



## Important Additional Information

25 October 2018

This document is issued by Yarra Funds Management Limited ('YFM') ABN 63 005 885 567, AFSL number 230 251. YFM is referred to throughout this document as the 'Responsible Entity', 'we', 'us' or 'our'. The information in this document forms part of the following product disclosure statements ('PDS'):

<b>Funds</b> (collectively the 'Funds', individually, the 'Fund')	<b>Referred to in this document as</b>	<b>PDS Dated</b>
Yarra Australian Equities Fund	Australian Equities Fund	14 January 2017
Yarra Australian Real Assets Securities Fund	Australian Real Assets Securities Fund	14 January 2017
Yarra Emerging Leaders Fund	Emerging Leaders Fund	14 January 2017
Yarra Enhanced Income Fund	Enhanced Income Fund	14 January 2017
Yarra Ex-20 Australian Equities Fund	Ex-20 Australian Equities Fund	25 June 2018
Yarra Global Small Companies Fund	Global Small Companies Fund	14 January 2017
Yarra Income Plus Fund	Income Plus Fund	25 October 2018

Defined terms used in this document have the same meaning as the defined terms used in the PDS unless defined in this document or the context requires otherwise.

### 1. Contributions, withdrawals and Unit pricing

#### Withdrawal proceeds

We will direct credit withdrawal proceeds to your nominated bank or financial institution account in Australia. If we are unable to pay your withdrawal proceeds to you electronically (i.e. we cannot successfully credit your nominated bank account), a cheque may be issued.

The Funds' constitutions provide that your withdrawal proceeds will include a capital and, if we in our discretion determine, an income component. Withdrawals will generally be comprised of a capital component only, unless we consider a particular withdrawal 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 page 14. 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 page 14.

### Payment errors

In the event that we make an error in the processing of a Unitholder contribution 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.

### 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.

Investors investing via a financial adviser should check with their adviser whether supporting identification documentation is required, as we may have made other arrangements with them.

### US Person

Units in the Funds are not available for purchase by investors in the United States of America or by any other United States of America person or persons ('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.

## 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 Fund's constitution may give us the discretion to decline to register the transfer of any Units in other circumstances or at our absolute discretion.

A transfer of Units involves a disposal of Units, which may have tax implications for you (see the 'Taxation' section on page 12). Unitholders should obtain their own legal and tax advice before requesting any transfer.

## In-specie transfers

Provided the Fund's constitution allows for it, we may in our absolute discretion, but are not obliged to, allow the transfer of assets (in-specie transfers) for contributions and withdrawals (instead of cash). No buy (sell) spread will be applied to the contribution (withdrawal) for such in-specie transfers. The value of the assets to be transferred will be determined by us as at the same time the entry/exit Unit price is calculated.

The following Funds' constitutions allow for in-specie transfers:

<b>Fund</b>	<b>Contributions</b>	<b>Withdrawals</b>
Australian Equities Fund	Yes	Yes
Australian Real Assets Securities Fund	Yes	Yes
Emerging Leaders Fund	Yes	No
Enhanced Income Fund	Yes	Yes
Ex-20 Australian Equities Fund	Yes	No
Global Small Companies Fund	Yes	No
Income Plus Fund	Yes	No

## 2. Risks relating to managed investment schemes

The information in this section sets out some of the risks that apply to managed investment schemes.

The following table summarises the important investment related risks that apply to the Funds, although these are not the only risks. The descriptions that follow the table should be read in conjunction with the table.

	Call/Extension risk	Conversion and equity risk	Counterparty risk	Credit risk	Currency risk	Derivative risk	Developing or emerging markets risk	Extension risk	Hedging risk	Interest rate risk	Investment specific risk	Liquidity risk	Market risk	Mid cap and small cap risk
Australian Equities Fund			✓			✓					✓	✓	✓	
Australian Real Assets Securities Fund			✓		✓	✓					✓	✓	✓	✓
Emerging Leaders Fund			✓			✓					✓	✓	✓	✓
Enhanced Income Fund	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓	✓	
Ex-20 Australian Equities Fund			✓			✓					✓	✓	✓	✓
Global Small Companies Fund			✓		✓	✓	✓				✓	✓	✓	✓
Income Plus Fund	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	

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### Call/Extension risk

This is the risk that an issuer of a fixed income security held (such as a mortgage-backed security) will repay principal on that security:

- Earlier than expected:

This may happen when there is a decline in interest rates and/or credit spread. Under these circumstances, a Fund may be unable to realise the yield initially expected and will also suffer from having to reinvest in lower yielding securities.

- Later than expected:

This may happen when there is a rise in interest rates and/or credit spread. Under these circumstances, the value of the fixed income securities will decrease and the Fund may suffer a capital loss, although there may be some offset due to higher yields.

### Conversion and equity risk

Conversion risk is the risk that at the time of maturity of a convertible security, the asset which is issued on conversion may be of reduced value. Equity risk is the risk that a security which is convertible or converting into equity securities of the issuer may fall in value as the worth or value of that issuer falls. These risks are especially of relevance to hybrid (debt/equity) securities where a security's price can correlate directly to its equity component or conversion rights.

### Counterparty risk

This is the risk that a Fund's direct or indirect trading counterparties, including derivative counterparties, a custodian, an issuer or guarantor of fixed income securities or another entity that holds part of a Fund's underlying assets or investments, becomes insolvent or cannot otherwise meet their obligations.

### Credit risk

This is the risk that the issuer of a financial product (such as a fixed interest security) will be unable to satisfy its obligations under the terms of the relevant financial product. These obligations can include the payment of scheduled coupons or other distributions, or the repayment of capital on maturity.

A decline in the credit quality of an issuer of a financial product held by a Fund could also result in that Fund suffering a loss on those financial products.

### Currency risk

This is the risk that currency movements will adversely affect the value of global investments to which a Fund is exposed.

A Fund that is hedged significantly reduces its exposure to currency risk by substantially hedging its overseas exposure back to Australian dollars.

### Derivative risk

Derivatives are financial instruments that derive their performance, at least in part, from the performance of an underlying asset, index or interest rate (such as forwards, futures, options, warrants and swaps). The use of derivatives involves risk different from, or possibly greater than, the risks associated with investing directly in securities or more traditional investments, depending on the characteristics of the particular derivative and a Fund as a whole. Due to the leveraged nature of some of the instruments, as the market value of the derivative position is variable, gains or losses can be incurred and be magnified.

The market for many derivatives is, or can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives. No assurance can be given that a liquid market will exist for any particular derivative contract at any particular time.

### Developing or emerging markets risk

Investments in developing or emerging markets carry risks because of political and social uncertainty (like conflict and war), economic instability, delivery difficulties, failed or late settlement of market transactions and registration and custody of securities, less developed regulatory controls and higher inflation.

### Extension risk

This is the risk of a security's face value not being repaid at the first possible repayment date, resulting in the issuer electing to extend the terms of the security to a final maturity date or perpetual terms.

### Hedging risk

Hedging a portfolio involves 'locking in' a known rate of currency exchange, using forward exchange contracts. Hedging involves costs and some implementation risks. Due to a range of factors there is a risk that the hedging strategy may result in the currency exposures from time to time being under or over hedged.

### Interest rate risk

This is the risk that movements in interest rates will adversely affect the value of the assets in a Fund. The price of fixed income and hybrid securities will generally, but not always, act in a contrary manner to movements in interest rates.

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.

### Investment specific risk

This refers to the inherent risk of an investment made by a Fund (e.g. an investment in a particular company's shares) that could adversely affect that Fund's performance.

### Liquidity risk

This is the risk that investments and trading positions cannot be closed out or unwound quickly at appropriate prices and converted back into cash. Such risk arises particularly when investments are made in securities or financial instruments traded on an irregular or infrequent basis. These circumstances could prevent a Fund from liquidating unfavourable positions promptly and could subject that Fund to substantial losses.

### Market risk

This is the risk of being exposed to a particular investment market, such as global investment markets, or the Australian share, hybrid or fixed income market. The performance of these markets can be affected by many factors including, but not limited to, prospects of individual companies, general economic conditions, interest rates, and the level of inflation and taxation changes. Movements in investment markets will result in the value of the Fund's underlying assets, and the value of your investment, moving up or down.

### Mid cap and small cap risk

A Fund may, from time to time, through its investments, be exposed to companies with a small market capitalisation and recently formed companies. The securities of small capitalisation and mid capitalisation companies involve greater risks than those associated with larger, more established companies and may be subject to more abrupt or erratic price movements. Securities of such issuers may lack sufficient market liquidity to enable sales at an advantageous time or without a substantial drop in price. Both mid cap and small cap companies often have narrower markets and more limited managerial and financial resources than larger, more established companies. As a result, their performance can be more volatile and they face greater risk of business failure, which could increase the volatility of a Fund's portfolio. Generally, the smaller the company size, the greater these risks.

The following risks and disclosures apply to all the Funds, unless specified otherwise:

### **Borrowing risk**

The Funds may borrow to finance withdrawals or to distribute income. In addition, with the exception of Enhanced Income Fund and Global Small Companies Fund (borrowing is allowed to facilitate the settlement of any acquisition of underlying assets), the Funds will not borrow for investment purposes.

### **Country, legal, tax and regulatory risk**

This is the risk of being exposed to the regulatory (including tax and legal), economic and/or political climate in the countries in which a Fund invests or has exposure to. These risks may adversely affect investments held in those countries as well as impact on a Fund's performance.

Where there are material changes to tax laws in either Australia or any other relevant jurisdiction, you should be aware that these changes may result in your investment in a Fund no longer achieving your investment and/or taxation objectives.

### **Fund risk**

This is the risk that a Fund could terminate, the fees and expenses could change, or the investment manager and/or strategy could change. We have the discretion to increase fees and expenses or change the investment manager in relation to any of the Funds, in which case we would provide you with at least 30 days' prior notice. We have the discretion to terminate a Fund.

Investing in a Fund may produce different results than investing directly because of income or capital gains accrued in the relevant Fund and the consequences of investment and withdrawal by other investors. This can be magnified where few investors (or a single investor) hold a substantial interest in a Fund or underlying fund. In such a scenario, large withdrawals from those investors may cause us to consider fee and expense increases, suspend applications and withdrawals in the relevant Fund, and/or terminate the relevant Fund.

A Fund may be constrained by the amount of money that we believe can be accepted without compromising the efficient management of the relevant Fund. To ensure the Funds remain efficient and competitive we have the discretion to close the Fund to new investments (including from existing investors) from time to time. A Fund may not be able to be efficiently managed if the value of its assets is low. This may result in termination of the relevant Fund.

Where a Fund invests some or all of its assets in a portfolio or a share class of another fund (an 'Underlying Fund'), including an offshore Underlying Fund, there may be a risk of cross-contamination between the portfolios and/or share classes of the Underlying Fund. This would result in the Fund having exposure to the liabilities of other portfolios and/or share classes of the Underlying Fund, and not only the portfolio or share class in which it has invested. Where a portfolio or share class of an Underlying Fund is 'ring-fenced' under the laws of a particular jurisdiction, or is internally segregated with the intention to eliminate the risk of cross-contamination, there can be no assurance that, should an action be brought against the Underlying Fund in the courts of another jurisdiction or by third party creditors, such segregation will be recognised and upheld.

If a Fund was to be liquidated, that 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.

### **Unitholder liability risk**

The constitution of each Fund limits your liability to the value of the Units you hold in that Fund. However, we cannot absolutely assure you that you would not be liable to contribute to a Fund if there were a deficiency, because the law is not settled in this respect.

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

### **Conflicts of interest and related party transactions**

YFM is a wholly owned subsidiary of Yarra Capital Management Holdings Pty Ltd. In this document, Yarra Capital Management Holdings Pty Ltd and its subsidiaries are referred to as the Yarra Capital Management Group. YFM acts as the responsible entity for a range of registered managed investment schemes, and as investment manager and adviser to a number of institutional (which may include corporations, financial institutions and superannuation funds, governments or high net worth individuals) client portfolios in Australia and abroad. A related party, Yarra Capital Management Services Pty Ltd, provides certain services including but not limited to, resources for investment management and fund administration services to YFM. These services are negotiated on commercial terms.

The Yarra Capital Management Group is engaged in a range of businesses which may entail (but are not limited to) acting as an institutional investor or shareholder, or as investment manager and/or in a fiduciary capacity as responsible entity (or trustee), in respect of securities that may be directly or indirectly purchased or sold by the Funds, service providers of the Funds, or by a member of the Yarra Capital Management Group for its own account or for the accounts of its customers.

From time to time, the Funds may invest in other funds of which we, or another member of the Yarra Capital Management Group is the trustee or responsible entity. A Fund may also enter into transactions through purchasing assets from, or selling assets to, related entities or other funds or accounts of which we, or another member of the Yarra Capital Management Group is the investment manager and/or responsible entity for. 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 a Fund.

In performing its various roles as responsible entity and investment manager, conflicts of interest may arise regarding our duties to the Funds and their 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.

#### **Withholding tax risk due to FATCA**

Certain payments to the Funds of US source interest or dividends (as well as other similar payments) and certain payments made after 31 December 2018 attributable to gross proceeds from the sale or other disposition of property that could produce US source interest or dividends will be subject to a withholding tax of 30% unless various reporting requirements are met. In particular, these reporting requirements may be met if, among other things, the Responsible Entity on behalf of each Fund registers with the Internal Revenue Service of the United States ('IRS'), obtains certain information from each Unitholder, and discloses some of this information to the Australian Commissioner of Taxation or the IRS. Unitholders that fail to provide the required information could become subject to this withholding tax in respect of all or a portion of any withdrawal or distribution proceeds paid by the Funds after 31 December 2018. No assurance can be given that the Funds will not be subject to this withholding tax. Unitholders should consult their own tax advisers regarding the potential implications of this withholding tax.

This and certain other tax risks associated with an investment in the Funds are disclosed in the 'Taxation' section on page 12.

### 3. Fees and costs

This table shows the fees and other costs that you may be charged. Where applicable these fees and costs are deducted from your account balance, from the returns on your investment or from the assets of the managed investment scheme as a whole. Taxation information is set out in the PDS for the relevant Fund and in Section 4 of this Important Additional Information document. You should read all of the information about fees and costs, as it is important to understand their impact on your investment in the Funds.

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the managed investment product*</b>		
<i>Establishment fee</i> The fee to open your investment	Not applicable	
<i>Contribution fee</i> The fee on each amount contributed to your investment	Enhanced Income Fund Ex-20 Australian Equities Fund Global Small Companies Fund All other Funds	Nil Nil Nil Not Applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Enhanced Income Fund Ex-20 Australian Equities Fund Global Small Companies Fund All other Funds	Nil Nil Nil Not Applicable
<i>Exit fee</i> The fee to close your investment	Not applicable	
<b>Management costs</b>		
The fees and costs for managing your investment†	<b>Estimated Indirect Cost Ratio ('ICR') (p.a.) 0.68% to 1.25%</b> Based on a constant investment of \$50,000 the amount in dollars is \$340 p.a. to \$625 p.a. The amount you pay for specific Funds is shown in each Fund's PDS.	Fees are based on the net asset value of the Fund (excluding deductions for accrued management fees and certain expense recoveries). Management fees and expense recoveries are calculated daily and are charged to the Fund before determining Unit prices. Management fees and expense recoveries are paid quarterly by the Fund following the end of each quarter.
<b>Service fees</b>		
<i>Switching fee</i> The fee for changing investment options	Not applicable	

\* A buy or sell spread may be reflected in the Unit price when your money moves in or out of a Fund.

† 'Not applicable' means the fee is not allowable under the Fund's constitution. 'Nil' means the fee is permitted under the Fund's constitution but currently the fee is not charged.

‡ Certain sophisticated and/or professional investors may negotiate a rebate.

### Additional explanation of fees and costs

#### Goods and services tax ('GST')

The Funds may be required to pay GST on management and other fees and expenses. However, where available, the Funds will claim input tax credits for the GST incurred. All references to ICR, management fees, contribution fees and withdrawal fees are quoted inclusive of the net impact of GST to the Funds (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 document. All other fees and charges are quoted in this document inclusive of GST where applicable, unless otherwise stated.

#### Breakdown of the management costs

The following provides more information on the management costs (reflected in the estimated ICR) charged by the Funds as allowed by the Funds' constitutions. These are not additional fees.

#### Management fees

We receive an annual management fee calculated as a percentage of the net asset value of each Fund (excluding deductions for accrued management fees and expenses as provided for in the Fund's constitution). The fee is calculated daily and paid quarterly.

### Expense recoveries

The Funds 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 Funds or by us and reimbursed to us by the Funds on a quarterly basis. As expenses and costs are charged at rates negotiated between us and our suppliers from time to time, no maximum amounts can be provided. We always aim to negotiate commercial fee arrangements with our suppliers.

### What is the ICR?

The ICR for a Fund, is the ratio of the Fund's management costs that are deducted from the Fund (but are not deducted directly from your account) to the Fund's average net assets (excluding deductions for accrued management fees and expenses).

The estimated ICR includes management fees and certain expense recoveries charged to each Fund and, if applicable, the Fund's proportion of certain expenses of any interposed vehicles. It does not include:

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

### Historical ICRs

Estimated historical ICRs\* for the Funds are set out below for reference.

Fund	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
Australian Equities Fund	0.95%	0.95%	0.95%
Australian Real Assets Securities Fund	0.85%	0.85%	0.85%
Emerging Leaders Fund	1.25%	1.25%	1.25%
Enhanced Income Fund	0.78%	0.78%	0.78%
Ex-20 Australian Equities Fund <sup>†</sup>	1.29%	1.30%	1.30%
Global Small Companies Fund <sup>‡</sup>	1.25%	1.25%	1.36%
Income Plus Fund <sup>^</sup>	0.68%	0.68%	0.68%

\* Certain sophisticated and/or professional investors may negotiate a rebate.

<sup>†</sup> The investment strategy of this Fund changed on 25 June 2018 and the estimated ongoing ICR was reduced to 0.95% p.a. as disclosed in the PDS for that Fund.

<sup>‡</sup> The investment strategy of this Fund changed on 8 February 2016 and the estimated ongoing ICR was reduced to 1.25% p.a. as disclosed in the PDS for that Fund.

<sup>^</sup> The investment strategy of this Fund changed on 25 October 2018. The historical ICR for the year ended 30 June 2018 may not be a good indication of future years' ICR.

### Could the ICR increase?

The Funds may incur certain expenses which may be paid directly by the Funds or by us and reimbursed to us by the Funds on a quarterly basis. We reserve 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 Funds' ICRs may increase (but we will provide you with at least 30 days' prior notice); or
- we may advise you of our intention to terminate any or all of the Funds.

### Maximum fees under the constitutions

#### Management fees

Under the relevant constitution, the maximum management fee that can be charged (unless investors approve an amendment to the terms of the constitution by special resolution) is:

- 1.00% p.a. of the net asset value of the relevant Fund (excluding deductions for accrued management fees and certain transaction costs) for the Australian Equities Fund, Emerging Leaders Fund and Income Plus Fund;
- 3.075% p.a. of the total value of all trust property for the Australian Real Assets Securities Fund;
- 4.10% p.a. of the net asset value (excluding deductions for accrued management fees and certain other fees and transaction costs) for the Enhanced Income Fund; and
- 2.05% p.a. of the net asset value of the relevant Fund (excluding deductions for accrued management fees and certain other fees and transaction costs) for the Ex-20 Australian Equities Fund and Global Small Companies Fund.

We can also include additional expenses which can be recovered from any Fund by amending the relevant Fund's constitution by a special resolution.

### Contribution fee

The constitutions of the Ex-20 Australian Equities Fund and Global Small Companies Fund provide for a contribution fee of up to 5.125% of the value of each application to invest in the relevant Fund.

The constitution of the Enhanced Income Fund provides for a contribution fee of up to 4.10% of the value of each application to invest in the Fund.

At present no contribution fees are charged.

### Withdrawal fee

The constitutions of the Enhanced Income Fund, Ex-20 Australian Equities Fund and Global Small Companies Fund provide for a withdrawal fee of up to 5.125% of the value of each withdrawal made from the relevant Fund.

At present no withdrawal fees are charged.

### Professional investors

We may negotiate rebates of our management costs with certain sophisticated or professional (i.e. wholesale) investors (as defined in the Corporations Act 2001).

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).

### Transactional and operational costs

The Funds may incur transactional and operational costs, such as brokerage, settlement costs, custody costs on settlement, certain government taxes and other costs associated with dealing in the underlying investments. These costs are not included in the ICR and are an additional cost to the Unitholder. The estimated gross transactional and operational costs incurred by each of the Funds for the year ended 30 June 2017, expressed as a percentage of the total average net assets (excluding deductions for accrued management fees and certain expense recoveries) of the relevant Fund was as follows:

<b>Fund</b>	<b>Year ended 30 June 2018</b>	<b>Example on a \$50,000 investment</b>
Australian Equities Fund	0.08%	\$40
Australian Real Assets Securities Fund	0.10%	\$50
Emerging Leaders Fund	0.12%	\$60
Enhanced Income Fund	0.06%	\$30
Ex-20 Australian Equities Fund*	0.14%	\$70
Global Small Companies Fund	0.04%	\$20
Income Plus Fund*	0.01%	\$5

\* The transactional and operational costs for the year ended 30 June 2018 may not be a good indication of ongoing transactional and operational costs as the investment strategy of the Ex-20 Australian Equities Fund and the Income Plus Fund was changed on 25 June 2018 and 25 October 2018 respectively.

All or a portion of these costs were recovered by the buy and sell spreads (see below) charged to Unitholders who invested in or withdrew from each Fund during the year ended 30 June 2018. The remainder of these costs, if any, are borne out the assets of the relevant Fund.

These costs are not new costs being imposed on the Funds, these costs were incurred previously and reflected in the Unit price. The amount of these 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.

### Buy and sell spreads

If you make contributions to or withdrawals from a Fund, that Fund may need to buy or sell assets and incur associated transactional and operational 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 transactional and operational 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 transactional and operational 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 a Fund. The sell spread is the percentage amount included in and which decreases the Unit price payable on withdrawals from a Fund. The buy and sell spreads provided are estimates only of the transactional and operational costs and it is not possible to determine in advance the exact costs each time a Unitholder invests in or withdraws from a Fund.

The buy (sell) spread paid in dollar terms is affected by the roundings which are built into the calculation of the entry (exit) Unit price and the rounding applied to contributions (withdrawals).

For example, for a \$50,000 investment into (withdrawal from) a Fund with a 0.15% buy (sell) spread will indirectly incur a cost of approximately \$75. The actual amount will vary due to the roundings built into the calculation of the entry (exit) Unit price and the rounding applied to your contributions (withdrawals).

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 although we will give you 30 days' prior notice if we were to increase the spreads.

The current buy (sell) spreads are included in the PDS for each Fund. We reserve the right to alter these spreads.

#### *Unit pricing discretions policy*

We maintain a Unit pricing discretions policy regarding how we will exercise the discretions reserved to us in the Fund's constitution in relation to the calculation of Unit entry (buy spread) and exit prices (sell spread) on the future issue and withdrawal of Units. 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**.

#### **Monetary benefits for advisers and Platforms**

To the extent permitted by law, we may pay a trailing commission to your adviser out of the fees we receive for managing the Fund. This trailing commission is calculated relative to the value of your investment and paid quarterly for the life of your investment. It is not a separate charge to you, trailing commissions may be waived by your adviser, but if waived they are not rebatable by us to you. Your adviser should give you details. Some financial intermediaries may elect to rebate all or some of their commission to you as part of their fee arrangement with you.

To the extent permitted by law, we may pay fees to investor directed portfolio services, investor directed portfolio-like services, and equivalent superannuation platform and wrap service providers (collectively 'Platforms'), where they include one or more of our managed investment schemes on their menu. These fees are not a separate charge to you. Such payments may be volume based, in that they may be calculated with reference to the relevant Platform's total investment in relation to each particular managed investment scheme.

#### **Alternative forms of remuneration**

We do not participate in banned alternative forms of remuneration. These are certain banned arrangements where rewards or other benefits are paid to financial intermediaries over and above disclosed commissions based on the quantum of monies placed into our Funds.

We may, however, 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. 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.

We keep a record of alternative forms of remuneration. Other fund managers, platforms and licensees and their representatives maintain similar records.

## 4. Taxation

### Taxation of the Funds

The Funds will be Australian resident trusts for Australian income tax purposes and the income of the Funds should 'flow through' to Unitholders on the basis that Unitholders will either be presently entitled to the income of the Funds each financial year where the Fund is not an Attribution Managed Investment Trust ('AMIT'), or on the basis that Unitholders have had income 'attributed' to them when the Fund is an AMIT. On this basis, the Funds themselves should not pay any Australian income tax.

If a 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 that Fund and, subject to that Fund satisfying various requirements, can be offset against relevant assessable income derived by that Fund in a later year.

Funds which qualify as Managed Investment Trusts ('MIT') are able to make an irrevocable election to apply deemed 'capital account' treatment for gains and losses on disposal of certain investments. Where the Funds satisfy the requirements of a MIT, the Responsible Entity has determined the appropriateness of the deemed CGT election for each Fund and where appropriate has made the election. Going forward, the Responsible Entity will monitor the Fund's MIT status on an annual basis to determine whether the Funds continue to be eligible to apply the deemed capital account treatment for that income year.

The Responsible Entity has elected to adopt the AMIT regime from 1 July 2017 for all the Funds as they satisfy the definition of an AMIT.

### Taxation of individual resident Unitholders

The distribution or attribution to Unitholders may comprise various amounts, including Australian sourced and foreign sourced dividends, interest, capital gains, revenue gains, franking credits, foreign income tax offsets, tax-deferred amounts and may also include a return of capital.

Unitholders will be assessed on their share of the net taxable income of the relevant Fund in the income year to which their entitlement relates (even though the distribution may only be received in the following year and irrespective of whether the income is reinvested into additional units).

The Funds may distribute or attribute franking credits attached to franked dividends and foreign income tax offsets ('FITOs') attached to foreign income. These amounts are not cash receipts but will generally be included in the calculation of a Unitholders taxable income. Depending upon particular circumstances, a Unitholder may be able to offset these credits against their 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 a Fund makes a distribution or attribution which includes a 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 capital losses 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 Unitholders taxable income.

Where investors hold Units in the Funds through a Platform and have absolute entitlement to the Units in the relevant 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.

In the case of a non-AMIT, the distribution of certain amounts (typically tax deferred amounts) 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 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, 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 Funds unless the particular Fund is regarded as a land rich entity and the Unitholder holds a non-portfolio interest (10% or more interest) in that 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 Funds and their Unitholders. The Responsible Entity will continue to monitor the impact of tax reforms on the Funds, including the proposed two year post-implementation review of the AMIT tax rules. 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 Funds.

## 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 after 31 December 2018 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 after 31 December 2018 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, each Fund will be treated as a 'foreign financial institution' for this purpose. As a foreign financial institution, in order to be compliant with FATCA, the Responsible Entity on behalf of each 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 Funds 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 or distribution made by the Funds after 31 December 2018. Moreover each Unitholder that is a Specified U.S. Person should be aware that, as a result of an investment in the Funds, the IRS may be provided information relating to such Unitholder, pursuant to the provisions of the Australia IGA, directly or indirectly by the Funds.

## 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 Funds, 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 Funds.

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 INDEPENDENT TAX ADVICE BASED ON THEIR PARTICULAR SITUATION.

## Office of the Responsible Entity

### Registered office

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### Applications may be mailed to:

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Sydney NSW 2001