



YARRA
CAPITAL MANAGEMENT

Product Disclosure Statement

Dated 30 September 2022

Yarra Higher Income Fund

ARSN 628 168 061 | APIR Code JBW4379AU

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Yarra Funds Management Limited ('YFM' or 'Responsible Entity') ABN 63 005 885 567, AFSL number 230 251 acts as the responsible entity of the Yarra Higher Income Fund (the 'Fund') and is the issuer of this Product Disclosure Statement ('PDS').

About this Product Disclosure Statement

This PDS and accompanying Application for Investment Form is dated 15 March 2022 and is for the offer of units ('Units') in the Fund. The Fund is an Australian domiciled registered managed investment scheme.

Units in the Fund are offered by YFM which is the responsible entity for the Fund. When you invest in the Fund, you are issued with Units. Your Units represent a beneficial interest in the Fund's assets as a whole. Your investment is not a direct investment in specific Fund assets. YFM holds an Australian Financial Services Licence, number 230 251. The Responsible Entity has prepared and is the issuer of this PDS.

The information in this PDS is general information only. In preparing this PDS, we have not taken into account any particular investor's individual investment objectives, financial situation or needs. Before making an investment decision on the basis of this PDS, you need to consider whether this investment is appropriate in light of your own circumstances and may wish to obtain professional financial and taxation advice tailored to your personal circumstances.

Unless we agree otherwise, investments in the Fund can only be made by persons receiving this PDS (electronically or otherwise) in Australia. Applications for Units made by eligible investors may only be made using the Application for Investment Form accompanying the PDS. Persons who come into possession of this PDS who are not in Australia should seek advice on and observe any legal restrictions applicable to them in respect of an investment in the Fund.

This PDS does not constitute an offer or invitation in any place outside Australia unless expressly authorised by us and permitted by law. In particular, Units are not available for purchase by investors in the United States of America or by any other person or persons in the United States of America (see 'US Person' definition in section 8.8). Any failure to comply with such restrictions may constitute a violation of applicable securities law.

None of YFM, the Yarra Capital Management Group, the appointed custodian of the Fund or any other party guarantees the performance or success of the Fund, the rate of income or capital return from the Fund, the repayment of investments in the Fund or that there will be no capital loss or particular taxation consequence of investing.

You may request a copy of the latest PDS from us at any time, free of charge, by contacting our **Investor Services team** (see section 10 'Office of the Responsible Entity' for further details) or by downloading it from our website at www.yarracm.com/PDSupdates. Information in this PDS is current as at the date of this PDS but is subject to change from time to time. If any of the information contained in this PDS changes in a manner that is not materially adverse to Unitholders, we may update that information by posting the updated information on our website, www.yarracm.com/PDSupdates. A paper copy of any information updated in this way will be given to you, free of charge, if you request it by contacting our **Investor Services team** (see section 10 'Office of the Responsible Entity' for contact details).

Investors in any Investor Directed Portfolio Service ('IDPS'), IDPS-like scheme, equivalent superannuation platform or wrap service provider (each a 'Platform') may rely on the information in the PDS for the purposes of deciding whether to invest in the Fund through the Platform. If you are an investor in the Fund through a Platform, the Platform Operator (or its custodian) will be the Unitholder.

All dollar amounts in this PDS are quoted in Australian dollars, unless specified otherwise.

Capitalised terms in this PDS are defined in the glossary in section 11.

1. Fund at a glance

The key features of the Fund have been summarised in the table below, with references to other sections in the PDS where further information can be found. Prospective investors should read the PDS in its entirety before deciding whether to invest in the Fund.

The Fund		PDS Section
Fund	Yarra Higher Income Fund	3
ARSN	628 168 061	
APIR Code	JBW4379AU	
Inception date	October 2018	
Responsible Entity	Yarra Funds Management Limited (ABN 63 005 885 567, AFSL 230 251)	2
Investment objective	Over the medium-to-long term, the Fund seeks to earn higher returns than traditional fixed income by investing in a highly diversified Floating Rate portfolio of predominantly Australian domiciled credit securities.	3.1
Investment strategy	The Fund's investment strategy is to invest in a multi-sector credit portfolio which blends higher risk-adjusted returns across both liquid and less liquid segments, with a strong home bias, predominantly in the Australian credit markets, hedged back to generate an Australian dollar Floating Rate portfolio.	3.2
Assets	<p>The Fund will invest in a diversified portfolio of credit. The assets which the Fund may invest in or be exposed to include:</p> <ul style="list-style-type: none"> ■ Corporate bonds – investment grade ■ Corporate bonds – high yield ■ Syndicated Loans ■ Mortgage and Asset Backed-Securities ■ Private Debt ■ Warehouse Facilities ■ Covered Bonds ■ Hybrid Securities ■ Cash and cash equivalents <p>No more than 20% of the Fund's portfolio will be invested in Less Liquid Assets.</p>	3.2 and 3.3
Investment timeframe	The suggested investment timeframe is 3 years or more.	
Investor information		PDS Section
Applications	Investors can apply to invest in the Fund on a daily basis.	8.1
Minimum initial investment	\$10,000*	8.1
Minimum investment balance	1,000 Units or \$1,000 (whichever is less).	8.1
Withdrawals	Investors can request to withdraw their investment in the Fund on a daily basis. Where the request is accepted, we will usually pay your withdrawal proceeds within 19 Business Days from the Request Date. However, we may take up to 90 days (assuming no suspension exists).	8.2
Distributions	The Fund intends to pay distributions monthly.	8.10
Fees and costs		PDS Section
The following are some of the fees and other costs you may be charged for investing in the Fund. Investors should read section 6 'Fees and costs' for details on fees and other costs you may be charged before deciding to invest in the Fund.		
Establishment/Exit fee	Not applicable	6
Management fee	0.65% p.a. of the net asset value of the Fund	6
Expense recoveries	0.00% p.a. [†] of the net asset value of the Fund	6
Buy/sell spread	+/- 0.10%	6.2

* Or such lesser amount as we may agree from time to time. There is no minimum additional investment amount or minimum withdrawal amount.

[†] At present, no expenses are charged to the Fund as all Fund expenses are borne by YFM without being charged to Unitholders. See section 6 for further details.

Key benefits		PDS Section
The following are some of the key benefits the Fund aims to provide to Unitholders. Section 4 of this PDS also sets out a more detailed description of the key benefits and other benefits that investors should consider in consultation with their financial advisers before deciding to invest in the Fund.		
Diversification	The Fund aims to be a diversified income alternative that can be complementary to other asset classes.	4
Regular, stable distributions	The Fund aims to provide Unitholders with monthly distributions, and capital stability over the medium term.	4
Flexibility	The Fund holds a multi-sector credit portfolio, with the aim to meaningfully shift exposure wherever, in our view, the best risk-adjusted opportunities can be found.	4
Key risks		PDS Section
The following are some of the key risks of investing in the Fund. Section 5 of this PDS sets out a more detailed description of the key risks and other risks that investors should consider in consultation with their financial advisers before deciding to invest in the Fund.		
Market risk	Market risk is the risk of adverse movements in markets (including asset and share prices, volatility, changes in interest rates or other market variables) impacting upon assets held by the Fund.	5
Investment risk	All investments have an inherent level of risk. The general expectation is that a high risk investment offers a higher expected return. Whilst we intend to implement strategies designed to minimise potential losses, there can be no assurance that these strategies will be successful.	5
Credit risk	Credit risk is the risk that the issuer of a security fails to pay interest and principal in a timely manner.	5

2. Who is managing the Fund?

About Yarra Funds Management Limited

Yarra Funds Management Limited is licensed under the Corporations Act to act as responsible entity of the Fund. YFM is referred to throughout this PDS as the 'Responsible Entity', 'we', 'us' or 'our'. In this PDS, YFM and its related entities are referred to as the 'Yarra Capital Management Group'. Information on the Yarra Capital Management Group and our full range of products is available on our website www.yarracm.com.

We are responsible for operating the Fund in accordance with the Corporations Act and the constitution of the Fund ('Constitution'). You can inspect the Constitution at our Melbourne office or a copy can be made available to you by calling our **Investor Services team**. We issue Units in the Fund and are also subject to a range of obligations as an Australian financial services licensee.

We have appointed a custodian to hold the assets of the Fund. The role of the custodian is limited to holding the assets, acting on the instructions from us and providing certain administrative and accounting services.

3. How the Fund invests

3.1 Investment objective

Over the medium-to-long term, the Fund seeks to earn higher returns than traditional fixed income by investing in a highly diversified Floating Rate portfolio of predominantly Australian domiciled credit securities.

3.2 Investment strategy

The Fund's investment strategy is to invest in a multi-sector credit portfolio which blends higher risk-adjusted returns across both liquid and less liquid segments, with a strong home bias, predominantly in the Australian credit markets, hedged back to generate an Australian dollar Floating Rate portfolio.

The investment strategy aims to provide returns that are positively correlated to the performance of the Bloomberg AusBond Credit FRN 0+ Yr Index.

The Fund will be managed with the objective of generating an Australian dollar Floating Rate return profile. We aim to hedge any interest rate and currency exposures from associated fixed rate and foreign currency investments with derivatives.

The assets which the Fund may invest in or be exposed to include:

- Corporate bonds – investment grade
- Corporate bonds – high yield
- Syndicated Loans
- Mortgage and Asset-Backed Securities
- Private Debt
- Warehouse Facilities
- Covered Bonds
- Hybrid Securities
- Cash and cash equivalents

Where appropriate, derivatives will predominantly be used to manage exposure to certain risks (including interest rate, credit and currency risk – see section 5 for further detail on these risks). Derivatives may also be used to gain investment exposure.

The Fund does not use gearing and does not short sell securities as part of its investment strategy.

The Responsible Entity seeks to achieve the Fund's investment objective by employing an active, research driven approach, implementing both top down and bottom up investment strategies. Given the combination of complex security structures and limited quality research in the Australian fixed income market, our investment approach aims to take advantage of market inefficiencies and focuses on generating higher risk-adjusted returns for Unitholders.

3.3 Liquidity

No more than 20% of the Fund's portfolio will be invested in Less Liquid Assets.

The portfolio is managed to target appropriate liquidity for valid withdrawal requests to be processed daily, and generally paid within 19 Business Days from the Request Date (for requests that are accepted). However, we may take up to 90 days (assuming no suspension exists). See section 8.2 for further detail on withdrawals and section 8.4 for information regarding certain circumstances where redemptions may be suspended.

3.4 Investment philosophy

Our investment philosophy is based on three key principles:

- **It is possible to add value from active management.** Although markets are competitive, they are not perfectly efficient. We believe the disciplined application of quantitative and qualitative techniques enables the investment management process to systematically uncover and exploit sources of value.
- **A combination of qualitative and quantitative insights enhances results.** Economic theory must motivate any factor being considered for inclusion in our investment model, and empirical research must support that rationale.
- **Rigorous risk management adds value.** We believe risk management is as important as return forecasting in managing portfolios effectively. Credit's asymmetric risk profile demands sophisticated analytics and processes to detect and mitigate unintended active risk.

With respect to a diversified multi-sector credit portfolio, we believe that by applying a fundamental and research-driven investment approach within a defined risk management framework, we can exploit such market inefficiencies and add value from active management.

3.5 Environmental, social and ethical considerations and labour standards

We take environmental, social and ethical considerations and labour standards into account when assessing financial performance and in selecting, retaining or realising investments.

We take our responsibility as active investors seriously. We have been a signatory of the United Nations-supported Principles for Responsible Investment ('UN PRI') since October 2007[†] and continue to strive for improvement against the principles.

What we consider to be relevant to such environmental, social and ethical considerations and labour standards, and the extent to which we may consider these in our investment decision making process is not predetermined. These considerations may vary from time to time and/or on a case-by-case basis. Therefore, the extent to which such considerations and standards are taken into account when making decisions relating to selecting, retaining or realising our investments cannot be quantified.

[†] Goldman Sachs Asset Management Australia was the UN PRI signatory between October 2007 and December 2016. The Yarra Capital Management Group was established in 2017 following the 2016 management buyout of Goldman Sachs Asset Management's Australian-focussed investment capabilities.

4. What are the significant benefits?

An investment in the Fund may provide you with certain benefits in addition to exposing you to certain risks (see section 5 for further details of risks). You should consider your own objectives, financial situation or needs when determining whether the Fund is suitable for you, and seek advice by consulting an appropriately qualified professional adviser:

Diversification	The Fund aims to be a diversified income alternative that can be complementary to other asset classes, providing exposure to a pool of credit investments which blends higher risk-adjusted returns across both liquid and less liquid segments.
Regular, stable distributions	The Fund aims to provide Unitholders with monthly distributions, and capital stability over the medium term.
Professional management	Investing in the Fund gives you access to a specialist investment team, with extensive experience across all major asset classes (including core fixed income, credit, Hybrid Securities, and equities) in all market cycles.
Active Management	The underlying investments of the Fund are actively managed with the aim of achieving optimal risk/reward outcomes for the Fund.
Access to more investment opportunities and resources	By investing in the Fund, Unitholders can gain access to wholesale capital markets that are not ordinarily accessible by retail investors, and take full advantage of investment opportunities as they arise, using investment techniques, risk management procedures and advanced systems which are not easily replicated by retail investors.
Buying strength and convenient access	By investing in a managed fund, you are pooling your money with that of other investors. This means you can take advantage of the greater buying power and investment opportunities a large pool of money allows, even though you may have a comparatively small sum of money to invest. This means you may be able to access assets which you otherwise may not be able to if you were investing on your own.
No fixed term nor fixed or capped returns	The Fund has no fixed minimum term, nor is the return fixed or capped.

5. What are the significant risks?

When considering whether to invest in the Fund, you should be aware that:

- all investments carry risk;
- the value of your investment in the Fund may rise or fall;
- investment returns will vary, and future returns may differ from past returns;
- assets with the highest long term returns may also have the highest level of short term risk; and
- none of YFM, its related bodies corporate, or any other party, guarantees the performance or success of the Fund, any level of capital or other return from or the repayment of, investments in the Fund, and you may lose the money that you have invested in the Fund.

The level of acceptable risk will vary across investors and will depend upon a range of factors such as age, investment timeframe, your other investments and your risk tolerance. Prior to investing, you should consider the risks involved in investing in the Fund and whether the Fund is appropriate for your objectives, financial circumstances or needs. You should seek advice from a professional financial or taxation adviser before making a decision to invest in the Fund.

Below are some of the main risks that you will be exposed to through your investment in the Fund which have the potential to increase or decrease the value of your investment and returns. The risks listed here are not exhaustive. Other risks of investing in managed investment schemes may also apply. We employ risk management strategies, policies and procedures designed to reduce risks. However, there is no guarantee these strategies will be successful.

Call and extension risk	Call risk is the risk that an issuer of a security will decide to call or redeem prior to the expected maturity date. In doing so, the issuer has shortened the term of the maturity and the Fund may not be able to realise the yield initially expected. Extension risk is the risk that an issuer will decide not to call or redeem a security on the first possible call date. In doing so, the term of maturity may be extended and the Fund may not be adequately compensated for the extension.
Conversion and equity risk	Conversion risk is the risk that the relevant asset is converted into ordinary shares (resulting in a security ranking lower in the hierarchy of creditors), or converted at a reduced value. Equity risk is the risk that a security which is convertible or converting into ordinary shares may fall in value as the worth of the ordinary share falls.
Counterparty risk	This is the risk that the other party to a contract (such as a derivative contract or physical security trade) may fail to perform contractual obligations (in either whole or part), and the Fund may, as a result, incur a loss or other adverse investment outcome. Counterparties may include, among others, a custodian, brokerage and trading firms, and banks. While we use reasonable efforts to mitigate such risks by conducting appropriate due diligence when choosing counterparties and ensuring our risk management and compliance systems are robust, there can be no guarantee that transactions between counterparties will always be completed in the manner contemplated by, and favourable to, the Fund.
Country, legal, tax and regulatory risk	The Fund may be affected by the actions of governments and regulatory bodies (including tax and legal), and economic and political climates. Legislation (including legislation relating to tax) or regulation may be introduced which may have an impact on the Fund or on your investments.
Credit risk	Credit risk is the risk that the issuer of a security fails to pay interest and principal in full or in a timely manner or may not meet other financial obligations. This may reduce the value of the relevant underlying securities, which may in turn reduce the value of the Fund.
Derivative risk	The Fund may use derivatives predominantly to hedge the risk of the underlying securities, to manage returns or for managing foreign currency funding positions. Derivatives may also be used to gain investment exposure. The value of a derivative is linked to the value of an underlying asset and can be volatile. Risks associated with using derivatives could include the value of the derivative failing to move in line with that of the underlying asset, potential illiquidity of the derivative, the Fund not being able to meet payment obligations as they arise or the risk that the other party with whom the derivative contract is held will fail to perform its contractual obligations.
Fund risk	There are risks of investing in the Fund rather than investing directly in individual securities. Investing in the Fund may produce different results than investing directly because of income or capital gains accrued in the Fund and the consequences of investments and withdrawals by other Unitholders. This can be magnified where a few Unitholders (or a single Unitholder) hold a substantial interest in the Fund. In such a scenario, large withdrawals from those Unitholders may cause us to consider fee and expense increases, suspend applications and withdrawals in the Fund, and/or terminate the Fund.

Fund risk (cont)	<p>The Fund may be constrained by the amount of money that we believe can be accepted without compromising the efficient management of the Fund. To ensure the Fund remains efficient and competitive, we have the discretion to close the Fund to new investments (including from existing Unitholders) from time to time. Conversely, the Fund may not be able to be efficiently managed if the value of its assets is low. This may result in termination of the Fund.</p> <p>If the Fund was to be liquidated, the Fund's general creditors (including but not limited to us) would rank ahead of Unitholders for payment (see section 9.11 'Termination' for further detail).</p>
Foreign currency risk	<p>Foreign currency risk represents the risk that the Fund may make a loss when the exchange rate rises or falls. This may occur if the Fund has any unhedged exposure to foreign currency assets or liabilities. Although the Fund intends to hedge foreign currency risk, there can be no guarantee that the currency exposure of the Fund will be hedged at all times and the Fund may still have some residual exposure to foreign currency risks. Further, while hedges can reduce potential losses, they can also reduce potential profits.</p>
Interest rate risk	<p>Interest rate risk represents the risk that the value of the Fund may be adversely affected when interest rates rise or fall. Typically, if interest rates increase, the price of fixed rate securities will fall. Floating Rate instruments, which have their coupons adjusted on a regular basis, will be generally less sensitive to interest rate movements. Although the Fund intends to hedge interest rate risk, there can be no guarantee that the exposure of the Fund will be hedged at all times and the Fund may still have some residual exposure to interest rate risk. Further, while hedges can reduce potential losses, they can also reduce potential profits.</p>
Investment specific risk	<p>This refers to the inherent risk of an investment made by the Fund (e.g. an investment in a particular issuer's debt) that could adversely impact the Fund's performance.</p>
Liquidity risk	<p>There is the risk that a particular security will not be able, or not easily be able, to be liquidated at or near the previous market price, due to inadequate market depth, or disruptions in the marketplace. These circumstances could prevent the Fund from liquidating positions promptly and could subject the Fund to substantial losses. There is also a risk that the Fund may become illiquid, at which time the Responsible Entity would not be able to offer withdrawals from the Fund on a daily basis, and would only be able to offer withdrawals pursuant to the Corporations Act (see also 'Withdrawal risk' below).</p>
Market risk	<p>The Fund may experience investment losses due to factors that affect the overall performance of the financial markets in which the Fund invests. These events may include changes in spreads, macro-economic, regulatory, social and political conditions, weather events, along with changes in technology, the environment and market sentiment.</p>
Withdrawal risk	<p>While we aim to satisfy any withdrawal request that has been accepted within 19 Business Days from the Request Date, Unitholders should be aware that we do not guarantee that withdrawal proceeds will be paid within 19 Business Days. The Constitution allows the Responsible Entity up to 90 days from the Request Date to satisfy a withdrawal request that has been accepted.</p>

6. Fees and costs

Consumer Advisory Warning

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 fees. Ask the fund or your financial adviser.

TO FIND OUT MORE

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

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

Fees and other costs

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole. Taxes are set out in another part of this document. You should read all the information about fees and costs because it is important to understand their impact on your investment.

6.1 Fees and costs summary

Yarra Higher Income Fund		
Type of fee or cost	Amount ¹	How and when paid
Ongoing annual fees and costs		
Management fees and costs The fees and costs for managing your investment	0.65% p.a. of the net asset value of the Fund. This is comprised of: <ul style="list-style-type: none"> ■ A management fee of 0.65% p.a. of the net asset value of the Fund². ■ Expense recoveries of 0.00% p.a. of the net asset value of the Fund³. ■ Indirect costs of 0.00% p.a. of the net asset value of the Fund⁴. 	Management fees and costs comprise management fees, expense recoveries and indirect costs. Management fees and expense recoveries (if any) are calculated daily and charged to the Fund before determining Unit prices. They are paid quarterly by the Fund following the end of each quarter. Indirect costs are charged as and when incurred by the Fund.
Performance fees Amounts deducted from your investment in relation to the performance of the product	Not applicable.	Calculated daily and is paid quarterly in arrears.
Transaction costs The costs incurred by the scheme when buying or selling assets	0.01% p.a. of the net asset value of the Fund ⁵ .	Transaction costs incurred are deducted from the assets of the Fund as and when they are incurred.
Member activity related fees and costs (fees for services or when your money moves in or out of the product)		
Establishment fee The fee to open your investment	Not applicable.	
Contribution fee The fee on each amount contributed to your investment	Nil.	
Buy/sell spread An amount deducted from your investment representing costs incurred in transactions by the scheme	+0.10% / -0.10%.	The buy/sell spread is paid when your money moves in or out of the Fund.
Withdrawal fee The fee on each amount you take out of your investment	Not applicable.	
Exit fee The fee to close your investment	Not applicable.	
Switching fee The fee for changing investment options	Not applicable.	

'Not applicable' means there is no right for the fee to be charged by the Responsible Entity. 'Nil' means the fee is permitted under the Constitution but currently the fee is not charged.

- 1 Subject to limits in the Fund's constitution, we may increase fees charged (including management fees) without Unitholders' consent, in which case we would give Unitholders at least 30 days' prior notice.
- 2 Certain sophisticated and/or professional investors may negotiate a rebate in respect of the management fee. See 'Professional investors' under section 6.2 'Additional explanation of fees and costs' for further detail.
- 3 At present, no expenses are charged to the Fund as all Fund expenses are borne by YFM without being charged to Unitholders. However, YFM reserves the right to cease paying for those expenses in the future where it is no longer economical for us to do so. Should this occur, the Fund's management fees and costs may increase.
- 4 The indirect costs amount is calculated based on an estimate of the indirect costs that will apply for the current financial year. Any increase to indirect costs charged to the Fund in the future will increase management fees and costs.
- 5 Transaction costs shown in the Fees and costs summary are net of costs recovered from the application of the buy/sell spread to transacting investors. For more information on transaction costs please go to 'Section 3. Fees and costs' in the 'Important Additional Information' document available at www.yarracm.com/ibrinformation.

The table does not include any additional fees that your financial adviser or Platform Operator may charge you. Please refer to 'Monetary benefits to Platform Operators' under section 6.2 'Additional explanation of fees and costs' for further information.

Example of annual fees and costs for the Fund

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

EXAMPLE - Yarra Higher Income Fund	BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR	
Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management fees and costs	0.65% p.a.	And , for every \$50,000 you have in the Fund you will be charged \$325 each year.
PLUS Performance fees	0.00%	And , you will be charged or have deducted from your investment \$0 in performance fees each year.
PLUS Transaction costs	0.01% p.a.	And , you will be charged or have deducted from your investment \$5 in transaction costs.
EQUALS Cost of Higher Income Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of \$330 ¹ . What it costs you will depend on the investment option you choose and the fees you negotiate.

¹ Assumes \$5,000 investment occurs on last business day of the year and a constant investment balance and management fees and costs. Additional fees and costs may apply, such as the buy/sell spread and fees charged by your Platform provider (if any).

Please note the amounts above are indicative and may not reflect the actual costs of investing in the class.

All references to the management fees and costs are quoted inclusive of the net impact of GST to the Fund (i.e. any GST payable has been reduced by any input tax credits or reduced input tax credits, where applicable) at the rates applying on the date of this PDS. All other fees and charges are quoted in this PDS inclusive of GST less input tax credits where applicable, unless otherwise stated.

Warning: Additional fees may be paid by you to a financial adviser if you have consulted one. Please refer to the Statement of Advice (if any) provided to you by your financial adviser.

6.2 Additional explanation of fees and costs

Goods and services tax ('GST')

The Fund may be required to pay GST on management and other fees and expenses. However, where available, the Fund will claim input tax credits for the GST incurred. All references to fees are quoted inclusive of the net impact of GST to the Fund (i.e. any GST payable has been reduced by any input tax credits or reduced input tax credits, where applicable), at the rates applying on the date of this PDS. All other fees and charges are quoted in this PDS inclusive of GST less input tax credits where applicable, unless otherwise stated.

Breakdown of the management fees and costs

The management fees and costs comprise:

- management fees;
- certain expense recoveries charged to the Fund (if any) and, if applicable, the Fund's proportion of certain expenses of any interposed vehicles; and
- indirect costs.

It does not include:

- where applicable, any buy and sell spreads; and
- certain transaction costs (see below).

The following provides more information on the management fees and costs (which are reflected in the table under section 6.1 'Fees and other costs') charged by the Fund as allowed by the Constitution. These are not additional fees.

a. Management fees

We receive an annual management fee calculated as a fixed percentage of the net asset value of the Fund. At present, the management fee is 0.65% p.a. of the net asset value of the Fund, and is calculated daily and paid quarterly in arrears out of the assets of the Fund.

Under the Constitution, the maximum management fee that can be charged (unless Unitholders approve an amendment to the terms of the Constitution by special resolution) is 5.00% p.a. of the total value of the Fund assets. We may increase the management fees charged up to the maximum management fee in the Constitution without Unitholders' consent, in which case we would give Unitholders at least 30 days' prior notice.

b. Expense recoveries

The Fund will incur certain expenses and administration costs which may include custodian fees, audit fees, investment management and fund administration fees. These expenses and costs may be paid directly by the Fund or by us and reimbursed to us by the Fund on a quarterly basis.

At present, no expenses are charged to the Fund as all Fund expenses are borne by YFM without being charged to Unitholders. However, this may change in the future (see paragraph (d) below for further details).

c. Indirect costs

In general, indirect costs are any amounts that we know, or reasonably ought to know, will directly or indirectly reduce the returns on a Fund, or reduce the amount or value of, the income or assets of a Fund (including an underlying investment of the Fund). These costs are not directly charged or retained by us. Indirect costs are reflected in the Unit price of your investment in the Fund. Indirect costs may include fees charged by interposed vehicles, including custody fees, or costs associated with investing in over-the-counter ('OTC') derivatives (other than for managing risk).

The Fund did not invest in OTC derivatives in the previous financial year. However, the Fund has the capability to use OTC derivatives to gain investment exposure to certain assets and may do so in the future. When the Fund does so, indirect costs incurred in the future will increase.

d. Could the management costs increase?

At present, no expenses are charged to the Fund as all Fund expenses are borne by YFM. We reserve the right to cease paying for expenses in the future where it is no longer economical for us to do so.

Indirect costs may also increase in the future.

Should either of these occur:

- the Fund's management costs will increase (but we will provide you with at least 30 days' prior notice); or
- we may advise you of our intention to terminate the Fund.

Professional investors and differential fees

We may negotiate rebates of our management fees with certain sophisticated or professional (i.e. wholesale) investors (as defined in the Corporations Act), provided such arrangements do not adversely affect the fees paid or to be paid by other Unitholders who are not entitled to those arrangements.

These arrangements reflect terms privately agreed between us and each sophisticated or professional investor. We will be under no obligation to make arrangements on these terms available to all other investors (including other sophisticated or professional investors). Please contact our **Investor Services team** (see section 10 'Office of the Responsible Entity' for details) to discuss this matter further, including the manner of such negotiation.

Transaction costs

The Fund may incur transaction costs, such as brokerage, settlement costs, custody costs on settlement, certain government taxes and other costs associated with dealing in the underlying investments such as costs associated with investing in OTC derivatives that are used for the purpose of managing risk. These costs are not included in management fees and costs and are an additional cost to the investor where it has not already been recovered by the buy-sell spread charged. They are not additional fees charged by us. The gross transaction costs incurred by the Fund for the year ended 30 June 2022, expressed as a percentage of the total average net assets of the Fund was 0.01%.

All or a portion of the transaction costs may be recovered by the buy and sell spreads (see below) charged to Unitholders who invest in or withdraw from the Fund. The remainder of these costs, if any, are borne out of the assets of the Fund, as and when incurred.

The amount of these transaction costs will vary from year to year depending on the volume and value of transactions of the underlying assets and the brokerage that is charged. The Fund did not invest in OTC derivatives in the previous financial year, but we anticipate that the Fund may use OTC derivatives in the future to manage risk. This may increase the transaction costs incurred by the Fund in the future.

Buy and sell spreads

If you make contributions to or withdrawals from the Fund, the Fund may need to buy or sell assets and incur associated transaction costs. These charges tend to vary between different asset classes and different countries. In order to reduce the risk of other Unitholders being penalised when one Unitholder invests in or withdraws from the Fund, and to help cover any other transaction costs incurred in the operation of the Fund, we may apply a buy and sell 'spread'.

The monetary value of the spread stays in the Fund to cover transaction costs – it is not a fee paid to us.

The buy/sell spread is an additional cost to the Unitholder. The buy spread is the percentage amount that is included in and which increases the Unit price payable on contributions into the Fund. The sell spread is the percentage amount included in and which decreases the Unit price payable on withdrawals from the Fund. The buy and sell spreads provided are estimates only of the transaction costs, as it is not possible to determine in advance the exact costs each time a Unitholder invests in, or withdraws from, the Fund.

The buy/sell spread paid in dollar terms is affected by the roundings which are built into the calculation of the issue or withdrawal Unit price (as applicable), and the rounding applied to the applications or withdrawals.

For example, a \$50,000 investment into the Fund with a 0.10% buy spread will indirectly incur a cost of approximately \$50. The actual amount will vary due to the roundings built into the calculation of the issue Unit price and the rounding applied to your application. A similar cost will apply for withdrawals in respect of a sell spread.

In determining the estimated buy and sell spreads, we consider what the actual costs have been in the past and accordingly, these costs may change over time.

As at the date of this PDS, the spread applied both on applications to the Fund (buy spread) and on withdrawals from the Fund (sell spread) is +/- 0.10%. We reserve the right to alter these spreads.

Other fees and costs

The Constitution provides for a contribution fee of up to 5.00% of the value of each application to invest in the Fund. At present no contribution fees are charged. However, we may increase contribution fees charged up to the maximum contribution fee in the Constitution without Unitholders' consent, in which case we would give Unitholders at least 30 days' prior notice.

Unit Pricing Discretions Policy

We maintain a Unit Pricing Discretions Policy regarding how we will exercise the discretions reserved to us in the Constitution in relation to the calculation of Unit issue (buy spread) and withdrawal prices (sell spread) on the future issue and withdrawal of Units (including how we determine the value of Fund assets). We also record any exercise of our discretion in relation to Unit prices which is outside the scope of, or inconsistent with, this Unit Pricing Discretions Policy ('Additional Discretions'). A copy of this policy and instances of our use of Additional Discretions (if any) are available from us on request, at no charge, by contacting our **Investor Services team** (see section 10 'Office of the Responsible Entity' for contact details).

Monetary benefits to Platform Operators

To the extent permitted by law, YFM may pay fees to Platform Operators where they include one or more of our managed investment schemes on their menu. These fees are not a separate charge to you or the Fund.

Alternative forms of remuneration

We may participate in sponsorship of certain industry events on a commercial basis and we may from time to time enter into arrangements to accept research services in return for brokerage placements. Where such arrangements are in place, they are not an additional cost to you or the Fund. We will not pay any remuneration if it is prohibited by the law. We have a number of written internal policies which dictate circumstances in which we can and cannot participate in alternative forms of remuneration. We only ever participate in alternative forms of remuneration where it is in accordance with such policies.

Tax

See section 7 'Taxation' for further information on the tax consequences of investing in the Fund.

7. Taxation

Warning: Investing in a managed investment scheme is likely to have tax consequences. It is strongly recommended that investors obtain tax advice from their professional advisers, particular to their own circumstances, prior to investing in or otherwise dealing with their Units.

The following information is general in nature only and not an exhaustive statement of all relevant tax laws. It does not take into account your specific tax circumstances and is relevant to Australian investors only, unless otherwise noted.

Taxation of the Fund

The Fund will be an Australian resident trust for Australian income tax purposes and the income of the Fund should 'flow through' to Unitholders on the basis that:

- where the Fund is not an Attribution Managed Investment Trust ('AMIT'), Unitholders will be presently entitled to the income of the Fund each financial year; or
- where the Fund is an AMIT, Unitholders will have income 'attributed' to them.

On this basis, the Fund itself should not pay any Australian income tax. The Constitution contains drafting that allows the Fund to make an election to become an AMIT. The Responsible Entity has elected to adopt the AMIT regime for the Fund as it satisfies the criteria to qualify as an AMIT.

If the Fund incurs a tax loss, that tax loss cannot be passed on or attributed to Unitholders for income tax purposes. However, any tax losses can be carried forward by the Fund and, subject to the Fund satisfying various requirements, can be offset against relevant assessable income derived by the Fund in a later year.

If the Fund qualifies as a Managed Investment Trust ('MIT'), the Fund may make an irrevocable election to apply deemed 'capital account' treatment for gains and losses on disposal of certain investments for income years to which the election applies. Where the Fund satisfies the requirements of a MIT, the Responsible Entity has determined the appropriateness of the deemed capital account treatment in respect of qualifying assets of the Fund, and where appropriate, has made such an election.

Going forward, the Responsible Entity will monitor the Fund's MIT status on an annual basis.

Taxation of individual resident Unitholders

The distribution or attribution of income to Unitholders may comprise various amounts, including Australian sourced and foreign sourced dividends, interest, capital gains, revenue gains, franking credits, foreign income tax offsets, any cost based adjustments relevant for MITs or AMITs, and may also include a return of capital. The Responsible Entity will arrange for Unitholders to receive an annual tax statement setting out the components of their distributions in respect of that year. The sum of these components may differ to the amount of cash distribution that Unitholders receive.

Unitholders will be assessed on their share of the net taxable income of the Fund in the income year to which their entitlement relates (or that is attributed to them if the Fund is an AMIT) even though the distribution may only be received in the following year and irrespective of whether the income is reinvested into additional Units.

The Fund may distribute or attribute franked dividends and foreign sourced income. Subject to the requirements of the tax law, a Unitholder may be entitled to a tax offset for any franking credit on the franked dividends and a foreign income tax offset ('FITO') in respect of foreign income on which foreign tax has been paid. These credits and FITO amounts are not cash receipts but will generally be included in the calculation of a Unitholder's taxable income. Depending upon particular circumstances, a Unitholder may be able to offset these credits/FITOs against their Australian tax liability or, in the case of franking credits, certain Unitholders may be paid a refund if the franking credits exceed their total tax liability. Any FITOs that cannot be utilised in an income year are forfeited and cannot be carried forward.

Where the Fund makes a distribution or attribution which includes a discounted net capital gain, Unitholders may be required to gross up the net capital gain (that is, multiply the discounted capital gain by two in order to add back the effect of the capital gain tax discount, if any). Unitholders may then apply any capital losses they have to reduce the grossed up capital gain. Where applicable, Unitholders may be able to apply the capital gains tax discount (50% for individuals and certain trusts, and 33.33% for complying superannuation funds) to arrive at their net capital gain. This amount should be included in the calculation of the Unitholder's taxable income.

Where investors hold Units in the Fund through a Platform and have absolute entitlement to the Units in the Fund as against the Platform, for capital gains tax purposes, the relevant investor is regarded as holding the Units in their own capacity. Investors should seek independent professional advice as to whether or not they have absolute entitlement.

The withdrawal or transfer of Units will generally constitute a disposal for capital gains tax purposes. Where the Units have been held for at least 12 months, any gain made on the disposal may be eligible for the capital gains tax discount.

Investors should obtain specific professional advice about the availability of the capital gains tax discount.

Where the Fund is not an AMIT, the distribution of certain amounts (typically tax deferred amounts or where the cash distribution exceeds the amount of the distribution that is subject to tax), will reduce the Unitholders' cost base of their Units. In the case of an AMIT, Unitholders' cost base of their Units may be reduced or increased. This generally depends on the difference between the amounts paid and the amounts attributed by the AMIT to the Unitholders. Any cost base adjustments will alter the assessable capital gain or capital loss the Unitholders will make when they ultimately dispose of their Units. If the cost base of the Units is reduced to nil, any further cost base reductions will result in the Unitholders deriving a capital gain at that point in time.

Taxation of non-resident Unitholders

Distributions or attribution of income to non-resident Unitholders may have tax withheld by the Responsible Entity. The rate of withholding will depend on the nature of the amount distributed or attributed, whether the Fund is a withholding MIT, the address for payment and the Unitholder's country of residence. Non-resident Unitholders may be entitled to a credit in their country of residence for the Australian tax withheld. Non-resident Unitholders should seek specific tax advice in their home country.

Non-resident Unitholders should generally not be subject to Australian tax on capital gains realised on the withdrawal or transfer of Units in the Fund, unless the market value of the Fund is predominantly attributable to interests in real property and the Unitholder holds a non-portfolio interest (10% or more interest) in the Fund.

Taxation reform

The Australian tax system is in a continuing state of reform. Any reform to the tax system creates a degree of uncertainty, whether it is uncertainty as to the full extent of announced reforms, or uncertainty as to the meaning of new law that is enacted pending interpretation through the judicial process.

Tax reforms may impact on the tax position of the Fund and its Unitholders. The Responsible Entity will continue to monitor the impact of tax reforms on the Fund. In addition, investors should also closely monitor the progress of these reforms, and in this context, it is strongly recommended that investors seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Fund.

Tax File Number ('TFN'), exemption and Australian Business Number ('ABN')

It is not compulsory for Unitholders to quote their TFN or claim an exemption, however if they do not, the Responsible Entity is required to deduct tax at the highest marginal rate plus any applicable levies such as the Medicare levy from any income payable to the Unitholder. If a Unitholder has an ABN and is making this investment in the course of a business carried on by the Unitholder, they may wish to quote their ABN rather than their TFN.

Withholding tax under FATCA

Pursuant to US withholding provisions commonly referred to as the Foreign Account Tax Compliance Act ('FATCA'), certain payments of US source fixed or determinable, annual or periodic income, certain payments made of gross proceeds from the sale or other disposition of property that could produce US source interest or dividends, and certain payments (or a portion thereof) made by a foreign financial institution to a foreign financial institution or other foreign entity may be subject to a withholding tax of 30% unless it is compliant with various reporting requirements under FATCA. The United States has entered into an intergovernmental agreement with the Government of Australia regarding the implementation of FATCA by Australian financial institutions (the 'Australia IGA'). Under FATCA and the Australia IGA, the Fund will be treated as a 'foreign financial institution'. As a foreign financial institution, in order to be compliant with FATCA, the Responsible Entity on behalf of the Fund will be required to register with the IRS and will need to, among other requirements: obtain and verify information on all of its Unitholders to determine which Unitholders are 'Specified U.S. Persons' (i.e., U.S. persons for U.S. federal income tax purposes other than tax-exempt entities and certain other persons) and, in certain cases, non-U.S. persons whose owners are Specified U.S. Persons ('U.S. Owned Foreign Entities'); and annually report information on its Unitholders that are non-compliant with FATCA, Specified U.S. Persons and U.S. Owned Foreign Entities to the Commissioner of Taxation of the Australian Taxation Office (the 'Australian Commissioner'). The Australian Commissioner will exchange the information reported to it with the IRS annually on an automatic basis. No assurances can be provided that the Fund will be exempt from this 30% withholding tax.

Any Unitholder that fails to produce the required information or is otherwise not compliant with FATCA may be subject to 30% withholding on all or a portion of any income or distribution made by the Fund. Moreover each Unitholder that is a Specified U.S. Person should be aware that, as a result of an investment in the Fund, the IRS may be provided information relating to such Unitholder, pursuant to the provisions of the Australia IGA, directly or indirectly by the Fund.

These rules are unlikely to have any financial impact on Unitholders who are not US citizens and can sufficiently demonstrate their Australian tax residence.

Organisation for Economic Cooperation and Development Common Reporting Standard

Each Unitholder should be aware that Australia has implemented the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (the 'CRS'). To comply with the CRS requirements, we are required to collect additional information from Unitholders. This information, including personal identifiers and details about a Unitholder's investment in the Fund, may be reported to the Australian Commissioner. The Australian Commissioner will exchange that information annually with the tax authorities of jurisdictions that sign and implement the CRS in which those Unitholders are tax resident. Each Unitholder should be aware that, as a result of an investment in the Fund, the tax authorities in the Unitholder's jurisdiction of tax residence may be provided information relating to such Unitholder, pursuant to the CRS, directly or indirectly by the Fund.

We are prohibited from processing an application until all of the information and supporting documentation to comply with the CRS requirements is provided to us.

THIS SUMMARY DOES NOT PROVIDE LEGAL, TAX OR ACCOUNTING ADVICE. CLIENTS SHOULD OBTAIN TAX ADVICE BASED ON THEIR PARTICULAR SITUATION.

8. Applications, withdrawals and distributions

8.1 How to invest in the Fund

When you invest in the Fund you are issued with Units. Your Units represent a beneficial interest in the Fund's assets as a whole. Your investment is not a direct investment in specific Fund assets.

How to apply for Units

For an initial investment, you must complete and sign the Application for Investment Form accompanying this PDS and you may also be required to provide certified copies of supporting identification documentation. For additional investments, you must complete and sign the Additional Investment Form. These forms are only applicable to investors investing in the Fund directly. If you are a Platform Investor, you should not fill out any of our forms and should contact your Platform Operator.

Investors must make a minimum initial investment of \$10,000. Please note that we can vary the minimum initial investment amount from time to time. There is no minimum additional investment amount.

Applications for Units may be made daily. We reserve the right not to accept (wholly or in part) any application (with or without reason). If we refuse to accept an application, any application monies received from you will be returned to you without interest. Units issued are void if application monies for the Units are not subsequently cleared.

You must maintain a minimum investment balance of 1,000 Units or \$1,000 (whichever is less). Please see section 8.2 'Withdrawals' regarding our discretion to compulsorily redeem your Units where the minimum investment balance is not maintained.

Issue price

The issue price applicable to a valid application for Units will be:

- where we accept a valid application on or before 2:00pm on a Business Day, the relevant price as at the close of business on that day; and
- where we accept a valid application after 2:00pm on a Business Day, the relevant price as at the close of business on the following Business Day.

A 'valid application' for Units must include all client identification or information that we consider necessary to satisfy our obligations under AML/CTF Law.

See section 8.3 'Unit pricing' for further details.

8.2 Withdrawals

How to make withdrawals[†]

To withdraw all or part of your investment, your withdrawal request must be lodged with the **Investor Services team** (see section 10 'Office of the Responsible Entity' for details) by:

- lodging a completed withdrawal request by:
 - written request, or
 - facsimile (see 'Use of telephone and facsimile information and facsimile withdrawal facilities – terms and conditions' below for specific terms and conditions that apply to facsimile withdrawals); and
- satisfying all client identification and verification procedures that we consider necessary.

We reserve the right not to accept (wholly or in part) any withdrawal request (with or without reason) at our absolute discretion.

Upon receiving a valid withdrawal request, we have 7 Business Days after the Request Date to accept or refuse your request. If we refuse your withdrawal request (in whole or in part), we will notify you as soon as practicable of the decision.

Where your withdrawal results in an account balance below the lesser of \$1,000 or 1,000 Units, we may treat the request as being for all of your Units.

Withdrawal price

The withdrawal price applicable to a valid withdrawal request will be:

- where we receive a valid withdrawal request on or before 2:00pm on a Business Day, and the withdrawal request is accepted, the relevant price as at the close of business on that day; or
- where we receive a valid withdrawal request after 2:00pm on a Business Day, and the withdrawal request is accepted, the relevant price as at the close of business on the following Business Day.

A 'valid withdrawal request' must include all client identification or information that we consider necessary to satisfy our obligations under AML/CTF Law.

[†] Please note, for your security, we do not accept withdrawal instructions by telephone or email. To protect Unitholders against fraudulent activities, we do not generally accept directions to pay withdrawal proceeds to third parties.

When withdrawal proceeds will be paid

Where a valid withdrawal request is received in accordance with the procedures set out above (and we have accepted the request), withdrawal proceeds are usually paid within 19 Business Days from the Request Date.

However, the Constitution gives the Responsible Entity up to 90 days to pay the withdrawal proceeds (assuming no suspension exists – see section 8.4 ‘Suspension of applications and withdrawals’ below). The following sets out examples of two valid withdrawal requests that have been received, and the relevant timeframes for the withdrawal proceeds to be satisfied.

Date valid withdrawal request is received by Yarra	Applicable withdrawal price date	Withdrawal proceeds usually paid by	Withdrawal proceeds must be paid by
1 March, on or before 2:00pm	Close of business as at 1 March	29 March	30 May
1 March, after 2:00pm	Close of business as at 2 March	30 March	31 May

The examples above assume that no suspension exists, and that there is one Melbourne public holiday.

Where withdrawal proceeds are paid

We will direct credit withdrawal proceeds to your nominated bank or financial institution account in Australia.

The Constitution provides that your withdrawal proceeds will include a capital and, if we in our discretion determine, an income component. Withdrawal proceeds will generally be comprised of a capital component only, unless we consider a particular withdrawal request is a significant proportion of the total value of the Fund.

Use of telephone and facsimile information and facsimile withdrawal facilities – terms and conditions

You may request certain information in relation to your investment by telephone provided you meet our caller verification requirements. You may request to withdraw Units from your investment or request information in relation to your investment by way of facsimile transmission to the **Investor Services team** (see section 10 ‘Office of the Responsible Entity’ for details). By making any such request you agree to be bound by the terms and conditions relating to the use of a facility as set out below. The following terms and conditions apply if you elect to use the telephone information facility or facsimile information and withdrawal facility (‘Facility’):

- a. Neither you, nor any person on your behalf, has any claim against the Fund, us or any of our officers, employees or directors, in relation to the following:
 - i. the use or purported use of a Facility by you or any other person;
 - ii. a breach by you or any other person of any of the terms and conditions of a Facility; and/or
 - iii. any payments made or purported or omitted to be made, or any action taken or purported or omitted to be taken in relation to a Facility, regardless of whether the claim arises from an unauthorised use of a Facility, except in cases where the claim is attributable to our negligence or fraud.
- b. You indemnify and release and discharge us, our officers, directors and employees from and against all claims and all costs or expenses (including legal expenses on a full indemnity basis) incidental to such claims or incurred in respect of claims, whether made by you or any other person, arising out of the following:
 - i. the use or purported use of a Facility by you or any other person;
 - ii. a breach by you or any other person of any of the terms and conditions of a Facility; and/or
 - iii. any payments made or purported or omitted to be made, or any action taken or purported or omitted to be taken in relation to a Facility, regardless of whether the claim or loss arises from an unauthorised use of a Facility, except to the extent that the claim is attributable to our negligence or fraud.
- c. You must safeguard all information required by us to either access your account information using a Facility or transact on your account using the facsimile withdrawal facility in order to avoid any fraudulent or unauthorised use of a Facility and you must immediately notify us if you believe any such information has been disclosed to another person or stolen.
- d. We may assume that a person who claims to be acting on your behalf (a third party) and who claims to have your authority and is able to give us sufficient information, is in fact acting on your authority, unless you have acted strictly in accordance with term (c) above.
- e. We may vary these terms and conditions regarding use of a Facility by giving you written notice of the variations.
- f. By giving notice, we may terminate your right to use a Facility.

You may only change account details in relation to your investment if you send an original, signed instruction to the **Investor Services team** (see section 10 ‘Office of the Responsible Entity’ for details).

Compulsory withdrawals

Under the Constitution, we may, in our absolute discretion after giving at least 5 Business Days’ notice, redeem some or all Units held by a Unitholder or all Unitholders in the Fund.

8.3 Unit pricing

Unit pricing will generally be calculated every Business Day in accordance with the Constitution and our Unit Pricing Discretions Policy (see section 6.2 'Additional explanation of fees and costs' for more details), although we may price more or less frequently in our absolute discretion.

How are Unit prices calculated?

The issue or withdrawal price is calculated by:

- establishing the net asset value of the Fund which is generally based on the daily market value of its assets and undistributed income after deducting liabilities such as fees and expenses;
- increasing (or decreasing) the net asset value of each Unit by the buy (or sell) spread;
- dividing the resulting amount by the number of Units on issue to determine the net asset value of each Unit; and
- rounding the price up (or down), to the nearest 1/100th of a cent.

8.4 Suspension of applications and withdrawals

We may suspend applications or withdrawal requests for Units in certain circumstances as set out in the Constitution, including:

- where it is impracticable to calculate the net asset value of the Fund; or
- where we reasonably consider that to do so is in the interests of Unitholders.

We may also suspend withdrawal requests for Units where we reasonably estimate we must sell 10% or more (by value) of all Fund property to meet current unmet withdrawal requests. In these circumstances, you may not be able to apply for or withdraw your Units within the usual period.

8.5 Interest earned

We are entitled to receive and will keep any interest paid in respect of monies held from time to time in the trust accounts established for applications, distributions and withdrawals.

8.6 Payment errors

In the event that we make an error in the processing of a Unitholder application or withdrawal request, we reserve the right to amend the error on discovery.

In the event we make an error by crediting an amount to your account to which you were not entitled, we reserve the right to recover any such amounts.

8.7 Investor identification requirements

As a general rule you will need to provide supporting identification documentation:

- if you do not have any existing accounts with us; or
- if you do have existing accounts with us, but want to open an additional account:
 - that will be in a different name to the existing accounts (for example, in your family company's name or a joint account with someone else who does not have an existing account with us); or
 - that will be in a different capacity to the existing accounts (for example, as trustee for a trust, a deceased estate or a person under the age of 18, or on behalf of an unincorporated association).

You may also be required by us to provide supporting identification documentation in certain other circumstances. Please see section 8.9 'AML/CTF Law' for further details.

Platform Investors and investors investing via a financial adviser should check with their Platform Operator or adviser (as applicable) whether supporting identification documentation is required, as we may have made other arrangements with them.

8.8 US Persons

Units in the Fund are not available for purchase by persons or investors in the United States of America or by any other 'US Persons' as defined in Regulation S under the US Securities Act 1933 as amended ('US Persons').

The Units offered under this PDS have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States or to US Persons.

The term 'US Person' includes:

- a. any natural person resident in the United States of America;
- b. any partnership or corporation organised or incorporated under the laws of the United States of America;
- c. any estate of which any executor or administrator is a US Person;
- d. any trust of which any trustee is a US Person;
- e. any agency or branch of a foreign entity located in the United States of America;
- f. any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US Person;

- g. any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the United States of America; and
- h. any partnership or corporation if:
 - i. organised or incorporated under the laws of any foreign jurisdiction; and
 - ii. formed by a US person principally for the purpose of investing in securities not registered under the US Securities Act of 1933, as amended (the 'securities Act'), unless it is organised or incorporated and owned by 'accredited investors' (as defined in Rule 501(a) under the securities Act) who are not natural persons, estates or trusts.

8.9 AML/CTF Law

As part of anti-money laundering and counter-terrorism financing responsibilities required by AML/CTF Law, we may request that a potential investor or Unitholder provide any information we reasonably require to verify the identity of the investor or Unitholder, the identity of any underlying beneficial owner of Units, or the source or destination of any payment to or from the Fund. If an investor does not provide such information or delays in doing so, we may not be able to accept an application for Units, refuse to accept an application for Units or may suspend payment of withdrawal proceeds payable to a Unitholder. If an application for Units is not accepted for this reason, the Responsible Entity may hold application monies in an applications bank account until we receive the required information. Application monies are typically held for a maximum period of one month commencing on the day we receive the application monies and will be returned (without payment of interest) to the source of payment after this period.

8.10 Distributions

Under the Constitution, the Fund may pay a distribution at any time. The Fund intends to pay distributions monthly. However, there may be some distribution periods where a distribution is not paid. Your distribution entitlement will be determined with reference to the number of Units you hold as at the end of a distribution period.

How can you receive distributions?

You may elect either to:

- reinvest your distribution entitlement in additional Units in the Fund; or
- receive your distribution entitlement by direct credit to your nominated bank or financial institution account in Australia.

Please nominate your preferred method of receiving distributions in your Application for Investment Form. If you do not make a choice, your distribution proceeds will be reinvested in the Fund. Where distribution entitlements are reinvested, the reinvestment Unit price will be based on the net asset value of the Fund (after deducting the value of the distributions being paid) as at the close of business at the end of the distribution period. No buy spread is applied by us when determining the reinvestment price.

We do not accept directions to pay distribution proceeds to third parties. Where, within a reasonable period of time, we are unable to successfully credit your nominated bank account and we are unable to contact you, we can reinvest your distribution proceeds in additional Units in the Fund at the relevant Unit issue price on that day when the monies are returned to the Fund.

9. What else do I need to know?

9.1 Holding of Fund assets

We have appointed a custodian to hold certain assets of the Fund. The role of the custodian is limited to holding the assets, acting on our instructions and providing certain administrative and accounting services. We will hold assets of the Fund which are not held or able to be held by the external custodian.

9.2 The Constitution

The Fund is governed by its Constitution and the Corporations Act. The Constitution deals with our responsibilities and obligations as the Responsible Entity and your rights as a Unitholder. The Constitution is required by law to contain certain provisions. We can change the Constitution, but if we consider the change will adversely affect Unitholders' rights, we must obtain Unitholders' approval by special resolution.

Under the Constitution, to the extent permitted by the Corporations Act, as Responsible Entity, we are indemnified out of the Fund assets in respect of any liability we incur in relation to the proper performance of our duties in relation to the Fund. The right of indemnity continues to be available after we retire or are removed as Responsible Entity.

The Constitution provides that the liability of each Unitholder is generally limited to any liability to pay the amount (if any) of the issue price that is unpaid on your Units, and any liability that is expressly imposed on you under the Constitution or under any separate agreement between you and the Responsible Entity. A Unitholder is not required to indemnify us or our creditors in respect of the Fund. However, no complete assurance can be given in this regard as this has not been finally determined by the courts.

The Constitution does, however, allow us to recover from you any taxes or other amounts that we are required to pay because you hold Units in the Fund, request us to do something on your behalf or transact on your investment.

You can inspect the Constitution at our Melbourne office or a copy can be made available to you by calling our **Investor Services team** (see section 10 'Office of the Responsible Entity' for details).

We are also subject to a range of obligations as an Australian financial services licensee.

9.3 Compliance plan

As required by the Corporations Act, we have lodged a compliance plan for the Fund with ASIC, which sets out the measures we have in place to monitor compliance with our obligations under the Constitution and the law. Our adherence with the compliance plan is audited annually.

9.4 Limits on borrowing

The Constitution gives us as Responsible Entity the power to borrow. We may enter into short term borrowing arrangements as and when required including to finance the withdrawal of Units, to pay distributions and to facilitate the settlement of any acquisition of underlying assets. The Fund will not be geared as part of its investment strategy.

9.5 Transfer of Units

You may transfer Units in the Fund to another person. To facilitate this, you must provide us with:

1. a standard transfer form signed and completed by both the Unitholder transferring the Units and the prospective Unit transferee; and
2. an Application for Investment Form completed by the prospective Unit transferee along with any required supporting identification documentation.

Units will not be transferred until such time as we are satisfied we have all documentation we require and we are satisfied all investor identification procedures that we consider necessary under AML/CTF Law have been completed.

Unitholders should also note that the Constitution gives us the discretion to decline to register the transfer of any Units where certain criteria set out in the Constitution are not met.

A transfer of Units involves a disposal of Units, which may have tax implications for you (see section 7 'Taxation' for further details).

Unitholders should obtain their own legal and tax advice before requesting any transfer.

9.6 In-specie transfers

Under the Constitution, we may in our absolute discretion, but are not obliged to, allow the transfer of assets (in-specie transfers) as application monies and withdrawal proceeds (instead of cash). No buy/sell spread will be applied to the issue or withdrawal Unit price (as applicable) for such in-specie transfers. The value of the assets to be transferred will be determined by us as at the same time the issue/withdrawal Unit price is calculated.

9.7 Disclosing entity

In general terms, if the Fund has more than 100 Unitholders it will be a disclosing entity and will be subject to regular reporting and disclosure obligations. If the Fund is a disclosing entity, the Responsible Entity will meet its continuous disclosure obligations by making all continuous disclosure notices available on our website at www.yarracm.com/pdsupdates.

You can also call us to obtain copies of:

- a. the annual financial report for the Fund most recently lodged with ASIC;
- b. any half-year financial report for the Fund lodged with ASIC after lodgement of the above annual report and before the date of this PDS; and
- c. any continuous disclosure notices given in relation to the Fund after lodgement of that annual report and before the date of this PDS.

Copies of documents lodged with ASIC in relation to the Fund may be obtained from or inspected at an ASIC office.

We will provide you a copy of the document free of charge as soon as practicable, and in any event, within 5 days of receiving your request

9.8 Cooling off rights

If you are issued Units in the Fund as a 'retail client' (as defined in the Corporations Act), you will have cooling off rights in relation to those Units.

In general terms, this means you can return to us the Units issued to you and have your application monies for those Units repaid, subject to an adjustment as permitted under the Corporations Act. You may exercise your cooling-off right within a period of 14 days, which commences at the end of the fifth day after the day on which you receive an interest in the Fund. Your cooling-off right may be lost in certain circumstances.

If you wish to exercise your cooling off right, please call our **Investor Services team** (details set out in section 10 'Office of the Responsible Entity'). If you are a Platform Investor, you should not fill out any of our forms and should instead refer to your Platform Guide or contact your Platform Operator.

Cooling off rights do not apply to wholesale clients (as defined in the Corporations Act).

9.9 Complaints resolution

We have a formal policy in place for dealing with complaints in accordance with the Corporations Act. We will respond to any complaints within 30 days of receipt. In the first instance, complaints should be made to a member of our **Investor Services team** (see section 10 'Office of the Responsible Entity' for details).

If your concerns are not satisfactorily resolved, you can contact the following independent complaints resolution scheme:

Australian Financial Complaints Authority ('AFCA')

Telephone 1800 931 678
 Facsimile +61 3 9613 6399
 Email info@afca.org.au
 Website afca.org.au

In writing to GPO Box 3, Melbourne, VIC, 3001.

Platform Investors should, in the first instance, contact their Platform Operator.

9.10 Privacy

Personal information

Your personal information will be handled in accordance with the Yarra Capital Management Group Privacy Policy, which can be found at www.yarracm.com/privacy. You can also request a copy, free of charge, from:

Privacy Officer
 Yarra Funds Management Limited
 Level 19
 101 Collins Street
 Melbourne VIC 3000

For further information relating to our privacy policies and practices, please refer to the 'Collection notice and privacy consent' paragraphs of the 'Applicant acknowledgement' section of the Application for Investment Form or the Additional Investment Form.

9.11 Termination

The Fund will continue until it is terminated in accordance with the Constitution, or otherwise terminated in accordance with the Corporations Act.

Upon termination, the investments of the Fund will be realised. The Fund's general creditors (including but not limited to us) will rank ahead of Unitholders for repayment. Unitholders will be entitled to a proportionate share of the residual balance (if any). This sum may be less than your initial investment. Further, if the Responsible Entity itself was to become insolvent, it is possible that both the Fund's general creditors and also other creditors of the Responsible Entity (not related to the Fund) may rank ahead of Unitholders for repayment. The law is not settled in this respect.

9.12 Conflicts of interest

From time to time, the Fund may invest in other funds of which we, or another member of the Yarra Capital Management Group is the trustee or responsible entity. In addition, other funds for which we, or another member of the Yarra Capital Management Group is the trustee or responsible entity may invest in the Fund. The Fund may also enter into transactions through purchasing assets from, or selling assets to, related entities or other funds. While such transactions will be performed on arm's length commercial terms (unless otherwise permitted by law), such transactions may give rise to a related entity's right to earn fees, profits or other monetary or non-monetary benefits. From time to time, we may be required to disclose details of any related entity (including with respect to management personnel) transactions with the Fund.

In performing its various roles as responsible entity and investment manager, conflicts of interest may arise regarding our duties to the Fund and the Unitholders, portfolios we manage and our own interests. All such conflicts will be managed, monitored, controlled and resolved in accordance with the applicable laws and Yarra Capital Management Group's Conflicts of Interest Policy. Our Conflicts of Interest Policy requires all employees and directors of the Yarra Capital Management Group to ensure that any actual or potential conflicts are appropriately identified and managed, and is designed to ensure they are resolved in a manner so as to avoid any adverse impact on the financial services received by our clients.

9.13 Investing through a Platform

If you invest in the Fund through a Platform, you are a Platform Investor and do not become a Unitholder in the Fund or have the rights of a Unitholder in the Fund. The Platform Operator becomes a Unitholder in the Fund by investing in the Fund on your behalf and acquires the rights of a Unitholder in the Fund. The Platform Operator can exercise or decline to exercise the rights of a Platform Investor on their behalf according to the arrangement governing the Platform. Platform Investors should read the relevant disclosure document for the Platform Guide carefully to understand the structure, fees and other terms governing the relevant Platform before investing in the Fund. The rights and liabilities of Indirect Investors will be governed by the terms and conditions of the Platform Guide. We accept no responsibility for any Platform Operator or any failure by a Platform Operator to provide Indirect Investors with a current version of this PDS or to withdraw the PDS from circulation if we require it.

For information about how Platform Investors can apply to invest in the Fund, including the application form for Platform Investors, please see the relevant Platform Guide. Platform Investors should not complete the Application for Investment Form accompanying this PDS.

10. Office of the Responsible Entity

Registered office

Yarra Funds Management Limited
Level 19
101 Collins Street
Melbourne VIC 3000
Australia

Contact details – Investor Services team

Telephone	+61 3 9002 1980
Freecall	1800 034 494 (Australia only)
Facsimile	1300 154 458 (Australia only)
Facsimile	+61 1300 154 458 (overseas)
Email	ist@yarracm.com
Website	www.yarracm.com

Applications may be mailed to:

Investor Services team
GPO Box 764
Melbourne VIC 3001

11. Glossary

Term	Meaning
ABN	Australian Business Number
Additional Investment Form	The application form for an additional application for Units in the Fund
AMIT	Attribution Managed Investment Trust
AML/CTF Law	Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)
Application for Investment Form	The application form for your initial application for Units in the Fund
Business Day	A day that is not a Saturday, Sunday, bank holiday or public holiday in Melbourne, Victoria, Australia
Constitution	The constitution establishing the Fund dated 14 August 2018, as amended from time to time
Corporations Act	Corporations Act 2001 (Cth) together with the Corporations Regulations 2001 (Cth)
Covered Bonds	A form of secured funding backed by both the issuer and a specific pool of assets (typically mortgages). The assets backing a covered bond remain on the issuer's balance sheet
CRS	Automatic exchange of Financial Account Information - Common Reporting Standard
FATCA	Foreign Account Tax Compliance Act
FITO	Foreign income tax offsets
Floating Rate	Also known as a variable or adjustable rate. A floating rate security is one which does not receive a fixed rate of interest over the life of the security. Floating rate moves up or down in line with an underlying benchmark interest rate or index which changes periodically
Fund	Yarra Higher Income Fund ARSN 628 168 061
GST	Goods and services tax
Hybrid Security	A security which generally combines both debt and equity characteristics
IDPS	Investor directed portfolio service
Less Liquid Asset	An asset that may require more than a month to convert into cash at market value
MIT	Managed Investment Trust
Mortgage and Asset-Backed Securities	A security which is secured by a bundle of mortgages or non-mortgage assets. The mortgages or non-mortgage assets are aggregated together into a security via a special purpose vehicle
PDS	This product disclosure statement or any supplementary or replacement PDS or other disclosure document defined in the Corporations Act, issued by the Responsible Entity in respect of the Fund
Platform	Any IDPS, IDPS-like Scheme, equivalent superannuation platform or wrap service provider
Platform Guide	The relevant disclosure document for the Platform
Platform Investor	An investor who has invested in the Fund through a Platform
Platform Operator	The operator of a Platform
Private Debt	A loan or other credit facility provided by a single lender to a borrower in the form of one facility
Request Date	In relation to a valid withdrawal request, means: <ul style="list-style-type: none"> ■ where the valid withdrawal request was received by the Responsible Entity on or before 12 noon on a Business Day, that Business Day; or ■ where the valid withdrawal request was received by the Responsible Entity after 12 noon on a Business Day or on a day that is not a Business Day, the following Business Day
Responsible Entity	Yarra Funds Management Limited in its capacity as responsible entity of the Fund (ABN 63 005 885 567, AFSL 230 251)
Syndicated Loans	A form of loan business in which two or more lenders jointly provide loans for one or more borrowers on the same loan terms and with different duties and sign the same loan agreement. Usually, one bank is appointed as the agency bank to manage the loan business on behalf of the syndicate members
TFN	Tax File Number
Unit	A unit in the Fund
Unitholder	A holder of a Unit or Units
Warehouse Facilities	A finance facility provided by one or several lenders to a bankruptcy remote entity backed by collateral, such as mortgages or auto-loans, with the entity typically raising senior and subordinated capital. This structure is typically used to fund loans until they have built up a large enough pool and track record to enable them to be securitised
Yarra Capital Management Group	Yarra Funds Management Limited and its related entities
YFM	Yarra Funds Management Limited