see 'Suspension of redemptions' later in this section) and posted on the website: [www.gsfm.com.au](http://www.gsfm.com.au).

An indicative NAV per Unit (**iNAV**) will be calculated and published by a pricing agent on behalf of the Fund throughout the ASX Trading Day.

For more information about the iNAV refer to 'iNAV Calculation' following later in this section.

## Buying Units

Once quoted on the AQUA market of the ASX, investors are able to purchase Units on the ASX either through a stockbroker or via their own trading account online.

The price at which investors will purchase Units will depend on the price of those Units that are quoted at the time on the ASX. While the Fund's market making activities and the Responsible Entity's ability to increase the number of Units on issue if the investor demand increases seeks to ensure that the market price of Units will be close to the underlying value of the Fund, the market price at any time may not reflect either NAV per Unit or the iNAV. Investors buying Units on the ASX will pay the prevailing market price for the purchase of Units at the time of the transaction. There is no minimum number of Units required by the Responsible Entity for purchase transactions on the ASX.

'Cooling off' rights do not apply to purchases of Units on the ASX.

The Responsible Entity may in its discretion agree to accept an application for Units off-market in order to establish the Fund.

## Selling Units

Investors are able to sell Units on the ASX either through a stockbroker or via their own trading account on line.

The price at which investors will sell their Units will depend on the price of those Units that are quoted at the time on the ASX. The market price at any time may not reflect either NAV per Unit or the iNAV. Investors selling Units on the ASX will receive the prevailing market price for the sale of Units at the time of the transaction.

There is no minimum number of Units required by the Responsible Entity for sale transactions on the ASX.

## Unit creation and cancellation

The Responsible Entity, on behalf of the Fund acts as the market maker for the Fund providing liquidity to market participants.

At the end of each Business Day, Units are created or cancelled by the Responsible Entity depending on the net quantity traded for that particular day on the ASX.

Investors looking to acquire or sell Units in the Fund may purchase or sell Units on the ASX (Refer above "Buying Units" and 'Selling Units').

## Transferring Units

Subject to the Constitution and ASX requirements, a Unit is usually transferable through the ASX. A Unit may also be transferred by any other method of transfer which is required or permitted by the Corporations Act and the ASX.



## Off-market withdrawals

All Unit holders may normally sell their Units by trading on the ASX. Unit holders will not normally have a right to redeem their Units directly with the Fund. However, all Unit holders will have a right to a cash redemption and to receive payment within a reasonable time if Units are suspended from quotation on the ASX for more than five consecutive trading days, unless:

- (a) the Fund is being wound up;
- (b) the Fund is not liquid as defined in subsection 601KA(4) of the Corporations Act; or
- (c) the Responsible Entity has suspended redemptions in accordance with the Constitution.

Where Unit holders have the right to redeem their Units directly from the Fund, they will need to complete a withdrawal form made available on request. A sell-spread may be payable by investors for direct unit redemptions. Refer to 'Additional explanation of fees and costs' for more information on sell-spreads.

No minimum redemption amount will apply.

## Market maker and market making agent

Under the AQUA Rules, the Responsible Entity has certain obligations in respect of the Fund to facilitate an orderly and liquid market in the Fund.

The Responsible Entity, on behalf of the Fund acts as the market maker for the Fund providing liquidity to market participants. At the end of each Business Day, Units are created or cancelled by the Responsible Entity depending on the net quantity traded for that particular day on the ASX.

The Responsible Entity has appointed Macquarie as agent to execute its market making activities as a trading participant under the ASX Operating Rules.

The Fund will bear the risk of the market making activities undertaken by the Responsible Entity on the Fund's behalf, which may result in either a cost or benefit to the Fund. The risks of market making are explained in Section 5 'Risks of investing in the Munro Global Growth Fund (Hedge Fund)'.

The liquidity provided by the market maker will ultimately be constrained by day-to-day events including but not limited to, the continuing ability of the market maker to create and redeem Units.

## iNAV calculation

The Responsible Entity has engaged an agent to calculate and disseminate an indicative NAV per unit (**iNAV**) which will be published by the Fund on our website at [www.gsfm.com.au](http://www.gsfm.com.au) throughout the ASX Trading Day. The iNAV will be updated for foreign exchange movements in the Fund's portfolio stocks by individual stock domicile, to the extent that the impact is not offset by the hedging of the Fund's foreign currency exposure, and will also be updated during the ASX Trading Day in regard to the Underlying Fund's portfolio. Portfolio stocks that are not traded during the ASX Trading Day will be valued using their last traded price and adjusted by any changes in their corresponding exchange's futures index in accordance with the iNAV provider's fair valuation methodology.

Investors will be notified via the ASX Market Announcements Platform if there is any material change to the methodology for calculating iNAV.

No assurance can be given that the iNAV will be published continuously or that it will be up to date or free from error. Any iNAV is not and should not be taken to be or relied on as being the price at which Units may be purchased and sold on the ASX, and may not reflect the true value of the Unit. Investors should not rely on any iNAV which is made available in market making decisions but should consider other market information and relevant economic factors. To the extent permitted by law, neither the Responsible Entity nor its appointed agent shall be liable to any person who relies on the iNAV.

The price at which Units trade on the ASX may not reflect either the NAV per Unit or the iNAV.

## Distributions

The Fund aims to pay any distributions annually, following the end of June each year. If you are registered as a holder of Units on the Record Date, being midnight on the last day of the financial year, you will be entitled to receive a proportionate share of the distribution amount based on the number of Units you hold at this date.

The distribution amount will vary between distribution periods and is not guaranteed. There may be circumstances when a distribution is not made by the Fund and circumstances when a special distribution is made outside of the usual distribution periods. The distributions you receive are generally assessable income and can include income and capital gains generated by the Fund.



Under the AMIT regime, the Fund may attribute an amount of income to you, which may or may not be the same as the distribution you receive. The amount you receive for each distribution will depend on the number of Units you hold in the Fund at the end of the distribution period.

The NAV per Unit falls after the end of the distribution period to reflect the distribution entitlements.

If you choose to have any distributions paid out this will generally occur within 30 days but may be longer. Distributions will be directly credited to your nominated Australian Bank Account (Australian dollars) or New Zealand Bank Account (New Zealand dollars). You should contact your stockbroker or trading platform to enquire how to provide bank account details or by telephoning 1300 133 451. Where New Zealand based investors have elected to have the distribution credited to a New Zealand bank account in New Zealand dollars you may incur significant fees. The conversion to New Zealand dollars will be undertaken by the Fund's bank at the exchange rate on the day this is processed.

Alternatively, you may have your distributions re-invested as Units in the Fund.

For more information on AMIT and distributions please refer to 'How managed investment schemes are taxed' in section 8.

## Distribution Reinvestment Policy

GRES may establish a Distribution Reinvestment Policy (**DRP**) in respect of distributions made by the Fund, which will provide you with the option to re-invest distributions from the Fund in additional Units.

If GRES offers a **DRP**, you may request that we invest future income distributions wholly, or with our approval partly, in additional Units in the Fund. If you choose to have your distribution re-invested as Units in the Fund, the additional Units will be issued using the NAV per Unit applicable immediately after the distribution. All Units allotted as part of **DRP** will rank equally in all respects with existing Units in the Fund.

Unitholder participation in the **DRP** is optional.

GRES intends to provide details of the **DRP** (a copy of the **DRP** will be available at [www.gsfc.com.au](http://www.gsfc.com.au)) shortly following commencement of trading of Units on the ASX. GRES reserves the right to amend, suspend or terminate the **DRP** at any time.

You should refer to Section 8 'How managed investment schemes are taxed' for information in relation to the participation in a **DRP**.

## Privacy and your personal information

GRES and its service providers or the Fund may collect, hold and use your personal information in order to assess your application, service your needs as an investor, provide facilities and services to you, and for other purposes permitted under the Privacy Act 1998 (Cth) and the Australian Privacy Principles (**APPs**). Other legislation may also require some of the information to be collected in connection with your application.

If you do not provide the information requested or provide us with incomplete or inaccurate information, your application may not be able to be processed efficiently, or at all. Your information may be disclosed to GRES' agents (including the Investment Manager) and service providers on the basis that they deal with such information in accordance with the privacy policy of GRES. We do not currently directly disclose your personal information overseas, though our service providers may disclose this to their overseas affiliates and/or service providers.

For further information, please review our privacy policy, available at [www.gsfc.com.au](http://www.gsfc.com.au). A copy of the registry provider Mainstream Fund Services' Privacy Notice can be accessed at <https://www.mainstreamgroup.com/mbpo/Privacy-Notice>.

You will be able to gain access to your personal information collected by us by contacting Mainstream Fund Services on 1300 133 451 or by emailing [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com).

If you have any concerns about the completeness or accuracy of the information we have about you or would like to access or amend your personal information held by the Responsible Entity (or its registry provider) please contact Mainstream Fund Services by:

Phone: 1300 133 451

Or by mail:

GPO Box 4968, Sydney NSW 2001.

Our privacy policy, available at [www.gsfc.com.au](http://www.gsfc.com.au) contains information about how you may complain about a breach of the **APPs** and how we will deal with this complaint.

## Suspension of redemptions

### The Responsible Entity at any time may suspend the redemption or issue of Units in the Fund for up to 120 days, if:

- it is impracticable for us, our nominee or any service provider appointed by us to calculate the Net Asset Value for example because of closure of, or trading restrictions on, stock or securities exchanges, an emergency or other state of affairs, or on declaration of a moratorium in a country where the Fund invests (or the Fund has exposure to through any derivative in which the Fund invests) or under the Corporations Act;
- if it is impracticable for us, our nominee or any service provider appointed by us to calculate the Net Asset Value or value the Fund property during any period in which the Responsible Entity rebalances the Fund property in accordance with the investment strategy for the Fund;
- the Fund's investments suspend, delay or restrict the redemption, issue or payment of redemption proceeds or we are unable to provide a withdrawal price;
- we reasonably estimate that we must sell 5% or more (by value) of all Fund property to meet current unmet withdrawal requests;
- there have been, or we anticipate that there will be, withdrawal requests that involve realising a significant amount of Fund property and we consider that if those withdrawal requests were met immediately, Unit holders who continue to hold Units may bear a disproportionate amount of capital gains tax or other expenses, or the meeting of those withdrawal requests would otherwise be to the existing Unit holders' disadvantage including a material diminution in the value of the Fund property;
- we reasonably consider that it is in the interests of the Unit holders;
- the quotation of any Units is suspended or the trading of any Units is otherwise halted, interrupted or restricted by the ASX, or the trading of any Units on the ASX is subject to a period of deferred settlement trading, or there is a period during which Units are subject to a consolidation or division;
- the Units cease to be quoted or the Fund is removed from the official list of the market;
- a withdrawal request is received in a financial year and we determine that the date on which the completion of the redemption of the Units would otherwise occur would be in the next financial year;

- a withdrawal request is received during any period before or after a distribution which period we determine to be necessary or desirable to facilitate the calculation and distribution of distributable income;
- we believe that Fund property cannot be realised at prices that would be obtained if Fund property were realised in an orderly fashion over a reasonable period in a stable market; or
- it is otherwise legally permitted.

In cases where withdrawals are suspended for a period of time we may extend the period for so long as the circumstances which caused the suspension continue to apply.

## If the Fund/Underlying Fund becomes illiquid

If the Fund is not liquid (as defined in the Corporations Act), a Unit holder may request us to redeem that Unit holder's Units only in accordance with the terms of any current withdrawal offer made by us in compliance with the provisions of Part 5C.6 of the Corporations Act regulating offers of that kind. If there is no withdrawal offer currently open for acceptance by Unit holders, a Unit holder has no right to make a withdrawal request.

We do not have to make a withdrawal offer.

If the Underlying Fund becomes illiquid (as defined in the Corporations Act), Units may only be withdrawn if we make a withdrawal offer to all Unit holders in the Underlying Fund (including the Fund) in accordance with the Underlying Fund's Constitution and the Corporations Act.

Under the Corporations Act, a fund is regarded as liquid if liquid assets account for at least 80% of the value of the assets of the fund. Liquid assets typically include money in an account or on deposit with a bank, bank accepted bills, marketable securities and property of the kind prescribed under the Corporations Act.

At the date of this PDS, the Responsible Entity expects that the Fund and the Underlying Fund will be liquid under the Corporations Act.

# 8. HOW MANAGED INVESTMENT SCHEMES ARE TAXED



The information contained in the following summary is intended to be of a general nature only and should serve only as a guide to the tax considerations that may arise. The summary applies only to Australian resident investors. Different tax considerations arise for non-resident investors.

**WARNING:** Investing in managed funds is likely to have tax consequences. Before investing in the Fund you are strongly advised to seek professional tax advice that takes account of your particular circumstances.

**WARNING:** New Zealand investors should seek their own advice on the New Zealand taxation law implications of their investment.

## Attribution Managed Investment Trust regime

The Responsible Entity is entitled under the Constitution to elect the Fund into the Attribution Managed Investment Trust (**AMIT**) regime. Based on the below features of the regime, the Fund will elect into the AMIT regime from establishment.

Some of the key features of the AMIT regime include:

- allocation of taxable income to Unit holders based on 'attribution' rather than present entitlement to the 'income' of the trust;
- clarification of the treatment of under and over distributions; and
- CGT cost base reductions and uplifts in unit holdings where taxable income attributed is either less than or greater than the cash distribution for an income year (respectively).

The Fund has also made the MIT capital account election and therefore, all gains and losses of the Fund from 'eligible assets' (primarily shares, units and options over those assets) are assessed under the CGT provisions.

## Taxation of the Fund

The Fund should not be subject to Australian income tax, with tax instead being borne by the investors. That is, from a tax perspective, the Fund should be treated as a 'flow-through' entity.

However, where the Fund is in a tax loss position in a particular year, the loss is retained in the Fund and is not distributable to the Unit holders. The loss can be carried forward by the Fund and used to offset taxable income in a future year (subject to satisfaction of certain loss integrity tests).

## Distributions

Australian resident investors are generally subject to tax on the taxable income from the Fund that is attributed to them by the Responsible Entity. Such attribution must be worked out by the Responsible Entity on a fair and reasonable basis in accordance with the Constitution of the Fund.

The taxable income attributed to an investor will also include amounts of trust income that are reinvested in the Fund through the Distribution Reinvestment Policy. The distributions received (or reinvested) may be more or less than the amount of income that is subject to tax.

The way in which investors are taxed will depend on the components of income attributed\*. The amounts attributed to an investor could include non-cash items such as tax credits.

Under the AMIT regime, distributions can result in either a reduction or increase in the CGT cost base of an investor's Units. Broadly, where the taxable income attributed to an investor is less than the cash distribution (plus any tax offsets), this should result in a reduction to the cost base of the investor's units. Conversely, where the taxable income attributed to an investor is greater than the cash distribution (plus any tax offsets), this should result in an increase to the cost base of the investor's units.

\* We will send you an AMMA Statement indicating the components of your distribution (and the amounts which have been attributed to you for tax purposes) after the end of each Financial Year which may assist you in completing your tax return and/or updating the cost base of your investment for capital gains tax purpose.

## Gains on transfer and redemptions of units

When calculating the net taxable capital gains in any income year, you must take into account capital gains and losses from all sources, including those arising on transfer or redemption of units. Individuals and complying superannuation funds may be entitled to the CGT discount concession (50% and 33.33% respectively) where the investment in units is held on capital account and for more than 12 months. You should discuss this calculation with your taxation adviser.

## Foreign income

Distributions may include foreign income. If foreign tax is paid on the foreign income derived by the Fund, then you will need to include in your assessable income your share of any foreign income and any related foreign taxes withheld from such income. You may be entitled to claim an offset against your Australian income tax liability in respect of foreign tax paid (up to the amount of Australian tax otherwise payable by you on the net foreign source income included in your taxable income).

## Tax File Number (TFN) or Australian Business Number (ABN)

We recommend you provide your TFN/ABN. It is not compulsory for an Australian Unit holder to quote their TFN or ABN. However, if a TFN/ABN is not quoted, or an appropriate exemption is not claimed, the Responsible Entity will be required to deduct tax at the highest marginal tax rate (currently 45%) plus the Medicare Levy (currently 2%), totalling 47% from distributions.

By quoting your TFN or ABN you authorise us to apply it to your investment and disclose it to the Australian Tax Office. Collection of TFN or ABN information is authorised, and its use and disclosure is strictly regulated, by the tax laws and under privacy legislation.

## Goods and Services Tax (GST)

The issue and redemption of units in the Fund is not subject to GST, however, the Fund may pay GST on the services it acquires. In most circumstances our fees and other services, together with the reimbursement of expenses are subject to GST. Generally, the Fund cannot claim full input tax credits for GST incurred on these services to the extent that the services relate to input taxed supplies but, in certain circumstances the Fund may be entitled to a reduced input tax credit (RITC) of the GST payable on these services. If the GST rate increases, the RITC rate decreases, or RITCs are not available, the Constitution for the Fund allows us to amend the amount recouped out of the Fund accordingly.

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

FATCA was enacted in 2010 by the United States Congress to target non-compliance by US taxpayers using foreign accounts. CRS is a broader OECD led framework for the collection, reporting and exchange of financial account information between revenue authorities across jurisdictions. FATCA and CRS have important implications for financial institutions globally, including an obligation to identify foreign accounts and report information relating to foreign accounts to the foreign tax authorities or, under FATCA, to withhold 30% tax on US connected payments to non-participating foreign financial institutions.

To comply with the FATCA and CRS requirements, the Fund may collect additional information from you and will disclose such information to the Australian Taxation Office. This information may ultimately be shared with revenue authorities in other jurisdictions under the various exchange of information agreements that Australia has entered into with other jurisdictions.

Provided all necessary registrations and information to comply with FATCA is obtained, US withholding tax on US connected payments should not apply to the Fund.

## Tax Reform

The comments above are based on the Australian taxation law as at the issue date of the PDS.

It is recommended that Unit holders seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Fund. New Zealand investors should seek their own advice on the New Zealand taxation law implications of their investment.

# 9. MATERIAL CONTRACTS



## Constitution

The operation of the Fund is governed under the law and its Constitution which addresses matters such as Unit pricing and withdrawals and applications; the issue and transfer of Units or classes of Units; Unit holder meetings; Unit holders' rights including Unit holders' rights to income of the Fund; the Responsible Entity's powers to invest, borrow and generally manage the Fund and fee entitlement and right to be indemnified from the Fund's assets. The Constitution states that your liability is limited to the amount you paid for your Units, but the courts are yet to determine the effectiveness of provisions of this kind.

We may alter a Constitution if we, as the responsible entity, reasonably consider the amendments will not adversely affect investors' rights. Otherwise we must obtain investors' approval at a meeting of investors. We may retire or (if investors vote for our removal) be required to retire as responsible entity. No units may be issued after the 80th anniversary of the date of the Constitution. We may exercise our right to terminate the Fund earlier by written notice to Unit holders. Your rights to requisition, attend and vote at meetings are mainly contained in the Corporations Act.

The Constitution may be viewed between 9am and 5pm, Sydney time, on business days by calling 1300 133 451. We will provide you with a copy free of charge.

The Constitution gives us a number of rights, including a number of discretions relating to unit pricing. You can obtain a copy of our Unit Pricing Discretions Policy, free of charge, by calling 1300 133 451.

## Services Agreement and Investment Management Agreement

GRES has entered into a Services Agreement with Munro. Under this agreement, Munro agrees to provide services to the Fund which include: Munro will invest and manage the assets of the Fund; provide certain services and information to enable GRES to complete the day to day processes required to deliver the Fund portfolio to the iNAV provider and to submit orders to the Market Making Agent for liquidity purposes; and provide reporting that is complete and accurate in all material respects to the extent the necessary information is within the reasonable control of Munro.

In addition, GRES has entered into an Investment Management Agreement with Munro. Under the Investment Management Agreement, Munro agrees to provide investment management services with respect to the Underlying Fund.

The Services Agreement and the Investment Management Agreement may be terminated by either party in certain circumstances such as if the other party is insolvent, materially breaches the agreement, ceases to hold or be exempt from holding an Australian Financial Services Licence, ceases to hold all other licences necessary to conduct its business, ceases to carry on its business or engages in fraudulent, dishonest, misleading or deceptive conduct in connection with the services provided pursuant to the agreement.

Munro agrees to indemnify us from any losses and expenses arising from Munro's fraud, negligence or wilful default.

We agree to indemnify Munro from any losses and expenses arising from Munro acting under the agreements or on account of a bona fide investment decision, except to the extent that the loss or expense is caused by the negligence, fraud or wilful default of Munro.

## Prime Broker and custodian for the Underlying Fund, Morgan Stanley & Co International

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

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



## 9. MATERIAL CONTRACTS

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

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

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

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

Neither the Prime Broker nor any Morgan Stanley Company will be liable for any loss to the Underlying Fund resulting from any act or omission in relation to the services provided under the terms of the Agreement unless such loss results directly from the negligence, wilful default or fraud of the Prime Broker or any Morgan Stanley Company. The Prime Broker will not be liable for the solvency, acts or omissions of any sub-custodians or other third party by whom or in whose control any of the Underlying Fund's investments or cash may be held. The Prime Broker and the Morgan Stanley Companies accept the same level of responsibility for nominee companies controlled by them as for their own acts. The Underlying Fund has agreed to indemnify the Prime Broker and the Morgan Stanley Companies against any loss suffered by, and any claims made against, them arising out of the Agreement, save where such loss or claims result primarily from the negligence, wilful default or fraud of the indemnified person or breach of applicable law or regulation by the indemnified person.

The Prime Broker is a service provider to the Underlying Fund and is not responsible for the preparation of this PDS or the activities of the Fund and the Underlying Fund and therefore accepts no responsibility for any information contained in this PDS. The Prime Broker will not participate in the investment decision-making process.

### Custodian for the Fund

As described previously in 'Service providers' GRES has appointed J.P. Morgan to hold the assets of the Fund in its capacity as custodian.

### Compliance Plan

In accordance with the requirements of the Corporations Act and ASIC policy the Fund has a compliance plan which sets out the measures we will take to ensure we comply with the Corporations Act and the Constitution. To oversee compliance with the compliance plan we have appointed a compliance committee with a majority being external members.

A copy of the Fund's compliance plan is available free of charge by calling 1300 133 451.



## Additional disclosure information

The Fund has certain regular reporting and continuous disclosure obligations pursuant to the Corporations Act.

All continuous disclosure notices are available on our website at [www.gsfm.com.au](http://www.gsfm.com.au).

Copies of the following documents can also be obtained free of charge from us, upon request:

- the Fund's most recently lodged annual report;
- any half year report lodged with ASIC after the lodgement of the latest annual report and before the date of this PDS;
- any continuous disclosure notices given by the Fund after lodgement of the latest annual report and before the date of this PDS;
- our Unit Pricing Discretions Policy.

Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

## Updated information

As Responsible Entity of the Fund, we are subject to continuous disclosure obligations that require us to make material information available. We will comply with our continuous disclosure obligations under the law by publishing material information about the Fund on our website in accordance with ASIC's good practice guidance for website disclosure. You can obtain a copy of the Fund's continuous disclosure information by visiting our website [www.gsfm.com.au](http://www.gsfm.com.au). We encourage you to regularly check our website for new information that may be relevant to your investment. A paper copy of this information will also be given to you, on request, without charge.

## ASIC Relief

### Class Order Relief - Ongoing Disclosure

ASIC has granted relief under Class Order 13/721 (as amended by ASIC Corporations (Amendment) Instrument 2018/3) under section 1020F(1)(a) of the Corporations Act from the ongoing disclosure requirements in section 1017B on the condition that the Responsible Entity complies with the continuous disclosure requirements in section 675 of the Corporations Act 2001 as if the Fund were an unlisted disclosing entity. The Responsible Entity will comply with these continuous disclosure requirements of the Corporations Act as if the Fund were an unlisted disclosing entity.

### Class Order Relief - Periodic Statements

ASIC has granted relief under Class Order 13/1200 which exempts the Responsible Entity from certain periodic statement requirements. In particular, we are not required to include in periodic statements purchase or sale price information or return on investment information where the Responsible Entity is unable to determine such information and the periodic statement explains why this information is not included and describes how it can be obtained or calculated. In addition, Class Order 13/1200 requires us to report in the periodic statement whether the Fund has met its investment objective over the last one year and five year periods.

## Indirect Investors

If you invest in the Fund through a master trust or wrap platform or an Investor Directed Portfolio Service (IDPS), you do not become a Unit holder in the Fund and do not have the rights of a Unit holder or acquire any direct interest in the Fund. The operator or manager of the trust, platform or IDPS becomes a Unit holder and acquires these rights and may exercise these rights as they see fit. As an investor in the IDPS or IDPS-like scheme, you must read this PDS in that context. For information about your investment, you should contact your IDPS or platform operator.

As an Indirect Investor, your first point of contact for any complaints in relation to an investment in the Funds will be your IDPS or platform operator. You may also access the procedures we have in place to handle any enquiries or complaints. Please refer to 'Complaints resolution'.

## Complaints resolution

We have procedures in place to handle any enquiries or complaints from you as quickly and smoothly as possible. If you have a complaint or enquiry, please call Mainstream Fund Services on 1300 133 451 or email [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com).

We will acknowledge your written complaint within 48 hours of receipt and will generally investigate complaints and aim to address your complaint within 45 days of receipt of the written complaint although some complaints may take significantly longer to deal with. However, if we do not address your complaint within this time or you are not satisfied with our response, you may refer it to the Australian Financial Complaints Authority (**AFCA**), an external complaints handling service of which we are a member. AFCA is the external dispute resolution scheme for complaints involving financial services and products.

Contact details for AFCA are as follows:

Address: GPO Box 3  
Melbourne VIC 3001  
Telephone: 1800 931 678  
Website: [www.afca.org.au](http://www.afca.org.au)  
Email: [info@afca.org.au](mailto:info@afca.org.au)

## Related party transactions and conflicts of interests

We may appoint any of our related entities to provide services or perform functions in relation to the Fund.

Any such services will be provided on terms that would be reasonable if the parties were dealing at arm's length. GSFM Pty Limited (**GSFM**) (ABN 14 125 715 004) is the distributor of the Munro Global Growth Fund (Hedge Fund). GSFM is a related party of GRES and its appointment was made on an arm's length basis and for reasonable remuneration. GSFM has an ownership interest in Munro.

In the course of managing the Fund we may face conflicts in respect of our duties in relation to the Fund, related funds and our own interests. GRES and Munro have established internal policies and procedures to ensure that any conflicts of interest arising in relation to the Fund are adequately identified and appropriately managed. Any conflicts of interests that may arise will be dealt with fairly and reasonably and in accordance with the law, ASIC policy and GRES' and Munro's conflicts of interest policies.

## Consents

The following parties have given written consent (which has not been withdrawn at the date of this PDS) to being named, in the form and context in which they are named, in this PDS:

- Munro Partners as investment manager of the Fund;
- J.P. Morgan Chase Bank as custodian and administrator to the Fund;
- Mainstream Fund Services Pty Ltd as unit registry for the Fund;
- PricewaterhouseCoopers as the auditor of the Fund and compliance plan;
- KPMG as tax agent to the Fund;
- Macquarie Securities (Australia) Limited as market making agent for the Fund;
- Solactive AG as iNAV provider for the Fund; and
- Morgan Stanley as Prime Broker and custodian for the Underlying Fund.

Each of these persons named above:

- has not authorised or caused the issue of this PDS; and
- does not make or purport to make any statement in this PDS (or any statement on which a statement in this PDS is based) other than as specified; and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this PDS other than the reference to their name in a statement or report included in this PDS with their consent as specified.



## Terms used in this PDS

<b>AQUA Rules</b>	Schedule 10A of the ASX Operating Rules and related rules and procedures, as amended, varied or waived from time to time.
<b>Areas of Interest or Aol</b>	Top-down thematic views.
<b>AUD or \$</b>	Australian dollars.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited and its affiliates.
<b>ASX Listing Rules</b>	The listing rules of the ASX as amended, varied or waived from time to time.
<b>ASX Operating Rules</b>	The operating rules of the ASX as amended, varied or waived from time to time.
<b>ASX Trading Day</b>	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.
<b>Bank Account</b>	Bank Account means an account with an Australian Authorised Deposit Taking Institution (which includes a building society and credit union).
<b>Business Day</b>	Any day that is not a Saturday, Sunday, public or bank holiday in New South Wales, Australia.
<b>CHESS</b>	The Clearing House Electronic Sub-register System.
<b>Constitution</b>	The constitution deed of the Fund as amended from time to time.
<b>Corporations Act</b>	Corporations Act 2001 (Cth).
<b>Fund</b>	Munro Global Growth Fund (Hedge Fund) ARSN 630 318 053 ABN 26 838 223 410.
<b>Gross Exposure Limit</b>	The absolute value of both the Long Positions and Short Positions of the Fund, subject to a maximum of 200% of Net Asset Value.
<b>GST</b>	Goods and Services Tax chargeable in accordance with the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
<b>High Watermark</b>	The highest value that a Unit has reached at the end of a Performance Fee Period for which a Performance Fee is payable.
<b>Hurdle Rate</b>	10-year Australian Government Bond Yield plus 3.5% per annum.
<b>IDPS</b>	Investor Directed Portfolio Service.
<b>iNAV</b>	Means indicative NAV per Unit.
<b>Investment Manager, Munro Partners, 'Munro'</b>	Munro Partners.
<b>Management Fee</b>	The amount payable to the Responsible Entity for managing the Fund and your investment. It includes costs such as Investment Manager fees, operating expenses and all other normal costs.
<b>Net Asset Value or NAV</b>	The net asset value of the Units in the Fund or, if specifically stated, the net asset value of the Fund, as determined under the Constitution.
<b>Net Exposure Limit</b>	The value of the Long Positions less the value of the Short Positions of the Fund, subject to a maximum of 100% of Net Asset Value.
<b>PDS</b>	This product disclosure statement.

## 10. ADDITIONAL INFORMATION

<b>Performance Fee</b>	The amount paid or payable calculated by reference to the performance of the Fund.
<b>Prime Broker</b>	Morgan Stanley & Co International plc as prime broker for the Underlying Fund.
<b>Responsible Entity or GSFM Responsible Entity Services</b>	GSFM Responsible Entity Services Limited ABN 48 129 256 104, AFSL 321517 as responsible entity of the Fund.
<b>Underlying Fund</b>	Munro Global Growth Fund ARSN 612 854 547 ABN 92 514 177 120 APIR Code MUA0002AU ASX mFund Code MUN01.
<b>Underlying Fund Constitution</b>	The constitution deed of the Underlying Fund as amended from time to time.
<b>Unit holder</b>	A person entered on the register of the Fund as a holder of Units.
<b>Units</b>	Unless specifically stated, being a beneficial interest in the Fund as offered under this PDS.
<b>'we', 'our', 'us' or 'GRES'</b>	The Responsible Entity of the Fund.

## Important investment terms explained

You should read and ensure you understand the following investment terms before you invest in the Fund. You should also seek advice from a qualified financial adviser before investing in the Fund.

**Absolute return:** Absolute return is a measure of the gain or loss in an investment portfolio expressed without reference to any other measure such as a market index.

**Active management:** When the manager of a fund or portfolio makes proactive trading decisions in order to maximise returns. Active managers believe they can outperform the market by identifying mispricing through a variety of strategies.

**Clearing house:** A financial institution which provides clearing and settlement of derivatives and securities transactions.

**Collateral:** Assets such as investments or cash provided by way of security for the discharge of any liability arising from a transaction by the Fund such as a derivative transaction.

**Contracts for difference (CFD):** A CFD is an over-the-counter (OTC) derivative product which derives its value from the value of another asset such as equities, indices, futures and commodities and is an agreement to exchange the difference in value between the opening and closing value of that underlying asset.

**Derivatives:** Generally, derivatives are financial contracts whose values depend on, or are derived from, the value of an underlying asset, reference rate or index, including stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indices. Examples of derivative instruments include options contracts, futures contracts, options on futures contracts and swap agreements.

**Drawdown:** Is a decline in the value of an investment, below its all-time high.

**EBITDA:** Earnings before interest, taxes, depreciation and amortisation.

**Exchange traded derivative:** An exchange traded derivative is a standardised contract that is traded through an authorised exchange and then booked with a central party known as a clearing house.

**Forward contract:** Also known as a forward, this is a derivative instrument. A forward is a non-standardised contract between two parties to purchase or sell for example an asset or a currency at a specified future date and price. Some forwards may settle via a centralised or other exchange.

**Futures contract:** A futures contract is an agreement between two parties to buy and sell for example a financial instrument for a set price on a future date. These contracts are traded on exchanges, so that, in most cases, either party can close out its position on the exchange for cash before the settlement date, without delivering the security or commodity. An option on a futures contract gives the holder of the option the right to buy or sell a position in a futures contract to the writer of the option, at a specified price and on or before a specified expiration date.

**Hedging:** The practice of taking equal and opposite positions in two different markets (e.g. cash and futures) in order to protect against losses. While hedges can reduce losses, they can also reduce profits.

**Long position:** Owning securities that the Investment Manager expects will rise in value. Conversely, the Fund will lose money if the price of the securities goes down.

**Long/short:** Long/short is an investment strategy that seeks to generate returns by owning securities that the Investment Manager expects will rise in value (long). At the same time the fund can sell (short) securities that are expected to decrease in value.

**Option:** A contract that gives the owner the right but not the obligation, to buy or sell a particular asset at a fixed price (strike price - which is the price at which the owner of the option can purchase (call) or sell (put) the underlying asset) for a specific period of time (until expiration when the option and the right to exercise cease to exist). The contract also obligates the writer to meet the terms of delivery if the owner exercises the contract right.

**Over-the-counter (OTC) derivative:** An OTC derivative is a privately negotiated contract between two parties (counterparties) and booked directly with each other. The use of OTC derivatives exposes the Fund to the credit of its counterparties and their ability to satisfy the terms of such contracts.

## 10. ADDITIONAL INFORMATION

**Short position:** The sale of a borrowed security or currency with the expectation that the asset will fall in value. The position is covered by buying back the asset, theoretically at a lower price and thus locking in a profit, and returning the borrowed asset. When the Fund takes a short position, it will lose money if the price of the security goes up and make money if the price goes down.

**Short selling:** Short selling means a fund sells securities it does not own to try and profit from a decrease in the value of those securities. This is generally done by borrowing the securities from another party to make the sale.

**Swap:** A derivative contract under which an agreement is made with a counterparty to exchange the returns of one asset for another.

**Yield:** The annual income of a bond divided by the market price of the bond. As interest rates rise the market price of the bond will fall and when interest rates fall the market price of the bond will rise.



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**Client Service**

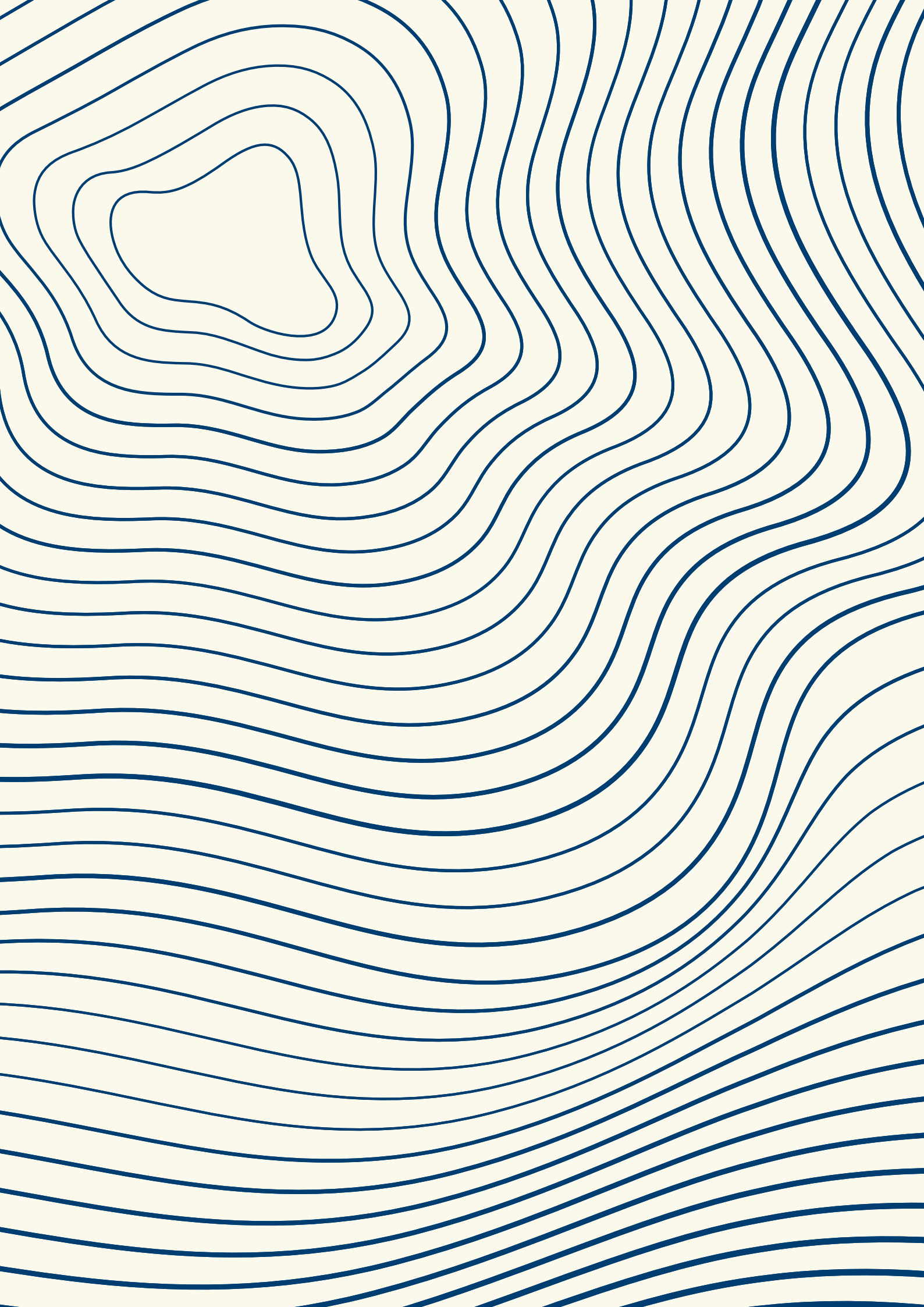
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