



Unhedged Fund (Fund)

Additional Information Document

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Important information

This additional information document (AID) is issued by Melbourne Securities Corporation Limited (ACN 160, 326 545, AFSL 428289 (MSC, we, us, our) It forms part of, and should be read in conjunction with, the primary Product Disclosure Statement (PDS) for the Fund (available at unhedged.com.au/importantdocuments/PDS.pdf). You should also read the Investment Options List (available at unhedged.com.au/importantdocuments/IOL.pdf), which also forms part of the PDS.

The information in this AID is general information only and does not take account of your personal financial situation or needs. You should consider the information in the PDS, this AID and the Investment Options List and obtain financial advice tailored to your personal circumstances when making a decision about the Fund. Information in this AID may change from time to time. Where a change is not materially adverse to investors, it may be updated via our website and will be available at unhedged.com.au. You can ask us to provide a digital copy of any updated information, free of charge at support@unhedged.com.au.

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1. Transacting with the Fund

This section provides additional information to the information set out in the 'How the Fund works' section of the PDS.

The Fund is a digital product

The Fund is a fully digital investment product. All requests relating to the Fund should be submitted electronically through the Unhedged App. The Unhedged App is not incorporated by reference into, and does not otherwise form part of, this document or the PDS.

Opening an account

Your investment account will be established when you successfully complete the application process to our satisfaction. As part of that process, we will ask you to provide documents and information to verify your identity and tax status.

Making an investment

You can provide an investment instruction after your investment account has been established.

An investment instruction may be provided by sending us a completed copy of the approved Investment Instruction Form by email or by using the Unhedged App.

Payment can be made by direct debit from an Australian bank account that you nominate and hold in your name. Direct debit transactions are, however, not available at all financial institutions. If we can't request money from your financial institution or if you provide the wrong details, we won't be able to process your payment. If you have insufficient funds in your bank account when the direct debit is processed, you may be charged a direct debit failure fee by your financial institution.

In certain circumstances and in our absolute discretion, we may also provide you with our bank account details and you may pay via direct credit into that bank account.

Where an investment instruction is unable to be completed for any reason, we'll let you know and ask for further instructions. This may cause delays in locking in an investment or in you providing a new investment instruction.

Issue price

If we accept your investment instruction and we receive your cleared funds, you'll pay for your units in the Fund at the next applicable unit price for the relevant Investment Option after the time we process your investment request (plus any applicable buy spread).

Application monies

When an application for units is not completed immediately (for example, because the funds are to be transferred by direct debit): (Application monies account) we'll receive your investment monies in a trust account separate from the Fund established for that purpose. Any interest earned on application monies is treated as income to the Fund and will not be paid to individual investors.

(Confirmations) we'll send you a confirmation of the transaction only when it is completed by email or electronic confirmation.

That confirmation will set out the amount you've invested, the number of units issued to you, the unit price of those units and the date the units were issued.

Making a withdrawal

You can decrease the size of your investment by making a withdrawal request by sending us a completed copy of the approved Withdrawal Form by email or by using the Unhedged App.

Withdrawal price

If we accept your withdrawal request, you'll receive the next applicable unit price for the relevant Investment Option after the time we process your withdrawal request (less any applicable sell spread).

We may also withhold amounts to cover any amounts you owe us in relation to your investment.

Withdrawal payments

We endeavour to pay withdrawal amounts as soon as possible.

For withdrawals to your bank account, withdrawal amounts are normally paid immediately after we have accepted your withdrawal request and settled into a bank account nominated by you and held in your name within 5 - 7 days.

Under the Constitution, we're required to pay withdrawal amounts within 21 days of accepting a withdrawal request.

In exceptional circumstances, withdrawals may take longer than normal. This may occur where there are delays to processing your withdrawal request (for example, because other investors may be disadvantaged) or where there are delays to processing your withdrawal payment (for example, because the banking payments networks are disrupted).

In some circumstances, such as when there is a freeze on withdrawals or the Unhedged App is unavailable, investors may not be able to provide a withdrawal request at all.

Discretion to accept or reject

We can accept or reject any investment or withdrawal request at any time at our discretion, without reasons.

Parts of a unit

Where you submit a request to invest or withdraw an amount that is not equal to a whole unit, we'll issue a fraction of a whole unit to you for the amount you have invested, or exchange a fraction of a whole unit for the amount you have withdrawn.

The value of a fractional unit, and all rights and obligations attaching to a fractional unit, will be in proportion to a whole unit. If you hold more than one fraction of a unit, we may consolidate the fractions into a whole unit.

We issue fractional units rounded to the fourth decimal place. Rounding could impact the value of the amount you invest or withdraw.

Transacting with the Fund (continued)

Multiple Investment Options

You may hold units in more than one Investment Option at a time.

You may provide us an instruction to invest into more than one Investment Option, in such proportions as you prefer.

Where you hold units in more than one Investment Option, you may provide us with a standing instruction to periodically return your portfolio to a target portfolio allocation in the Unhedged App.

We will process this standing instruction as a switch (as described in the PDS).

This is explained further in section 2 below.

Transfers to third parties

You may not transfer units to another person without our approval (which may be withheld in our discretion). If you would like to transfer units to another person, please contact us for more details.

Unit prices

The unit price of any Investment Option, at any time, is calculated by dividing the net trust value of the Fund (NAV) referable to that Investment Option by the number of units on issue in the Fund at that time of that Investment Option. We calculate the unit price on each business day, except in the circumstances specified in the Constitution.

The NAV is calculated as the market value of the assets of the Fund, less the liabilities of the Fund on the day in which the value is determined.

Valuation

The valuation of Fund assets is governed by the Constitution. The Constitution provides that assets must be valued in a manner that is consistent with the range of ordinary commercial practice for valuing assets of that type and be reasonably current.

2. Benefits of Investing in the Fund

This section provides additional information to the information set out in the 'Benefits of investing in the Fund' section of the PDS.

The key features and benefits of an investment in the Fund include:

Access to investment options

We provide access to investment options to help you start investing and steadily build wealth over time, through an easy to use Unhedged App. The Fund enables you to choose from a range of Investment Options that give exposure to US listed equities and bonds (either directly or indirectly through ETFs) and cash (Australian and US dollars). You can set the allocation to each of the Investment Option(s) that suit you, to build your own portfolio.

Professional team at work

Unhedged employs professional quantitative analysts that improve existing algorithms / execution mechanisms and develop new algorithms to replace algorithms when needed. Unhedged's analysts are experts in algorithmic investing.

Making it work, even for small balances

Unhedged believes the key to successful investing is time. 'The earlier you start, the better.' You can start investing in the Fund even with a low minimum balance.

Mitigating human biases

The Fund is designed to help you build wealth through an algorithmic trading strategy. This strategy has the potential to increase wealth as investment decisions are governed by a computer algorithm which reduces the risk of irrational decisions that are affected by human emotions such as fear and greed.

Investments on autopilot

Our algorithms are designed to trade continuously when markets are open and make decisions in an instant. We will automatically reinvest dividends and distributions back into the Fund to grow the value of your investment.

For more information about how the algorithm works in relation to the Investment Options other than the USD Cash, see section 1 of the Investment Options List.

Build a portfolio of Investment Options

If you choose to invest in more than one Investment Option, you can provide us a standing instruction to periodically bring your portfolio back to an allocation you chose. We will process an instruction like this until it is cancelled.

Aligned incentives

Our fee structure is aligned to performance of the Fund. When the Fund is over-performing compared to the relevant benchmark for the Investment Option, a performance fee is charged.

All investment options carry risk

Risks may result in loss of income, loss of principal invested and possible delays in repayment. You could receive back less than you invested and there is no guarantee that you will receive any income. Also remember that past performance is not a reliable indicator of future performance.

3. Additional Risks

This section provides additional information to the information set out in the 'Risks of managed investment schemes' section of the PDS.

Risk profiles

The risk profile assigned to each Investment Option is based on the following risk levels:

- **(Low risk)**: you may experience low returns and a low level of variability (if any) in your investment returns. Where returns are very low, a low-risk investment may not keep up with inflation or maintain its 'real' value (i.e. adjusted for inflation).
- **(Moderate to low risk)**: you may experience some variability in your investment returns.
- **(Moderate risk)**: you may experience a moderate degree of variability in your investment returns.
- **(Moderate to high risk)**: you may experience more than a moderate degree of variability in your investment returns.
- **(High risk)**: you may experience a high degree of variability in investment returns, as the potential for greater returns is generally associated with higher risk and volatility.

All investments carry risk. For more information about the risks of investing, please see ASIC guidance at moneysmart.gov.au.

Other risks

In addition to the more significant risks described in the PDS, the following risks may also impact your investment and affect managed investment schemes generally:

- **(Manager risk)**: the risk that Cache, as manager, cannot or does not successfully implement the investment strategy for the Fund. This risk also includes where Cache's Australian financial services licence is revoked and is not replaced.
- **(Tax risk)**: the risk that tax laws or regulations that impact the Fund (or its assets) change in Australia or overseas. Tax law is complex, will apply differently to different investors and is regularly subject to change. You are strongly advised to obtain professional tax advice relating to your investment in the Fund.
- **(International risk)**: The assets held by the Fund are listed overseas or give exposure to overseas investments and investments in foreign jurisdictions, including the United States of America. There are additional risks associated with holding such investments, including the exposure to foreign currencies, foreign laws, commercial environment, fiscal environment, or political environment.
- **(US specific risk)**: The US private investment industry is sensitive to macroeconomic shifts, credit market and equity market volatility and US specific regulations governing the private investment sector. Some specific risks include a downturn in the US economy or US interest rate fluctuation.
- **(Derivative risk)**: derivatives are a complex way to invest or manage risk. We don't use derivatives, but ETFs in which the Fund invests may use these to manage risks or to try to gain exposure or make money in accordance with their strategy. Derivatives are a high-risk investment, may not always be successful and may cause disproportionate losses.
- **(Borrowing risk)**: the Fund does not borrow money to enhance the returns of the Fund, but we may borrow for cash management purposes and companies in which we invest may borrow money. Borrowing can magnify returns and magnifies losses.
- **(Counterparty risk)**: the risk that a person that contracts with MSC or Cache (or the issuer or manager of an ETF) fails to meet its contractual obligations, resulting in losses.
- **(Technology risk)**: although we take steps, we consider reasonable to protect information we hold, its security cannot be absolutely guaranteed. Data including phone numbers, email addresses and passwords can be compromised. If data is stored overseas, different privacy and other standards may apply there.

4. How We Invest Your Money

This section provides additional information to the information set out in the 'How we invest your money' section of the PDS.

Investment management

Your investment will be managed in accordance with the PDS and this AID.

Authorised investments

The Fund may hold financial property, including cash, securities and ETFs.

Investment Options

For the investment objective of each Investment Option, the asset classes in which they invest, their strategic asset allocation, their minimum suggested investment time frame or risk level, please see the Investment Options List.

The Unhedged system

Each Investment Option (excluding the USD Cash Investment Option) is managed in accordance with a quantitative strategy and investment decisions will be driven by a systematic algorithm comprised of three parts:

(Signal generator): This part of the algorithm continuously assesses market data to determine the preferred amount of market exposure and portfolio holdings required for the Investment Option.

(Execution): This part of the algorithm determines whether a trading threshold has been reached relative to the preferred portfolio holding. The algorithm will run an execution routine to rebalance the portfolio once a threshold has been reached (including both buys or sells).

(Monitoring and stop loss): This part of the algorithm reduces the risk associated with individual positions held by the Investment Options by exiting positions when certain thresholds are reached ('stop losses'). Stop losses are maintained dynamically based on market conditions and will reduce market exposure when certain conditions are met.

Actual returns and volatility of each Investment Option may differ from expectations and may deviate from return objectives over short or long periods of time.

Detailed information about each Investment Option is contained in the Investment Options List.

Netting

As the Fund is a pooled investment vehicle, trading can occur on a netted basis. That means, we may assess the net trading and funding requirements relative to the entire Fund.

Where some investors increase their investment in the Fund and other investors decrease their investment, we may only need to trade on-market to reflect the change in cash-flow on an aggregate basis.

Rebalancing asset allocations in Investment Options

Where the rebalancing of one Investment Option and the rebalancing of another Investment Option would result in the same asset being bought and sold at the same time, we may simply account for that asset as if it had been sold by one Investment Option to another at the current mid-market price for that asset.

Labour standards and environmental, social and ethical considerations

Unless expressly provided in the Investment Options List, neither MSC nor Cache takes into account labour standards or environmental, social or ethical considerations when selecting, retaining or realising investments.

Fund performance

Up to date information on the performance of the Fund, and each available Investment Option, will be available on the Unhedged App.

Changes

We may change the Investment Options from time to time and without notice. For example, we may change the number of Investment Options available, the assets in which the Fund invests and the investment strategy and strategic asset allocation for each Investment Option.

We will make changes to the Investment Options where we consider it is in the best interests of investors to do so, which may include where an underlying security has become illiquid or suspended from trading or is about to be delisted. We will notify you of any material changes to the Investment Options.

5. Fees and Costs

The following information provides additional information to the information set out in the 'Fees and costs' section of the PDS.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example reduce it from \$100,000 to \$80,000).

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

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

TO FIND OUT MORE

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

Fee Table

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Taxes are set out in another part of this document. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Unhedged Fund		
Type of Fee or Cost	Amount	How and when paid
Fees when your money moves in or out of the product		
<i>Establishment fee</i> The fee to open your investment	Nil	
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	
<i>Exit fee</i> The fee to close your investment	Nil	
Management Costs¹		
The fees and costs for managing your investment	2.45% p.a. of the net trust value of the Fund, comprising:	
The amount you pay for a specific Investment Option is set out in the Investment Options List.	Management fee: 0.49% p.a. of the net trust value of the Fund (excluding any amounts held in the USD Cash Investment Option, which does not incur a management fee)	Management fees are calculated and accrued on each business day and are paid from the assets of the Fund monthly in arrears. Management fees are estimated daily and reflected in the unit price for each Investment Option in the Fund.

Fees and Costs continued

	Performance fee ² : 0 – 1.61% p.a. of the net trust value of the Fund	The performance fee is calculated and accrued on each business day and (if payable) are paid from the assets of the Fund monthly in arrears. Performance fees are estimated daily and reflected in the unit price for each Investment Option in the Fund. Performance fees will not be charged for the USD Cash Investment Option.
	Indirect costs ³ : 0 – 0.35% p.a. of the net trust value of the Fund	Indirect costs are other costs which reduce the returns of the Fund, such as the fees charged by the issuers of underlying ETFs. Costs are reflected in the unit price of the Fund as and when they arise.
	Recoverable expenses ⁴ : Nil	Any expenses normally incurred in operating the Fund are paid as and when they arise by Unhedged out of its own resources. Any extraordinary expenses are deducted from the Fund's assets as and when they arise.
Service Fees	Nil	
Switching Fee The fee for changing Investment Options	Nil	

¹ These figures reflect fees and costs that MSC reasonably estimates, as at the date of this AID, will apply for the current financial year (adjusted to reflect a 12-month period) as a percentage of the net trust value of the Fund. Certain additional fees and costs may apply, such as transactional and operational costs.

² The performance fee depends on the Investment Option and is reasonably estimated to range from 0% to 1.61% per annum of the net trust value of the Fund. See 'Performance fees' under the heading 'Additional explanation of fees and costs.'

³ The estimated indirect costs depends on the Investment Option and is estimated to range from 0% to 0.35% per annum of the net trust value of the Fund. See 'Indirect costs' under the heading 'Additional explanation of fees and costs.' For the indirect costs that apply to a particular Investment Option, please see section 1 of the Investment Options List.

⁴ For more information see 'Recoverable expenses' under the heading 'Additional explanation of fees and costs'

Fees and Costs continued

Additional explanation of fees and costs

Management costs

The management costs for the Fund incorporate all relevant fees and other costs involved in managing the Fund and deriving investment returns, including management fees, performance fees, recoverable expenses and indirect costs.

Management costs do not include transactional and operational costs (described below) or any other costs that an investor would ordinarily incur when investing directly in the Fund's underlying assets.

Management fee

Management fees are charged for managing the Fund and making it available to investors.

The management fee for the Fund is set at 0.49% p.a. of the net trust value of the Fund (excluding any amounts held in the USD Cash Investment Option, which does not incur a management fee).

The management fee is calculated and accrued each business day and is paid from the assets of the Fund on the last business day of each month in arrears. Management fees are estimated daily and reflected in the unit price for each applicable class of units in the Fund.

Performance fees

Investment Option	Benchmark
Industrial Activity	SPDR S&P 500 Trust ETF (SPY.ARC)
Sector Rotation	iShares Core Growth Allocation ETF (AOR.ARC)
Momentum	SPDR S&P 500 Trust ETF (SPY.ARC)
USD Cash	No performance fee will be charged

The performance fee for each Investment Option is equal to 20% of the amount (if any) by which the change in unit price for that Investment Option (before fees) exceeds the 'performance hurdle', calculated from the previous 'high water mark'.

The 'performance hurdle' for an Investment Option is equal to the change in unit price for an Investment Option that would have occurred if it had experienced the same growth as the Benchmark for that Investment Option as set out below (adjusted for the impact of fees and any distributions of income or capital).

The use of a 'high water mark' means any performance deficit must first be recovered before any future performance fees may be accrued.

The 'high water mark' for an Investment Option is equal to the most recent unit price for the Investment Option for which a performance fee was calculated (adjusted for the impact of fees and any distributions of income or capital). Until the first performance fee is calculated, the high-water mark is taken to be \$1.00. An example of how the performance fee is calculated:

Line Item	Value
High water mark	\$1.00
Investment Option Return	10%
Benchmark Return	4%
Outperformance (Investment Option return less benchmark return)	6%
Performance fee (greater of 20% x outperformance x high watermark and \$0.00)	\$0.012

If a performance fee is payable to us, it will be paid monthly in arrears on the last business day of the relevant month. The performance fee is payable in relation to the performance of the Investment Option as a whole during the month and does not necessarily reflect the performance of any individual investor's investment.

Indirect costs

Indirect costs are not fees charged by us.

Indirect costs are any amounts that we know or where required, reasonably estimate, will reduce the Fund's returns that are paid from the Fund's assets (other than recoverable expenses and transactional and operational costs described elsewhere in this section) or that are paid from the assets of any interposed vehicle (such as an underlying ETF) in which the Fund may invest.

For the indirect costs for a particular Investment Option, see the Investment Options List.

Recoverable expenses

The recoverable expenses represent the expenses incurred in the operation of the Fund. The Constitution allows all properly incurred expenses to be recovered from the Fund and does not place any limit on the amount or types of expenses that can be recovered.

The expenses normally incurred in the day-to-day operation of the Fund include investment manager fees, fund administration, unit registry and audit costs (other than transactional and operational costs described below). These expenses normally incurred will be paid by Unhedged out of its own resources while this AID is current. Where we are unable to recover these expenses from Unhedged, we may recover those expenses from the assets of the Fund.

We, as at the date of this AID, reasonably estimate that the normally incurred recoverable expenses of the Fund that will apply for the current financial year (adjusted to reflect a 12-month period) will be nil, as these expenses will be paid out of Unhedged's own resources.

Fees and Costs continued

Extraordinary expenses are expenses that are not normally incurred in the day to day operation of the Fund and are not necessarily incurred in any given year. They may include costs associated with holding unitholder meetings, changing the Constitution, or defending or pursuing legal proceedings. Any such expenses will be recovered from the Fund and reflected in its unit price.

We, as at the date of this AID, reasonably estimate that the extraordinary expenses of the Fund that will apply for the current financial year (adjusted to reflect a 12-month period), will be nil.

Transactional and operational costs

Transactional and operational costs are not a fee paid to us, Cache or Unhedged.

The Fund incurs transactional and operational costs, such as brokerage, clearing costs, transactional custodian fees and other transaction fees associated with buying and selling the Fund's assets or processing applications or redemptions (including the transactional and operational costs of underlying funds). Transactional and operational costs are an additional cost and are not included in the management costs.

A buy spread will be applied to the issue price and a sell spread will be applied to the withdrawal price to ensure that (as much as possible) the transactional and operational costs incurred as a result of an investor entering or leaving the Fund are borne by that investor, and not by other investors. The buy/sell spread for the Fund is MSC's reasonable estimate of the transactional and operational costs that the Fund will incur and is not received by us, Cache or Unhedged.

We, as at the date of this AID, reasonably estimates that the Fund's total transactional and operational costs for the current financial year (adjusted to reflect a 12 month period) will be between 0.02% and 1.70% p.a. of the Fund's net trust value (depending on your Investment Option) and will be substantially recovered from transacting investors through the buy/sell spread.

For an estimate of the transactional and operational costs or the buy/sell spread for a particular Investment Option, see the Investment Options List.

The amount of these costs can be expected to vary from time to time depending on the volume and value of transactions undertaken.

Dishonour charges

Where a direct debit or other payment is dishonoured (for example, due to insufficient funds) we may charge an amount of \$5.

Goods and Services Tax

Fees and costs charged to the Fund attract 10% GST, which is charged to and borne by the Fund.

All fees and costs disclosed in this AID are inclusive of GST (as defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cth)), to the extent applicable, after taking into account any expected Reduced Input Tax Credits (RITCs).

The Fund will claim RITCs where possible under the GST regulations. These credits will reduce the overall cost of GST to the Fund and will be reflected in the unit price.

Service providers

We may provide services or make payments to service providers in return for promotional or operational services for the Fund. These payments will be paid out of our fees on a one-off or ongoing basis.

Changes to fees and costs

We have the power to change the fee structure without your consent, subject to the maximum fees described in the Constitution, however we do not currently intend to do so. The Constitution provides for the following maximum fees:

- a maximum application fee of 5% of the consideration payable on an application for units;
- a maximum redemption fee of 5% of the withdrawal price payable on redemption of units; and
- a maximum management fee of 5% per annum of the total gross value of the Fund's assets.

Fees and costs may also vary over time due to changes to the Fund, changing economic conditions or changes in regulation. We will provide investors 30 days' notice of any proposed increase to our fees and charges.

6. How Managed Investment Schemes are Taxed

The following information provides additional information to the information set out in the 'How managed investment schemes are taxed' section of the PDS.

The taxation information in this AID is provided for general information only. This AID assumes that you hold your investment in the Fund on capital account and are not considered to be carrying on a business of investing, trading in investments, or investing for the purpose of profit making by sale. The information should be used as a guide only and does not constitute professional tax advice as individual circumstances may differ. It should not be used as the basis upon which you make a decision to invest.

The taxation information in this AID has been prepared based on taxation laws as at the date of this AID. These laws can change at any time, which may have adverse taxation consequences. It is recommended that investors seek their own professional advice, specific to their circumstances, of the taxation implications of investing in the Fund.

AUSTRALIAN TAXATION TREATMENT OF THE FUND

General

The income tax treatment of the Fund will depend on whether the Fund is eligible, and elects, to apply the Attribution Managed Investment Trust (**AMIT**) provisions. The AMIT provisions are an elective income tax regime for qualifying Managed Investment Trusts (**MIT**) that provide for flow-through taxation to investors. The AMIT election is irrevocable, and the AMIT provisions will apply in each future income year in which the Fund satisfies the requirements to be a MIT. MSC intends to make the election for the Fund to enter into the AMIT provisions, if it qualifies to be a MIT.

Where the Fund does not satisfy the eligibility criteria to be a MIT, the Fund cannot make the AMIT election and ordinary trust taxation rules apply.

MIT capital account election

If the Fund qualifies as a MIT for income tax purposes, it will be eligible to make an irrevocable election to apply the Capital Gains Tax (**CGT**) provisions as the primary code for assessing gains and losses on the disposal of certain assets, including for example shares and units. In that instance the Fund should be deemed to hold these assets on capital account and investors may be entitled to receive the benefit of the CGT discount on distributions of capital gains (the requirements for accessing the CGT discount concession are discussed below). MSC will continue to monitor its eligibility on a year-by-year basis.

AMIT provisions

Where the AMIT regime applies for an income year, the following will apply:

Fair and reasonable attribution:

Each year, the Fund's determined assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) will be allocated on a "fair and reasonable" attribution basis, rather than being allocated proportionally based on your present entitlement to the income of the Fund.

Unders or overs adjustments:

Where the Fund's determined trust components for a year are revised in a subsequent year (e.g. due to actual amounts differing to the estimates of income, gains/losses or expenses), then unders and overs may arise. Unders and overs will generally be carried forward and adjusted in the year of discovery.

Cost base adjustments:

Where the distribution made is less than (or more than) certain components attributed to investors, then the cost base of an investor's units may be increased (or decreased). Details of any cost base adjustment will be included on an investor's annual tax statement, referred to as an AMIT Member Annual Statement (AMMA).

Large redemptions:

In certain circumstances, gains may be attributed to a specific investor, for example, gains on disposal of assets to fund a large redemption being attributed to the redeeming investor.

Multi-class AMITs

A choice is available to elect to treat separate classes of units as separate AMITs. MSC intends to make the AMIT multi-class election to segregate the returns of each investment option. Where the classes are treated as separate AMITs, the gains or losses derived in respect of one of the investment options will not affect the returns of the alternative investment options.

Penalties:

In certain circumstances (e.g. failure to comply with certain AMIT rules), specific penalties may be imposed.

Non-AMIT Provisions

On the basis the Fund is not a public trading trust, the Fund should be treated as a flow-through trust for income tax purposes. This means that you will be taxed on your share of the Fund's net taxable income.

Multi-class non-AMITs

In the absence of an AMIT multi-class election being made, the Fund is treated as a single taxpayer. As the classes are not treated separately for income tax purposes, there is a risk that the income, expenses and tax losses are not quarantined to each class, such that all tax deductions and tax losses are spread against the gross income of the Fund. In this scenario, gains or losses derived in respect of one of the investment options may affect the returns on the other investment options.

How Managed Investment Schemes are Taxed continued.

Other Taxation consideration

Public Trading Trust Rules

The Fund does not intend to derive income other than from an "eligible investment business". Further, MSC will seek to ensure it does not control entities that carry on trading activities, including having any negative control rights in relation to its investments that can affect the underlying trading activities of the business it invests in. Accordingly, it should not be subject to income tax as a public trading trust.

Taxation of Financial Arrangements (TOFA)

The TOFA rules may apply to financial arrangements held by the Fund when calculating its assessable income. Under the TOFA rules, gains and losses on financial arrangements are generally assessed for income tax purposes on a compounding accruals basis (where the gains/losses are sufficiently certain) rather than a realisation basis.

Losses

In the case where the Fund makes a tax loss or capital loss for Australian income tax purposes, the Fund cannot distribute these losses to investors. However, these losses may be carried forward and offset against future gains.

Where the AMIT multi-class election is made, the losses will be quarantined for each class and cannot be offset against gains derived by another class.

AUSTRALIAN TAXATION TREATMENT OF THE INVESTORS

Distributions – AMIT

The AMIT provisions require the taxable income of the Fund to be "attributed" to investors on a fair and reasonable basis, having regard to their income and capital entitlements in accordance with the constituent documents. MSC will seek to attribute taxable income having regard to the units held by investors, entitlements to income and capital, as well as cash distributions made, or new units issued to such investors during the relevant period.

Under the AMIT provisions, an investor may be taxable on their share of the Fund's taxable income prior to receiving distributions from the Fund.

Distributions – Non-AMIT

Provided that the Fund is treated as a flow-through vehicle, investors will be assessed on the taxable income derived by the Fund, based on their proportionate share of the annual income of the Fund that they are presently entitled to. The Fund's investors will be required to include their share of taxable income in their tax return.

Foreign Income

The Fund will derive foreign sourced income that might be subject to foreign tax. Investors should include their share of both the foreign income and the amount of any foreign tax withheld in their assessable income.

In such circumstances, investors may be entitled to a Foreign Income Tax Offset (FITO) for the foreign tax paid, against the Australian tax payable on the foreign sourced income. FITO's that are not utilised cannot be carried forward to a future income year.

Capital Gains

An investor's share of the taxable income of the Fund may include an amount that consists of discount capital gains derived by the Fund. Investors may be able to reduce the capital gains distributed by the Fund by any capital losses which are available to them. Furthermore, after applying any loss, individual, trust, and complying superannuation fund investors may then be entitled to discount that capital gain by 50% for individuals and trusts and 33 1/3% for complying superannuation funds in determining the net capital gain that is to be included in their assessable income.

Non-assessable distribution payments - AMIT

Under the AMIT provisions, an investor's cost base in their units held is increased where taxable income is allocated to them (inclusive of any tax free component of a discount capital gain). The cost base is decreased where cash distribution entitlements are made to the investor in respect of their Units, irrespective of whether the amounts distributed are classified as income or capital. Additional reductions are made for certain tax offsets (such as the franking credit tax offset and foreign income tax offset).

The net annual tax cost base adjustment amount will be detailed in an AMMA tax statement, which will be sent annually to investors after year-end.

Non-assessable distribution payments – Non-AMIT

Tax-deferred distributions may occur where the Fund distributes an amount of cash that exceeds the taxable income allocated to an investor. Certain tax-deferred distributions that are not assessable to an investor result in a reduction in the cost base of the units held by the investor. A capital gain will arise where those tax-deferred distributions exceed the cost base of the units.

Disposal of units

If an investor switches investment options or redeems their units in the Fund, this will constitute a disposal for Capital Gains Tax (CGT) purposes.

Where an investor holds their units in the Fund on capital account, a capital gain or loss on the disposal may arise and each investor should calculate their capital gain or loss according to their own particular facts and circumstances. As noted above, proceeds on disposal may include a component of distributable income. In calculating the taxable amount of a capital gain, a discount of 50% for individuals and trusts or 33 1/3% for complying Australian superannuation funds may be allowed where the units in the Fund have been held for 12 months or more. No CGT discount is available to corporate investors.

Investors are not generally entitled to sell or transfer units to other persons. However, if an investor does so, the investor may be liable for CGT on any gains realised on that disposal of units.

How Managed Investment Schemes are Taxed continued

Any capital losses arising from the disposal of units may be used to offset other capital gains the investor may have derived. Net capital losses may be carried forward for offset against capital gains of subsequent years but may not be offset against ordinary income, subject to satisfying the relevant tax loss recoupment rules under the Australian income tax law.

Goods and Services Tax (GST)

The Fund will be registered for GST. The acquisition and disposal of units in the Fund by investors should not be subject to GST. Similarly, the distributions paid by the Fund should not be subject to GST. However, some of the fees and expenses incurred by the Fund are likely to attract GST (at the rate of 10%). The recovery of GST will be dependent on the precise nature of the expenses incurred and the nexus with domestic or international equities. The GST and expected recovery of ITCs or RITCs relating to fees and expenses is incorporated in the management cost for the Fund.

Duty

The issue or redemption of units should not attract any duty. Duty may be payable on the transfer of units. Investors should confirm the duty consequences of transferring units with their taxation adviser.

Tax File Number (TFN) and Australian Business Number (ABN)

We will ask you to provide your TFN or ABN. You don't need to give it to us. However, if you do not provide us your TFN or ABN we may be required to deduct tax from your investment at the top marginal rate, plus levies, on gross payments including distributions of income. You may be able to claim a credit in your tax return for any TFN or ABN tax withheld. Collection of TFNs is permitted under taxation and privacy legislation.

Tax Reform

Tax reform activity is generally ongoing and such matters may impact on the tax position of the Fund and its investors. You should monitor any proposed legislative changes (including judicial developments) and seek your own professional advice, specific to your own circumstances, in relation to such matters.

Annual Investment Income Report (AIIR)

The Responsible Entity is required to lodge annually an AIIR to the ATO containing investor identity details and details of unit disposals and investment income paid or attributed to investors for the relevant income year.

7. Additional Information

If your details change

You must notify us of any change to your details, either by email or through the Unhedged App. This includes any changes to your personal details, contact details and foreign tax residency status.

We'll keep in touch

We'll keep you up to date on your investment in a number of ways, including:

- by showing your investment balance on the Unhedged App;
- by providing you a transaction statement each year; and
- by providing you an AMMA (ie a tax statement) each year.

Protecting your privacy

Privacy laws regulate, among other matters, the way organisations collect, use, disclose, keep secure and give people access to their personal information.

We're committed to respecting the privacy of your personal information and our privacy policy sets out how we manage personal information. By applying to invest in the Fund, you consent to your personal information being collected and used as set out in this policy – if we don't collect this information, we may not be able to provide our services to you.

We collect personal information directly from you, when you ask us to provide you information, through the Unhedged App and throughout our relationship with you.

Your personal information may be provided to other persons such as external service providers, including any custodian, auditor, taxation adviser, legal adviser and information technology service provider. We also provide your personal information to external service providers to verify your identity to comply with our legal obligations under the Anti-Money Laundering and Counter Terrorism Financing Act 2006.

Additionally, your personal information will be disclosed if required by law to do so.

Foreign tax residency

We are required to collect certain information about you in order to determine your foreign tax residency status under the Taxation Administration Act 1953 (Cth).

Where required by law, we will provide that information (as well as information about your investment in the Fund) to the ATO.

In order to determine your foreign tax residency status (which we need to do at the time you first make an investment in the Fund), we may need to obtain additional information from you, including documentation and certifications.

If you do not provide any information, we reasonably request by the time we require it, we may be required to withhold tax on the payment of any distribution we pay to you or gross proceeds from the sale of investments, or close your account.

You must tell us if your foreign tax residency status changes.

We need to know you

We can't let you into the Fund until we have successfully verified your identity. To do this, we may ask you to provide identification documents.

Sometimes we may be required to obtain additional information from you, such as the source or origin of the funds in your investment account and how you plan to use your investment account.

We use third party providers to verify some or all of this information. If we are unable to verify your identity or you don't provide the information, we reasonably request within an acceptable time frame, your application will not be accepted and we may suspend or close your investment account without prior notice to you or any reason being given. This means that no units will be issued to you, and withdrawals may not be made within the time periods contemplated in the PDS or this AID.

We will not be liable for any losses, including for market movements, that may be incurred by a prospective investor if an application is delayed or rejected due to our legal obligations (including those arising under anti-money laundering laws) or other delays caused by an application being incomplete.

Constitution

The Constitution sets out our obligations as well as your rights as an investor. You can obtain a copy of the Constitution free of charge by contacting us.

The Constitution may be amended from time to time, in accordance with its terms and the law. The Corporations Act requires investor consent (given at an investor meeting) for any alteration unless MSC reasonably believes that the alteration will not adversely affect the rights of investors.

We may suspend your account or refuse to process a transaction. You agree that we may (in our discretion) suspend, delay, cancel or refuse to process a transaction (including the issue or redemption of units), where:

- (a) we consider such action is necessary or desirable in light of our obligations under anti-money laundering or sanctions or other legal obligations
- (b) we believe that a transaction may be fraudulent, or
- (c) we consider such action is necessary (for example to manage regulatory risk).

In these circumstances, we will not be liable to you for any resulting loss.

Compliance plan

A compliance plan for the Fund has been lodged with ASIC, setting out how the Fund is operated to ensure compliance with its Constitution and the law. We are responsible for overseeing the compliance plan. Each year the compliance plan, and our compliance with the compliance plan, will be independently audited.

Additional Information continued

Your rights

Subject to the Constitution, you're generally entitled to receive a share of the Fund's distributable income (referable to your Investment Option), redeem units, transfer units, receive annual audited accounts and inspect the Constitution.

Custody

We have appointed a custodian to hold the assets of the Fund and may change custodian from time to time. The custodian may appoint a sub-custodian.

Investor meetings

Investors can call, attend and vote at investor meetings for the Fund subject to the Constitution and the Corporations Act. You will be bound by a resolution of investors, whether or not you attend the meeting at which it is passed.

Your liability

Except as provided below, your liability is limited to the amount you've invested in the Fund.

You may be liable for further amounts relating to fees, taxes or costs incurred in relation to your units or where you otherwise owe us money. These amounts may be recovered from your bank account (if applicable). Details of your liability as an investor are further set out in the Constitution.

Termination

We can terminate the Fund at any time or terminate an Investment Option, subject to the Corporations Act. Where the Fund is terminated, the assets of the Fund will be realised, liabilities will be discharged and then the net proceeds will be distributed to the investors of each Investment Option pro rata to their investment in accordance with the Constitution. Your final distribution will be determined by reference to the number of units you hold in an Investment Option on the termination date.

Financial information

Financial information about the Fund will be made available on our website as required by law.

Other information

Where the Fund is a disclosing entity, it will be subject to regular reporting and disclosure obligations under the Corporations Act. We will meet our continuous disclosure obligations by disclosing new material information at unhedged.com.au.

Copies of documents lodged with ASIC in relation to the Fund may be obtained from or inspected at an ASIC office. You have a right to obtain a copy of the following documents from us free of charge:

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

Additional classes

We may also offer other classes of units in the Fund under a separate disclosure document to other investors and may create or close different classes of units from time to time.

Units of other classes may have rights and obligations that are different to the units issued under this document.

Changes to the Fund

We can make changes to the Fund, the Investment Options, the PDS and this AID. Sometimes, changes may occur without prior notice. We'll give you 30 days' prior notice of any material changes to the Fund as required by law.

Employee investing

Our employees, and employees of our related bodies corporate, may invest in the Fund subject to our personal account trading policies and procedures.

Consents

Phillip Capital, Cache and Unhedged have each given, and at the date of the PDS and this AID have not withdrawn, their consent to be named in the PDS and this AID in the form and context in which they are named.

Contact via website:

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Manager and Administrator

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Custodian

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