

**ACORN CAPITAL**  
**NEXTGEN RESOURCES FUND**  
**INFORMATION MEMORANDUM -**  
**AN OFFERING TO WHOLESALE CLIENTS**  
**14 SEPTEMBER 2020**



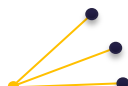
**INNOVATION**



**EFFICIENCY**



**GROWTH**



**DIVERSITY**



**ACORN  
CAPITAL**

**NEXT GENERATION INVESTING**

# Contents

<b>Section</b>	<b>Page</b>
Fund at a glance	3
About Acorn Capital	5
About the Fund	5
Risks	7
Investing and withdrawing	9
Distributions	9
Fees and other costs	10
Additional important information	13

## Fund at a glance

Key features	Description
<b>Name of fund</b>	Acorn Capital NextGen Resources Fund (the <b>Fund</b> ).
<b>About the Fund</b>	The Fund is a managed investment scheme but is not a registered scheme under the <i>Corporations Act 2001 (Cth)</i> (Corporations Act).
<b>Trustee and Investment Manager</b>	<p>Acorn Capital Limited ACN 082 694 531, AFS License No. 227605 (<b>ACL</b>), is the issuer of this Information Memorandum (IM). ACL acts as trustee of the Fund and investment manager of the Fund's assets.</p> <p>The Fund offered under this IM is not guaranteed or otherwise supported by ACL, or any other member of the Acorn group of companies. You should consider this when assessing the suitability of the investment, and in particular aspects of risk.</p> <p>ACL may appoint another entity to act as trustee of the Fund if it considers it in the best interests of members to do so.</p>
<b>Investment objective</b>	The Fund aims to outperform the S&P/ASX Small Resources Accumulation Index net of management fees and recoverable expenses.
<b>Investment strategy</b>	The Fund is an equity market product that invests in the equity and equity-linked instruments of resources and energy companies. The Fund's assets will ordinarily be held in resources and energy companies that are listed on the Australian Securities Exchange ( <b>ASX</b> ). The Fund may also hold up to 10% of its assets in resources and energy companies that are listed on other global exchanges and up to 15% of its assets in unlisted energy and resources companies. Up to 20% of the assets of the Fund may be held in cash with an Authorised Deposit Taking Institution.
<b>Benchmark</b>	S&P/ASX Small Resources Accumulation Index
<b>Investment timeframe</b>	Medium to long term
<b>Custodian</b>	BNP Paribas Securities Services ACN 149 440 291
<b>Unit price frequency</b>	Generally calculated daily, on a Melbourne business day (any day other than Saturday, Sunday, a bank holiday or public holiday in Melbourne) or such other business days determined by ACL
<b>Inception date</b>	14 September 2020
Summary of fees	
<b>Management Fees</b>	A management fee of 1.10% p.a. of the net asset value of the Fund.
<b>Recoverable expenses</b>	Estimated to be 0.15% p.a. of the net asset value of the Fund.
<b>Performance fee</b>	A performance fee of 20% of the amount of the Fund's return (after deduction of management costs and expense recoveries) in excess of the Benchmark subject to the Fund's return exceeding 0%. The performance fee will be calculated daily and paid quarterly and is subject to a High Water Mark based on prior performance of the Fund.

## How to invest

<b>Investor eligibility</b>	Investment is only available to those who qualify as wholesale clients as defined by the Corporations Act ( <b>Wholesale Clients</b> ). Generally, this means you cannot invest in the Fund unless: <ul style="list-style-type: none"><li>• you invest at least an initial \$500,000 or:</li><li>• you have satisfactorily completed the Supporting Application – Wholesale Clients form</li></ul>
<b>Minimum initial investment</b>	\$50,000
<b>Minimum additional</b>	\$50,000
<b>Minimum withdrawal amount</b>	\$50,000
<b>Applications</b>	Generally accepted daily, on a Melbourne business day.
<b>Redemptions</b>	Accepted daily

## About Acorn Capital

Acorn Capital Limited (**ACL**, we, us, our) is a specialist microcap or emerging company fund manager that was founded in 1998 and is located in Melbourne, Australia. It is owned by employees and directors and their related parties (as to 60%) and by subsidiaries of Australian Unity Limited (as to 40%) and has a long-term track record of managing emerging company equities for institutional investors.

### Philosophy

Our investment philosophy is based on the belief that rigorous research in inefficient markets leads to superior returns. Inefficiencies typically result in information gaps that manifest themselves in the pricing of emerging companies. These inefficiencies typically result from information gaps due to what we consider to be a lack of research amongst emerging companies.

Experience and specialist skills are required to successfully invest in emerging companies. Reasoned judgement of both qualitative and quantitative factors are equally important when investing in early stage companies.

### Approach

Our expertise is understanding how to research, analyse and invest in emerging companies and to construct portfolios with appropriate risk/return properties.

ACL has provided institutional investors with risk managed microcap equity portfolios since 1999. ACL has one of the largest and most experienced dedicated microcap investment teams in Australia and has remained committed to researching all industry sectors of the emerging companies universe.

## About the Fund

The Fund aims to outperform the S&P/ASX Small Resources Accumulation Index net of management fees and recoverable expenses.

The Fund is an equity market product that has a focus on investing in the equity and equity-linked instruments of companies associated with resources and energy exploration, development and production. The Fund's assets will ordinarily be held in companies that are listed on the ASX. However, the Fund may also hold up to 10% of its assets in companies that are listed on other global exchanges and up to 15% of its assets in unlisted energy and resources companies. Up to 20% of the Fund's assets may be held in cash with an Authorised Deposit Taking Institution from time to time.

Through ACL's research capability, the Fund's strategy exploits information inefficiencies through bottom-up research across the entire universe of ASX-listed companies with a market capitalisation less than that of the market capitalisation of the 100<sup>th</sup> largest company listed on ASX at the time of initial

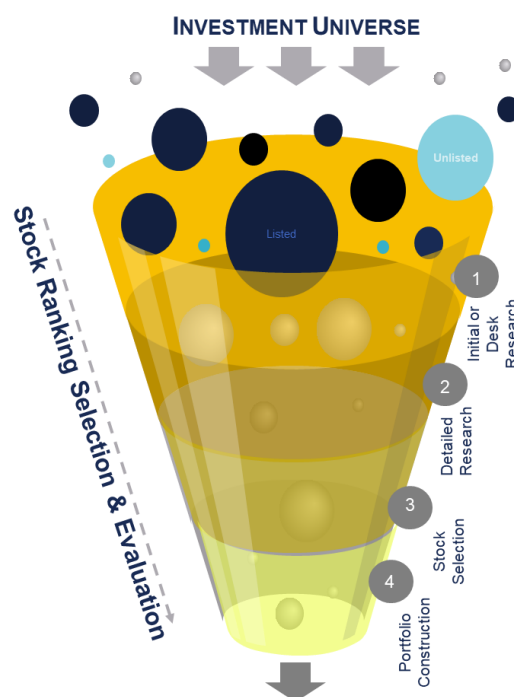
investment. ACL's investment team of Resources specialists aims to identify attractive, medium to longterm investment opportunities available across its investable universe.

Once identified, a portfolio will be constructed of those investment opportunities that demonstrate appropriate risk/return profiles given their stage of development. Application of prudent portfolio risk management will be applied to ensure the portfolio is appropriately structured to meet the objectives of the Fund.

What is the investment process?

Stock selection occurs following a process of Initial Research, Detailed Research and Ranking which are the responsibility of the Sector Specialist. The process of stock selection and portfolio construction is illustrated below.

**Figure 1 – Illustration of the ACL Investment Process**



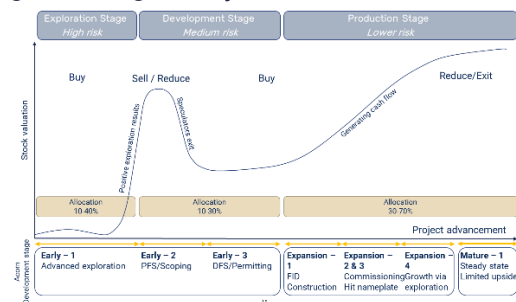
Description of elements of the investment process

- (1) ACL's specialist investment team will conduct an initial desktop review that involves utilising the ACL proprietary database to screen more than 1,300 companies, which collectively hold investments in more than 6,700 underlying resources and energy projects within the Fund's investment universe. These results will be used to identify a preliminary group of attractive investment opportunities according to commodity type and stage of development (i.e., production, development or exploration).
- (2) The qualitative assessment of companies and their projects is the next important step in the investment processes. This involves understanding a range of characteristics of the mineral or energy deposit(s) that may affect its suitability for economic development. Part of this

review involves site visits and meetings with senior technical staff to investigate details behind resource estimations, development plans, processing designs and issues related to environmental and government licensing, where applicable. This analysis also focusses closely on factors including sustainability, competitive advantage (inclusive of ESG factors), industry position, capital requirements, management, financial metrics and valuations.

- (3) Having completed the quantitative and qualitative review and ranking process, ACL's specialists will select the most-attractive investment opportunities. Portfolio construction and risk management will have regard to the exposure to individual commodities and the stage of development (see figure 2 below) of the underlying companies.

**Figure 2 – ACL development stages applied to the Lassonde Curve, which shows changes in the values of stocks from exploration to mining. Note that ACL will make allocations to maximise gains through this cycle.**



- (4) Weightings will initially be made according to commodity type, using the S&P ASX Small Resources index as a guide. However, the ACL Resources team will also use its detailed understanding of the valuation cycle for resources companies (see the Lassonde Curve in Figure 2) to weight stocks over time. Importantly, reduced weightings will be held in the period from post-discovery highs to finalisation of feasibility studies. Once invested, the Fund will contain an attractive mix of assets sourced from the entire investment universe yet will be diversified by commodity type and stage of development.

Shorter term trading opportunities may be added to the portfolio, if appropriate, to provide additional returns to the Fund.

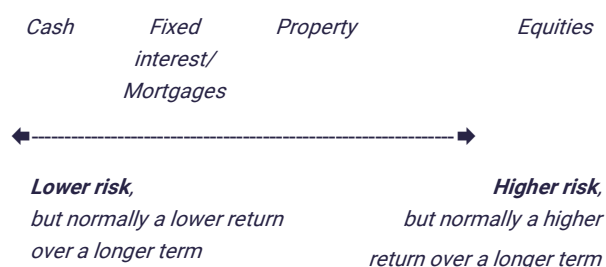
## Risks

### Risks of managed investment schemes

'Risk' generally refers to the variability and volatility of an investment return and the likelihood of incurring a loss on your investment.

All investments come with a degree of risk. You will need to determine how much risk you are able or willing to tolerate. The main risks of investing include a decrease in the value of your investment, a fluctuation or a decrease in the amount of income generated from your investment, or a lower than expected rate of return.

It is commonly accepted that there is a relationship between the level of return generated by an investment, and its level of risk. The spectrum below shows the five main types of investments according to their relationship between risk and return for you to consider.



Some of the significant risks of the Fund are described below, but there could be other risks that adversely affect the Fund. You should seek your own professional advice on the appropriateness of an investment in the Fund for you, having regard to your particular circumstances and financial objectives.

**Investment risk:** The Fund has exposure to share markets. The risk of an investment in the Fund is higher than an investment in a typical bank account or fixed income investment. Amounts distributed to unitholders may fluctuate, as may the Fund's unit price. The unit price may vary by material amounts, even over short periods of time, including during the period between a redemption request being made and the time the redemption unit price is calculated.

**Market risk:** Share markets can be and have been volatile, and have the potential to fall by large amounts over short periods of time. The investments that the Fund has exposure to are likely to have a broad correlation with share markets in general, and hence poor performance or losses in domestic and/or global share markets are likely to negatively impact the overall performance of the Fund.

**Emerging companies risk:** The Fund has exposure to companies generally considered very small to small in terms of market capitalisation. Companies within this sector of the market may include recently established entities with limited public information, or entities engaged in new-to-market concepts which

may be speculative in nature. Shares in companies in this sector are generally less liquid and more volatile than those of larger companies. Emerging companies exposure may result in higher unit price volatility and an increased risk of loss.

**Concentration risk:** The Fund may have exposure to a small number of key investments. This may result in the returns of the Fund being dependent on the returns of individual companies and industry sectors. This concentration of exposures may increase the volatility of the Fund's unit price as well as the risk of poor performance. It may also result in the Fund's returns differing significantly from its benchmark.

**Security specific risk:** Securities and the companies that issue them are exposed to a range of factors that affect their individual performance. These factors may cause an investment's return to differ from that of the broader market. The Fund may therefore underperform the market and/or its peers due to its security specific exposures.

**Defensive strategies risk:** The Fund may be protected against market downturns by employing defensive investment strategies. Such strategies have the aim of reducing the Fund's market exposure and may include allocating a portion of the Fund's assets to cash. There is no guarantee that such defensive strategies will provide the expected levels of protection against loss. Additionally, there is a risk that defensive strategies are employed at a time when the market rises, potentially resulting in the Fund underperforming its peers or the benchmark.

**Unlisted securities risk:** The Fund may have exposure to securities that are not listed on a securities exchange. Unlisted securities may have a higher risk of loss and may be difficult to independently value and to sell due to their unlisted nature. Where such securities do list (for example through an initial public offering, or IPO), the listing price may differ materially from the price previously used when calculating the Fund's unit price. Where the Fund has exposure to unlisted securities these may increase its unit price volatility, its potential to underperform its benchmark, and its potential for loss.

**Default risk:** Issuers or entities that the Fund has exposure to may default on their obligations, for instance by failing to make a payment due on a security or by failing to return principal. Such parties can include the issuers of securities that the Fund holds or has exposure to including warrants, depositary receipts, and hybrid securities. Counterparties to the Fund may default on a contractual commitment to the Fund.

Counterparties may include over-the-counter derivatives counterparties, brokers (including clearing brokers of exchange traded instruments), stock lending counterparties, foreign exchange counterparties, as well as the Fund's custodian. Default on the part of an issuer or counterparty could result in a financial loss to the Fund.

**Liquidity risk:** Investments may be difficult or impossible to sell, either due to factors specific to that security, or to prevailing market conditions. Liquidity risk may mean that an asset is unable to be sold or an exposure is unable to be rebalanced within a timely period and at a fair price, potentially resulting in delays in redemption processing, or even the suspension of redemptions. If we are required to process a large redemption or application, the exposure of the Fund to particular investments, sectors or asset classes may be altered significantly due to the security sales or purchases required.

**Currency risk:** The Fund may have exposure to investments denominated in currencies other than Australian dollars. Currency risk is the risk that fluctuations in exchange rates between the Australian dollar and foreign currencies impact the value of the foreign investments that the Fund has exposure to.

**Manager risk:** There is no guarantee that the Fund will achieve its performance objectives, produce returns that are positive or compare favourably against its peers. ACL may change its investment strategies and internal trading guidelines over time, and there is no guarantee that such changes would produce favourable outcomes.

**International investments risk:** The Fund has exposure to international investments. Global and country specific macroeconomic factors may impact the Fund's international investments. Governments may intervene in markets, industries and companies; may alter tax and legal regimes; and may act to prevent or limit the repatriation of foreign capital. Such interventions may impact the Fund's international investments.

**Commodity risk:** The Fund investments will have exposure to different commodity prices. Commodity prices can fluctuate significantly, and the prices are exposed to numerous factors beyond the control of any one investment or the Fund. A significant decrease in a commodity price is likely to adversely affect sentiment and market support towards a particular commodity and therefore may impact the value of any equity investments exposed to those commodities that the Fund may be invested in at the time.

**Retention of personnel risk:** There can be no assurance that there will be no unintended loss of personnel, including key personnel, leading up to and following the launch of the Fund. If key ACL personnel choose not to remain with the company post-launch, there is a risk to the management of the Fund.

**Reliance on information provided:** ACL relies on the Ore Reserves and Mineral Resources Statements, financial data and other information that is publicly available to the companies they invest in. If any of the data or information relied upon by ACL in its investment process proves to be incomplete, incorrect, inaccurate or misleading, there is a risk to the performance of the Fund.

**Analysis of opportunities:** ACL will undertake technical and financial analysis of companies in order to determine their attractiveness for investment. It is possible that despite such analysis and the best estimate assumptions made by ACL, the conclusions drawn are inaccurate or are not realised which may impact the performance of the Fund.



## Investing and withdrawing

### How to invest and withdraw

#### Investing

To invest in the Fund, complete all the relevant fields of the Application Form which will be made available upon request and return it to us. The minimum initial investment is \$50,000 (ACL reserves the right to vary this amount). Additional investments (minimum \$50,000) can be made by providing us with appropriate written instructions.

Your Application Form will be considered lodged when it is received at our registered office by 3.00pm on a Melbourne business day. Otherwise, you will receive the next business day's unit price.

#### Withdrawing

The minimum withdrawal amount is \$50,000. Withdrawals are processed daily. For withdrawal requests the cut off time is 3.00pm on a Melbourne business day. Otherwise, you will receive the next daily withdrawal price.

You can withdraw some or all of your investment by written request (signed by the appropriate signatories). Withdrawals are generally processed within five business days although under the Trust Deed we have a longer period to satisfy withdrawal requests.

#### Cooling off

As the Fund is only available to Wholesale Clients, cooling off rights do not apply, and you are unable to withdraw your funds invested.

#### Unit prices

Unit prices are generally calculated each business day. The unit price is the net asset value of the Fund divided by the number of units issued.

## Distributions

Generally, any distributions of net income are paid after the end of the Fund's distribution period. Distributions are generally paid within 21 business days of the end of the distribution period. The Fund aims to distribute on a yearly basis.

#### Payment of your distributions

- Unless an investor requests otherwise, distributions will be reinvested in the Fund. The distribution reinvestment price is the unit price at the end of the distribution period (without the 'buy' spread) less the cents per unit distribution payable.

Investors can have their distribution paid directly to an account held at an Australian financial institution. If you wish to have the distribution paid to you, complete the Application Form and provide your Australian financial institution account details. If you do not provide Australian financial institution account details then your distributions will be automatically reinvested

## Redemptions

ACL reserves the right to suspend the redemption of Units or the issue of Units for up to 120 days upon the occurrence of the circumstances outlined in the Trust Deed. In particular, this right applies when ACL receives Redemption Requests of an aggregate value that, in ACL's reasonable estimates, exceed 5% (by value) of all Trust Property

## Fees and other costs

This document shows the fees and other costs that you may be charged. These fees and costs may be deducted from your account, from the returns on your investment or from the Fund assets as a whole. You should read all of the information about fees and costs, as it is important to understand their impact on your investment.

TYPE OF FEE OR COST	AMOUNT
<b>Fees when your money moves in or out of the fund</b>	
<b>Establishment fee</b>	Nil
<b>Contribution fee</b>	Nil
<b>Withdrawal fee</b>	Nil
<b>Termination fee</b>	Nil
<b>Management costs<sup>1,2</sup></b>	Management costs comprising: <ul style="list-style-type: none"> <li>A management fee of 1.10% p.a. of the net<sup>2</sup> asset value of the Fund.</li> <li>A performance fee of 20% of the Fund's outperformance of the Benchmark (subject to a High Water Mark).</li> <li>Recoverable expenses estimated to be 0.15% of the net asset value of the Fund.</li> </ul>
<b>The fees and costs for managing your investment</b>	

- Management costs do not include the Fund's transactional and operational costs some of which are recovered via the buy/sell spreads. For more information about the calculation of buy and sell spreads, see 'Buy/Sell spread' under the heading 'Additional explanation of fees and costs'.
- The net asset value of the Fund is calculated excluding fee accruals and takes into account the Fund's net market exposure.

Other service fees, such as an advice fee, may apply. Refer to 'Payments to financial advisers and intermediaries' for more information.

### Additional explanation of fees and costs

Following is a summary of the Fund's estimated management costs.

#### Management fee

The management fee is 1.10% p.a. of the net asset value of the Fund.

#### Where the Fund invests in other funds managed by us

The Fund may invest in other funds or investment companies (interposed vehicles) managed or operated by us or our associates. Where this occurs, base management fees will not be taken from each

fund. Instead, our base management fees will be adjusted to reflect the Fund's fees described above.

For example, if the Fund invested in a fund managed by ACL which charged a management fee of 0.40% p.a., the Fund would reduce its management fee proportionately on that asset.

#### Where the Fund invests in other funds managed by an external party

Where the Fund invests in other funds or investment companies (interposed vehicles) managed by third parties not related to us, any management fees charged by those parties will be reflected in the performance of the Fund and our management fee will not be adjusted to reflect the management fees of such interposed vehicles.

#### Recoverable Expenses

We are entitled under the Fund's Trust Deed to reimbursement for, or have paid by the Fund, all expenses and associated taxes we incur in the proper performance of our duties. Refer to the Tax section for further details on taxes incurred.

Recoverable expenses are expenses generally incurred in the day-to-day operation of a Fund and include, for example: registry costs, legal, custodian services, compliance and related administration functions, accounting, printing, audit and asset management fees.

Recoverable Expenses are accrued as and when incurred by a Fund, and therefore the amount recovered each month may vary.

This estimate does not include costs for:

- expenses that would normally be incurred by a direct investor that relate to the buying and selling of assets;
- abnormal operating expenses which are due to abnormal events such as the cost of running investor meetings; and
- costs of borrowing, including arrangement, establishment and interest costs.

#### Performance Fee

Unlike Management Fees, a Performance Fee is only paid if the performance of the Fund meets certain criteria. The Performance Fee assesses the performance of the Fund against the benchmark (the S&P/ASX Small Resources Accumulation Index) on a daily basis. The performance fee is equal to 20% of the amount by which this daily Fund performance exceeds the daily performance of the benchmark. Positive Fund performance against the benchmark is credited, and negative performance against the benchmark is debited, in the daily calculation of the Performance Fee. The performance fee is accrued daily and paid quarterly. However, for each performance fee period (being each quarter), a performance fee is only payable if the following criteria are met when the Performance Fee is calculated at the end of the quarter:

- the sum of the accrued daily performance amounts exceeds the High Water Mark; and
- the Fund has achieved positive returns for the quarter.

Any daily performance amounts that have accrued but which are not paid out at the end of a quarter, because the criteria above have not been met, will roll over into the following quarter. No amount is payable to the Trust if the accrued daily performance amount at the end of the quarter is negative.

#### High Water Mark

The High Water Mark is the highest level the Performance Fee has reached (based on the calculation methodology described above) when it has been calculated at the end of any of the preceding performance fee periods.

#### Worked example of Performance Fee

Below is an example of how the Performance Fee will be calculated over a three day period. Note that in practice, the Performance Fee will be calculated and accumulate over the course of a quarter.

<b>Performance Fee example</b>	
Day 1	
<b>Fund movements</b>	
Fund's investment value - beginning of day 1	\$50,000.00
Fund's return for day 1	1.50%
Fund's investment value - close of day 1	\$50,750.00
Absolute movement	\$750.00
<b>Performance Hurdle movements</b>	
Performance Hurdle value – beginning of day 1	\$50,000.00
Performance Hurdle return for day 1	0.75%
Performance Hurdle value - close of day 1	\$50,375.00
Absolute movement	375.00
<b>Performance Fee</b>	
Out/under performance	\$375.00
20% of out/under performance	\$75.00
<b>Cumulative Performance Fee close of day 1</b>	<b>\$75.00</b>
Day 2	
<b>Fund movements</b>	
Fund's investment value - beginning of day 2	\$50,750.00
Fund's return for day 2	-0.50%
Fund's investment value - close of day 2	\$50,496.25
Absolute movement	(253.75)

<b>Performance Hurdle movements</b>	
Performance Hurdle value – beginning of day 2	\$50,375.00
Performance Hurdle return for day 2	-0.30%
Performance Hurdle value - close of day 2	\$50,223.88
Absolute movement	(151.13)
<b>Performance Fee</b>	
Out/under performance	(102.63)
20% of out/under performance	(\$20.53)
<b>Cumulative Performance Fee close of day 2</b>	<b>\$54.47</b>
Day 3	
<b>Fund movements</b>	
Fund's investment value - beginning of day 3	\$50,496.25
Fund's return for day 3	0.20%
Fund's investment value - close of day 3	\$50,597.24
Absolute movement	\$100.99
<b>Performance Hurdle movements</b>	
Performance Hurdle value – beginning of day 3	\$50,223.88
Performance Hurdle return for day 3	-0.10%
Performance Hurdle value - close of day 3	\$50,173.65
Absolute movement	(\$50)
<b>Performance Fee</b>	
Out/under performance	\$29.70
20% of out/under performance	\$5.94
<b>Cumulative Performance Fee close of day 3</b>	<b>\$60.41</b>

#### Transactional and operational costs and borrowing costs

##### Transactional and operational costs

In managing the investments of the Fund or a Fund's underlying investments, transaction costs such as brokerage, settlement costs, clearing costs, legal costs and government charges may be incurred. Changes in a Fund's investment portfolio (or when new investments into or redemptions out of a Fund are paid) can also incur fees. Transaction and operational costs incurred from changing a Fund's investment portfolio are generally paid out first from amounts retained through the buy/sell spread.

The Fund's underlying investments may also incur transactional and operational costs.

##### Borrowing costs

Borrowing costs are the costs associated with borrowing money or securities such as interest and government charges.

The Fund's borrowing costs may vary from year to year.

#### Buy/Sell spread

The buy and sell spread aims to ensure that each investor shares the transactional costs associated with their investment decision to either enter or exit the Fund. The amount is:

- in the case of a buy spread, an extra cost applied on entry to the Fund and the sell spread is a cost applied on exit from the Fund;
- an estimate to cover the costs incurred when buying or selling assets, such as agent fees, legal fees, stamp duty and taxes;
- not an additional fee paid to ACL but is retained in the Fund to cover those transaction costs; and
- not applied to the reinvestment of distributions.

The following buy/sell spreads (which may change from time to time without prior notice) apply:

Buy	Sell
0.20%	0.20%

#### Goods and Services Tax

All fees and charges shown are exclusive of the impact of Goods and Services Tax less input tax credits (including approximate reduced input tax credits) that the Fund may be entitled to claim.

#### Other expenses and costs

You may also incur infrequent costs directly associated with transactions made on your account, such as government taxes, stamp duty and bank fees. For example, if your direct debit is rejected and the Fund incurs a bank fee.

These costs will be directly deducted from your account by reducing the number of Units you hold within the Fund. We are unable to estimate these costs until they are incurred.

#### Payments to financial advisers and intermediaries

The Corporations Act 2001 contains provisions which regulate, and in some cases prohibit, payment to financial advisers and intermediaries by product issuers. Any arrangement by us to make payments or provide incentives to financial advisers and intermediaries will be entered into in compliance with the legislation.

## Additional important information

### Australian Taxation

Certain tax implications of investing in the Fund are explained below. It is intended to be a brief guide only and does not purport to be a complete statement of the relevant tax law, nor does it take into account your individual circumstances. Accordingly, we strongly recommend that you seek independent professional taxation advice on the tax implications of investing in the Fund relevant to your specific circumstances.

The following summary is intended for Australian resident investors and generally applies to investors who hold their investment for the purpose of realising a long-term return (that is, hold their investment on capital account for tax purposes). This summary does not consider the tax implications for those investors who hold their investment in the Fund on revenue account, as an isolated investment made with profit making intent or as trading stock. It is based on our interpretation of the current Australian tax laws at the date of publication of this document, including applicable case law and published guidance by the Australian Taxation Office, which may be subject to change.

#### While you hold your investment

At the date of this IM, the Fund is not a Managed Investment Trust ('MIT') for tax purposes and therefore the Fund is not eligible to be an Attribution Managed Investment Trust ('AMIT'). The Fund itself should not pay tax on the basis that it will make a full distribution of all taxable income to investors each financial year.

You will need to include in your income tax return your share of the Fund's taxable income for each financial year.

This applies regardless of whether the distribution is received in cash during that income year or a later year, and may include amounts that have been reinvested.

To assist you to complete your tax return, you will receive an annual tax statement from us. This statement will provide you with the components to be included in your tax return.

The sum of these components may differ to the amount of cash distribution you receive.

Tax losses (if any) generated by the Fund cannot be passed onto investors. However, provided specific requirements are satisfied, the Fund should be able to carry forward tax losses, offsetting them against income generated in a later income year.

#### Dividends

Where a Fund receives franked distributions in relation to investments in Australian equities, you may receive as part of your distribution franking credits (subject to relevant franking credit integrity measures, such as the 45-day holding period rule). These

franking credits will not represent part of your cash receipts but will need to be included in your tax return as part of your taxable income. Depending on your individual circumstances, these may be available to offset your tax liability or be paid as a refund.

#### Foreign income

Where a Fund derives foreign sourced income, Australian tax resident investors may be able to claim a Foreign Income Tax Offset ('FITO') against their Australian income tax liability in respect of their share of any foreign tax paid on that income. FITO's not utilised in the income year in which they are derived will be forfeited and cannot be carried forward to a later year.

#### Capital gains

Where the Fund derives net capital gains to which you become entitled, you may need to include these amounts in your assessable income. A capital gains tax ('CGT') discount may then be available for some investors, as outlined below.

#### When you withdraw

When you fully or partially withdraw or redeem your investment in the Fund, you are treated as having disposed of your investment in the Fund. As a result, any net gain derived on disposal may be included in your taxable income under the CGT provisions. This may include where you move between Funds or transfer your units in a particular Fund to another investor.

An investor will make a capital gain in respect of the disposal of its investment to the extent that the capital proceeds attributable to the disposal exceed the investor's cost base. Alternatively, an investor will make a capital loss in respect of the disposal of its investment to the extent that the capital proceeds attributable to the disposal of the investment are less than the CGT reduced cost base in that investment.

In determining the cost base or reduced cost base of your investment in the Fund, you will need to take into account any returns of capital and tax deferred distributions received in respect of your investment. These amounts may have the effect of increasing your capital gain or decreasing your capital loss. Amounts that represent the CGT concession amount will have no impact on the cost base of your investment in the Fund.

Investors that are individuals and trusts may be entitled to a CGT discount that reduces their capital gains by 50% where they have held their investment for more than 12 months. Investors that are complying superannuation funds may be entitled to a 33.33% reduction of their CGT liability. No such discount is available to corporate investors.

#### Non-residents

This summary does not consider the Australian income tax implications for non-resident investors.

However, it is noted that the Australian tax law imposes obligations on the Fund to withhold tax on distributions paid to non-residents for Australian tax purposes.

If you are not an Australian resident for tax purposes, withholding tax will be deducted from your distributions at the prescribed rates. The rates may vary according to the components of the distribution and in the country in which you reside.

#### TFN withholding Tax

If you are an Australian resident, you may choose whether or not to provide a Tax File Number ('TFN') or an Australian Business Number ('ABN'). If neither is quoted and no relevant exemption information is provided, the Fund is required to withhold tax on your income distributions at the highest marginal tax rate, plus levies.

#### Goods and Services Tax ('GST')

The acquisition, redemption and transfer of Units in the Fund should not be subject to GST. Distributions made by the Fund should also not give rise to any GST consequences.

#### Automatic Exchange of Information ('AEOI')

We intend to meet any requirements imposed on the Fund under Australian legislation designed to give effect to the AEOI regimes.

Australia's obligations under AEOI regimes include legislation designed to give effect to the Foreign Account Tax Compliance Act ('FATCA') and the Organisation for Economic Co-operation and Development's ('OECD') Common Reporting Standard ('CRS'). As such, we may collect certain information from you; report payments made in respect of your investment and retain information to meet record keeping requirements. It is recommended you consult with your tax adviser to discuss the impact of these AEOI regimes may have on you.

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

ACL does take into account labour standards and environmental, social and ethical considerations in the selection, retention or realisation of investments in the Fund offered under the IM.

#### Trust deed

The Fund's Trust Deed provides the framework for its operation and together the Corporations Act and other laws, sets out our relationship with you. The Fund is a managed investment scheme governed by a trust deed.

The statements in this IM only provide a summary of some of the provisions of the trust deed. We are not liable for any loss unless we fail to comply with our duties under the Corporations Act.

#### Transfers

Investors may not transfer (or agree to transfer) any units in the Fund to another person (entity) without ACL's prior consent.

#### Borrowings

ACL is permitted to borrow money for the purposes of the Fund and to grant security over the Fund's assets. As at the date of the IM, ACL has no intention of using leverage in the Fund as a part of its Investment Strategy.

#### Terminating the Fund

The Fund may be terminated at any time subject to the Fund's Trust Deed and the Corporations Act.

#### Powers and duties of ACL

ACL is Trustee of the Fund and must act in accordance with the Trust Deed and the Corporations Act. ACL's role is to set the investment policy in relation to the Fund and carry out the general administration and operation of the Fund. Legal title to the assets is held by a custodian on behalf of ACL.

#### Related party transactions

All transactions we enter into in relation to the Fund, including those with related parties, such as the Australian Unity Group, are on arm's length commercial terms. Australian Unity Group entities may provide registry, accounting, asset management and tax services to the Fund for fees charged at a commercial rate.

Policies and procedures are in place to manage the risk of any actual or perceived conflict of interest as a result of a related party transaction. Related party transactions are reviewed and approved by senior management with clearly identified government policies and guidelines.

Details of material related party transactions are reported yearly as part of the Fund's Annual Report.

#### About this IM

This IM may be updated or replaced from time to time. A copy of the current IM is available from us on request at any time, free of charge. This document can only be used by investors who qualify as Wholesale Clients receiving it (electronically or otherwise) in Australia.

## Keeping in touch

We will keep in touch by sending you:

- a statement confirming your initial application;
- a confirmation statement after each additional investment;
- an account statement each quarter; and
- a tax report showing full taxation details (required to complete tax returns).

If you would like to contact us directly, you can at our registered office:

Acorn Capital Limited

Level 12, 90 Collins Street

Melbourne VIC 3000

Telephone: (03) 9639 0522

E-mail: [info@acorncapital.com.au](mailto:info@acorncapital.com.au)