



Unhedged Fund (Fund)

Information Memorandum

Dated: September 2021

Important information

This Information Memorandum (IM) is a summary of significant information about the Fund. It is prepared by Cache as investment manager and administrator of the Fund. MSC is the trustee of, and issuer of interests in the Fund, but has not issued this IM and takes no responsibility for the content of this IM.

You should consider the information in this IM and obtain financial advice tailored to your personal circumstances before making a decision about the Fund. The information in this IM is general information only, is not financial product advice and does not take account of your personal financial situation or needs.

The Fund is a fully digital investment product. By making an application, you agree to receive communications in digital form only (including via email with a copy of, or hyperlink to, the relevant communication).

This offer is only open to wholesale clients as defined in the Corporations Act 2001 (Cth) (Act). This offer is only open to investors who receive this IM in Australia and does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Information in this IM may change from time to time. Where a change is not materially adverse to investors, it may be updated via a notification at unhedged.com.au. You can ask us to provide a digital copy of any updated information, free of charge, at invest@unhedged.com.au.

MSC is not a bank and an investment in the Fund is not a bank account. Neither MSC, Unhedged, Cache nor any other person guarantees the performance of the Fund, the repayment of capital from the Fund or any particular rate of return.

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Summary of Unhedged

The Fund	Unhedged Fund
Fund structure	Unlisted and unregistered Australian wholesale multi-class unit trust
Investment Options	See Summary of Investment Options below
Eligible investors	Wholesale clients as defined in the Corporations Act 2001 (Cth)
Minimum investment	\$50,000 (we reserve the right to accept lower amounts)
Minimum redemption	N/A
Minimum balance	\$5,000
Management fee	0.49% pa of the net trust value of the Fund excluding any amounts held in the USD Cash Investment Option
Performance fee	20% of the Investment Option's outperformance over the relevant benchmark. A performance fee will not be applied for any amounts held in the USD Cash Investment Option.
Applications	Daily
Withdrawals	Daily (where available)
Distributions	None (income is reinvested)
Restrictions	No gearing No leverage No borrowings No shorting
Investment timeframe	Suggested investment timeframe is at least 7 years. We recommend that you consider the suggested investment timeframe and obtain financial advice tailored to your personal circumstances before making a decision about the Fund.
Reporting	You will be kept updated on your investment through investment confirmations and annual statements
Currency and goods and services tax	Unless indicated otherwise, all fees and charges in this document are shown in Australian dollars and exclude GST

Fund Background & Mandate

What Unhedged is all about

Unhedged believe that well-constructed and fully-automated algorithmic investment products have the potential to outperform the US equity market generally (see benchmarks below).

The Fund is an algorithmically invested investment vehicle that offers several investment options, each with a different algorithm and investment strategy.

For more information about each investment option, see section 5 (How we invest your money).

The Investment Options will invest in US listed equities and bonds (either directly or indirectly via exchange-traded funds) and cash (including both US dollars and Australian dollars).

Summary of Investment Options

Investment Option	Investment objective	Investment strategy
Industrial Activity	To exceed the performance of the S&P500 Total Return Index after fees and expenses in Australian dollars.	The strategy aims to exploit the correlation between metals prices and economic activity. The strategy uses the ratio between copper and gold prices along with volatility indicators to determine whether the US economy is expanding or contracting and trades to take advantage of these indicators.
Sector Rotation	To exceed the performance of the S&P Target Risk Growth Index after fees and expenses in Australian dollars.	This is a risk parity strategy designed to allocate between equity and bond exposures depending on market conditions. These conditions are measured by comparing the performance between various pairs of markets. For example, when gold outperforms silver then the market is deemed to be in a defensive state and market exposure will be adjusted accordingly. The allocation to equity or bond exposure will be based on individual sectors with the weightings determined by an allocation algorithm to set the risk parity of each security. Exposure to equity and bond asset classes is achieved by investing exclusively in exchange-traded funds (ETFs).
Momentum	To exceed the performance of the S&P500 Total Return Index after fees and expenses in Australian dollars.	<p>This strategy is designed to identify the set of stocks within the Russell 3000 universe which has shown the most directional movement over a defined period. The measure used to determine directional movement is the average true range.</p> <p>The strategy applies the following screening criteria to the Russell 3000 universe:</p> <ul style="list-style-type: none">• minimum trading volume and market capitalisation; and• minimum quality based on a return on equity measure.
USD Cash	US Federal Funds Rate in Australian dollars.	The USD Cash fund will hold USD cash in a USD bank account. No management or performance fee will be charged when funds are held in the USD Cash Investment Option.

Business overview

The Fund

The Fund invests in Unhedged's algorithmically-traded long-only equities and bond portfolio of US listed assets.

The Fund does not hedge against fluctuations in currency markets, and provides strong exposure to the US dollar.

The Fund offers several Investment Options, each with a different algorithm and investment strategy. For more information about each Investment Option, see section 1 (Fund background and mandate), section 3 (How the Fund works) and section 5 (How we invest your money).

Trustee

Melbourne Securities Corporation Limited (ACN 160 326 545, AFSL 428289) (MSC or Trustee) is the trustee of the Fund and the issuer of units in the Fund. MSC is responsible for operating the Fund and the Fund's compliance with its trust deed (Constitution), the Corporations Act (2001) and other relevant laws.

Manager and Administrator

Cache Investment Management Pty Ltd (ACN 624 306 430 AFSL 514360) (Cache, we, us or our) has been appointed by MSC to manage the Fund and its investments and to provide administration, promotion and other services to the Fund.

Cache acts as fund manager and administrator for various registered and unregistered investment schemes.

Unhedged

Unhedged Pty Ltd (ACN 646 541 362 AR001288751)

Unhedged Pty Ltd is the promoter of the Fund and will assist investors to engage with their investment in the Fund. Unhedged Pty Ltd has been appointed as Cache's authorised representative under its Australian financial services licence.

Custodian

Phillip Capital Limited (ACN 002 918 247 AFSL 246827) has been appointed by MSC to hold Fund assets as custodian, and may also provide other services (including services relating to trade and transaction settlement, corporate action reporting and administration, proxy voting, income and distribution processing and cash management).

People

Peter Bakker

Peter is the co-founder of Unhedged and developed each of the algorithms used in the Fund's strategies.

Peter is an experienced quantitative trading expert who has over 20 years' experience developing automated and algorithmic trading models for private and institutional books.

In 2017, Peter became a key contributor to Quantopian and co-developed trading modules still used by thousands of hedge funds in US markets. Peter is leveraging this experience to develop advanced trading algorithms for Unhedged that he believes will outperform the market.

Danny Wong

Danny is the Head of Funds Management for Cache and manages the Fund on a day-to-day basis.

Danny has over 14 years' experience in the banking and finance industry with extensive capital markets experience across equity, interest rate, bond and volatility markets gained through placements in Sydney, London and Chicago.

Most recently, Danny was a derivatives trader and investment consultant at Milliman where he specialised in providing portfolio management, derivative overlay and hedging solutions to institutional clients like fund managers, insurers, superannuation funds, ETF issuers and managed investment schemes.

His role involved advising and consulting clients on risk management strategies, investment strategies and financial products for existing and prospective clients. In addition, he was also heavily involved in quantitative modelling and market intelligence research.

How the Fund Works

A unit trust and a managed investment scheme

The Fund is an unregistered managed investment scheme that is structured as an Australian unit trust. There are several classes of units in the Fund (each, an Investment Option).

The economic entitlement attached to a unit in the Fund is determined by reference to the assets of the Fund referable to the relevant class of units (described in this IM as the Investment Option's assets). A unit represents an undivided beneficial share in the assets of the Fund as a whole (subject to the Fund's liabilities) and does not entitle the unit holder to any Fund assets in particular.

The Fund is governed by the Constitution and the general law of trusts in Australia. The Constitution sets out the conditions under which the Fund is to operate, the rights and liabilities of unitholders, and the rights, powers, responsibilities and duties of the Trustee. Investors are bound by the provisions of the Fund's Constitution.

Each Investment Option has a unit price

Each Investment Option may have a different unit price. The unit price for an Investment Option is determined by dividing the Investment Option's net trust value by the number of units on issue in the Investment Option at that time. We calculate the unit price on each business day, except in the circumstances specified in the Constitution.

The unit price for each Investment Option will vary as the market value of the Investment Option's underlying assets rise and fall.

The Fund is denominated in Australian Dollars (AUD).

For more information, please see the Unit Pricing Policy and Fair Value Pricing Policy for the Fund. You can ask us to provide a digital copy to you free of charge at invest@unhedged.com.au.

How to increase or decrease your investment

To open your investment in the Fund, you will need to open an account by completing an approved Application Form and deposit monies into your account.

When you've successfully opened an account and we've received and accepted your cleared funds, you will be issued units in the relevant Investment Option at the next applicable unit price (plus any applicable buy spread).

You may increase the size of your investment by providing an investment instruction to us and depositing further monies into your account. These monies, once cleared, will be applied towards acquiring units in the chosen Investment Option.

You may decrease the size of your investment by making a withdrawal request using the approved Withdrawal Form. Withdrawal amounts will usually be paid to you within 5–7 days after we receive and accept your withdrawal request at the next applicable unit price

(less any applicable sell spread and any amounts you owe us in relation to your investment).

You may also request to move money from one Investment Option to another, and when you request us to do so we will process the request by withdrawing your units relating to the current investment option and applying for units relating to the selected Investment Option. Where we accept that kind of request, units in the first Investment Option will be redeemed at their next applicable unit price (less any applicable sell spread) and then the proceeds will be applied towards an application for units in the other Investment Option at their next applicable unit price (plus any applicable buy spread). You may hold units in more than one Investment Option at a time.

You will usually be able to increase and decrease the size of your investment in this way 24 hours per day, 7 days per week.

Transfers of units

Transfers of units are not permitted without our consent.

Limitations

In some circumstances, such as when there is a freeze on withdrawals, investors may not be able to withdraw from the Fund within the usual period upon request.

We may accept or reject any deposit or withdrawal request at any time at our discretion, without providing reasons for our decision.

Minimum amounts

The minimum initial investment amount is \$50,000, however the trustee may accept a lower amount at their absolute discretion. Following the minimum initial investment, you may invest additional funds in the Fund at the trustee's discretion. There is no minimum withdrawal amount.

The minimum balance is \$5,000. Where processing a withdrawal request would result in your balance falling below this amount, we may take that withdrawal request to apply to your entire holding in the Fund and redeem your entire holding. Where your balance falls below this amount we may require you to redeem your units.

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.

How the Fund Works contd.

Distributions

The Fund does not pay distributions to you. Any income received by the Fund in respect of units allocated to you will be automatically re-invested into the Fund and will increase the value of your investment. You can withdraw the amount of any income that has been automatically re-invested by making a withdrawal request using the approved Withdrawal Form.

Application monies

When an investment is not completed immediately:

(a) Application monies account

We'll receive your investment monies in a trust account separate from the Fund which has been established for that purpose. Any interest earned on application monies will not be paid to individual investors or the Fund.

(b) Confirmations

We'll send you a confirmation by email or electronic confirmation when the transaction has been completed. 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.

Valuation

The valuation of Fund assets is governed by the Constitution. The Constitution provides that the assets must be valued according to the market value, the net fair value, or other value appropriate to the nature of the property and the nature of the Fund.

Reporting

To keep you informed about your investment and its performance, you will receive the following reports and statements by email.

Report	Timing
Transaction confirmations	Within 10 business days of a transaction being recorded on the register
Annual taxation statement	Generally within 4 months of the end of the financial year
Annual report	If possible, at the same time as the annual tax statement, but in any case, within 4 months after the end of the relevant financial year

Key Risks

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

Returns in the Fund are not guaranteed. The value of investments will vary, as will investment returns. Future returns may differ from past returns and investors may lose some or all of their money.

The appropriate level of risk for each investor will vary depending on a range of factors including age, investment timeframe, risk tolerance and where other parts of the investor's wealth are invested. You are encouraged to seek independent financial advice before investing in the Fund.

The significant risks of investing in the Fund include but are not limited to:

(a) Performance risk:

The risk that your investment in the Fund does not perform as you expect or meet your financial requirements. There is no guarantee that any investment strategy will be managed successfully.

(b) Market risk:

The risk of investment losses resulting from poor market conditions or changes to the market price of assets held by the Fund. This includes the risk that a market outside Australia experiences poor market conditions.

(c) Liquidity risk:

The risk that the Fund has insufficient liquid assets to pay a withdrawal request in a timely manner.

(d) Interest rate risk:

The risk to performance resulting from changes in interest rates.

(e) Credit risk:

The risk that the credit quality of a bond may decrease (for example, because of a reduction in the creditworthiness of the bond issuer) and adversely impact the value of the bond.

(f) Fund risk:

The risk that the Fund terminates, its fees or other terms change or MSC, Cache, Unhedged or another service provider changes.

(g) Underlying fund risk:

The risk that any ETF in which the Fund invests terminates, its fees or other terms change or its manager or other service provider changes.

(h) Concentration risk:

The risks associated with investing in a limited number of equities, bonds or ETFs or being exposed to a limited number of equities and bonds.

(i) Authorisation risk:

The risk that your investment is accessed by another person that pretends to be you (for example, by using your mobile device or password).

(j) Operational risk:

The risk that MSC's, Cache's or Unhedged's operational processes and procedures malfunction or fail.

(k) Foreign exchange risk:

The risk that the value of the currency in which investments are held falls.

(l) Data security risk:

The risk that information systems fail, are infiltrated or corrupted.

(m) Regulatory risk:

The risk that the laws or regulations that impact the Fund (or its assets) change in Australia or overseas.

(n) 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.

(o) Algorithmic trading risk:

The risks arising from engaging in automated algorithmic trading including the risk that the algorithm design is flawed or that the input data is of poor quality.

(p) International risk:

Some of the assets held by the Fund are listed overseas or give exposure to overseas investments and investments in foreign jurisdictions. There are additional risks associated with holding such investments, such as exposure to foreign currencies, laws, commercial environment or political instability.

(q) Derivative risk:

Derivatives are a complex way to invest or manage risk. The Fund does not 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

How We Invest Your Money

We offer a range of Investment Options under this IM. Each Investment Option invests in accordance with a particular investment algorithm.

All Investment Options will invest in US listed equities and bonds (either directly or indirectly via ETFs) and cash (including both US dollars and Australian dollars).

The Unhedged Philosophy

Unhedged believes that well-constructed and fully-automated algorithmic investment products have the potential to outperform the market.

Algorithmic investors have several benefits over human investors

(a) Not emotional:

Humans are emotional, and the trading behaviour of human investors can be highly influenced by their emotions. For example, a human may be less likely to sell a stock if it is trading at a loss as that would crystallise their losses (known as the 'sunk-cost fallacy') or a human may purchase a stock because of an emotional attachment to a particular company or brand (known as 'endowment bias'). Algorithmic investors make trading decisions based on unbiased statistical and quantitative metrics.

(b) Consume more data:

Humans can't process the same volume of information that computers can.

A description of the Unhedged system

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

(c) 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.

(d) 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).

(e) 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 (ie '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 set out below.

Investment– Option–Industrial Activity

Investment strategy

This strategy aims to exploit the correlation between metals prices and economic activity. The strategy uses the ratio between copper and gold prices along with volatility indicators to determine whether the economy is expanding or contracting and trades to take advantage of these indicators.

Assumptions

Demand for copper is generally a leading indicator for economic activity as it has applications in many industries and products. Gold is generally considered a defensive commodity as its value typically increases in times of economic uncertainty.

Signal

Movement in the ratio between copper and gold prices.

Exposure

The algorithm will adjust its market exposure depending on the strength of the signal.

Benchmark

SPDR S&P 500 Trust ETF (SPY.ARC) Adjusted for Total Returns and Currency Unhedged in AUD.

Investment Option – Sector Rotation

Investment strategy	<p>This is a risk parity strategy designed to allocate between equity and bond exposures depending on market conditions. These conditions are measured by comparing the performance between various pairs of markets.</p> <p>The allocation to equity exposure will be based on individual sectors with the weightings determined by an allocation algorithm to set the risk parity of each security.</p> <p>Exposure to equity and bond asset classes are achieved by investing exclusively in ETFs.</p>
Assumptions	<p>The speed of the change in the value of precious metals, industrials and commodities on a dollar-adjusted basis are generally good indicators of market sentiment relating to risk.</p> <p>When market appetite for risk increases (ie the market moves 'risk-on'), certain sectors outperform the market generally.</p> <p>When market appetite for risk decreases (ie the market moves 'risk-off'), certain other sectors outperform the market generally.</p>
Signal	<p>Allocates between equity and bond ETFs based on the relativity between pairs within the markets:</p> <ul style="list-style-type: none">• precious metals;• growth and defensive sectors; and• commodities sector and currency. <p>Risk is assessed based on the above relativities and market exposure is adjusted accordingly.</p>
Benchmark	<p>iShares Core Growth Allocation ETF (AOR.ARC) Adjusted for Total Returns and Currency Unhedged in AUD.</p>

Investment Option – Momentum

Investment strategy	<p>This strategy is designed to identify the set of stocks within the Russell 3000 universe which has shown the most directional movement over a defined period. The measure used to determine directional movement is the average true range.</p> <p>The strategy applies the following screening criteria to the Russell 3000 universe:</p> <ul style="list-style-type: none">• minimum trading volume and market capitalisation; and• minimum quality based on a return on equity measure.
Assumptions	<p>Securities that experience strong price movement in a particular direction are more likely to continue to move in that direction than not over the short term.</p> <p>Note: Historic returns are not necessarily indicative of future returns.</p>
Signal	<p>Identify stocks which have triggered the momentum threshold as measured by statistical metrics or indicators.</p> <p>Screen out stocks for the following:</p> <ul style="list-style-type: none">• insufficient trading volume; and• insufficient market capitalisation.
Benchmark	SPDR S&P 500 Trust ETF (SPY.ARC) Adjusted for Total Returns and Currency Unhedged in AUD.

Investment Option – USD Cash

Investment strategy	<p>This Investment Option allows the investor to hold uninvested USD cash in the Unhedged Fund. At the election of the investor, the uninvested cash can then be utilised and allocated to any one of the other Investment Options (Industrial Activity, Sector Rotation or Momentum).</p> <p>The USD cash will be held in a USD bank account.</p>
Benchmark	US Federal Funds Rate in AUD.

Limitations

Not a hedge fund

The Fund is not a 'hedge fund' and does not generate a return comparable to a 'hedge fund' (as that term is defined in ASIC Regulatory Guide 240).

Although the Fund does intend to outperform its benchmarks (rather than narrowly 'tracking' its benchmarks), it does not intend to generate a return that has a low correlation with published indices.

No leverage

The Fund will not borrow or use derivatives to increase the exposure of the Investment Options beyond their net trust value. The companies and ETFs in which the Fund invests may borrow money.

Leverage may occur from time to time for the purposes of liquidity management only.

No borrowing (except for liquidity purposes)

The Fund may borrow for liquidity and cash management purposes only, for example, to satisfy redemption requests on a timely basis.

Not currency hedged

The Fund will not take any steps to reduce the volatility of the value of assets associated with fluctuations in foreign exchange rates.

The Fund is not currency hedged.

No stock lending or stock borrowing

The Fund will not engage in any borrowing or lending of its securities holdings. The ETFs in which the Fund invests may, however, engage in stock lending or stock borrowing.

Long only (ie no short selling)

The Fund will not execute any short sales or sell any assets that it does not currently hold. The ETFs in which the Fund invests may, however, engage in short selling.

No derivatives

The Fund will not invest in any derivatives. The ETFs in which the Fund invests may, however, hold derivatives.

Additional information

Authorised investments

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

Netting

As the Fund is a pooled investment vehicle, all trading occurs on a netted basis. That means, we assess the net trading requirements of 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.

Transactions between 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

Neither MSC nor Cache take into account labour standards or environmental, social or ethical considerations into account when selecting, retaining or realising investments.

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. We will notify you of any material changes to the Investment Options.

Fees & Costs

Fees

MSC will charge the following fees from the Fund.

Fee	Amount	How and when paid
Management fee	0.49% pa of the net trust value of the Fund	<p>Management fees are calculated and accrued on each business day and are paid from the assets of the Fund monthly in arrears.</p> <p>Management fees are estimated daily and reflected in the unit price for each class of units in the Fund.</p> <p>Management fees will not be charged for the USD Cash Investment Option.</p>
Performance fee	20% of the outperformance of the Investment Option over the benchmark	<p>The performance fee is calculated and accrued daily and (if payable) are paid from the assets of the Fund monthly in arrears.</p> <p>Performance fees are estimated daily and reflected in the unit price for each class of units in the Fund. Performance fees are subject to a 'high water mark' as described below.</p> <p>Performance fees will not be charged for the USD Cash Investment Option.</p>

MSC will charge the following fees from the Fund.

No entry or exit fees

There is no entry or exit fee payable in relation to the issue or redemption of Units.

Management fee

Management fees are charged to cover the operational costs of the Fund, including to cover the fees of MSC, the custodian, and those providing audit and compliance services.

The management fee for the Fund is set at 0.49% pa of the net trust value of the Fund excluding any amounts held in the USD Cash Investment Option, is calculated and accrued each business day and are 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 class of units in the Fund.

Performance fees

Performance fees are arrangements to remunerate the investment manager when the Fund meets specific investment performance targets. Performance fees typically allow the investment manager to share in the investment return achieved above that of a suitable benchmark and are a way of aligning the interests of the investment manager with those of investors.

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

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 defined below (adjusted for the impact of fees and any distributions of income or capital).

Investment Option**Benchmark**

Industrial Activity	SPDR S&P 500 Trust ETF (SPY.ARC) Adjusted for Total Returns and Currency Unhedged in AUD.
Sector Rotation	iShares Core Growth Allocation ETF (AOR.ARC) Adjusted for Total Returns and Currency Unhedged in AUD.
Momentum	SPDR S&P 500 Trust ETF (SPY.ARC) Adjusted for Total Returns and Currency Unhedged in AUD.
USD Cash	No performance fee will be charged.

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 is shown below.

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 per unit (greater of 20% x outperformance x high water mark and \$0.00)	\$0.012

If a performance fee is payable to us, it will be paid monthly in arrears after the end 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.

Recoverable expenses

The recoverable expenses represent the expenses incurred in the operation of the Fund. The Constitution allows all expenses and outgoings reasonably and properly incurred by the Trustee in the proper performance of its duty 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 Cache out of its own resources while this IM is current. Where MSC is unable to recover those expenses from Cache it may recover those expenses from the assets of the Fund.

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 unit holder 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.

Transactional and operational costs

Transactional and operational costs are not a fee paid to MSC, 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 withdrawals (including the transactional and operational costs of underlying funds).

A buy spread will be applied to the application unit price and a sell spread will be applied to the withdrawal unit 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 each investment option is set out in the table below. It represents MSC's reasonable estimate of the transactional and operational costs that the Fund will incur and is not received by MSC, Cache or Unhedged.

Investment Option	Buy Spread	Sell Spread
Industrial Activity	0.25%	0.50%
Sector Rotation	0.25%	0.50%
Momentum	0.25%	0.50%
USD Cash	0%	0.10%

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

All monetary amounts are in Australian dollars. Unless otherwise indicated, fees are exclusive of goods and services tax (GST) and any applicable stamp duty.

Changes to fees and costs

MSC has the power to change the fee structure without your consent, subject to the maximum fees described in the Constitution, however MSC does not currently intend to do so. The Constitution provides for the following maximum fees (in addition to any performance fees that may be payable):

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

Fees and costs may 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 MSC's fees and charges.

How Managed Investment Schemes are Taxed

This section provides additional information in relation to the 'How managed investment schemes are taxed' section of the IM.

General

The taxation information in the IM is provided for general information only. The IM 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 IM has been prepared based on taxation laws as at the date of this IM. 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.

Taxation of the Fund

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, 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 may 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 regime

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.

Public trading trust rules

The Fund does not intend to derive income other than from an "eligible investment business". Accordingly, it should not be subject to income tax as a public trading trust. Further, MSC will seek to ensure it does not control entities that carry on trading activities.

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.

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.

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 and concessional 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 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 Capital Gains Tax (CGT) on any gains realised on that disposal of units.

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%) and in some cases, the GST may be reduced by a Reduced Input Tax Credit (RITC). 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 Input Tax Credits (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)

We will ask you to provide your TFN. You don't need to give it to us, however if you do not provide us your TFN we may be required to deduct tax from your investment.

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.

Additional Information

If your details change

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

Qualifying Investors

This offer is only available to persons who qualify as wholesale clients (as defined in sections 761G(7) or 761GA of the Act) (Qualifying Investors). A Qualifying Investor is an Investor who—

- (a) invests an amount of \$500,000 or more in the Fund,
- (b) provides a certificate from a qualified accountant (substantially in the form attached to the Application Form) that states the investor has net assets of at least \$2.5 million or has a gross income for each of the last two financial years of at least \$250,000, or
- (c) is a professional investor (including the holder of an Australian financial services licence, a person who controls more than \$10 million or foreign currency equivalent, or a person that is a listed entity or a related body corporate of a listed entity).

The Trustee will not issue units to a person unless it is satisfied that the person is a Qualifying Investor.

At the moment, MSC will only accept applications from Australian resident individuals of at least 18 years of age.

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 Australian Taxation Office. The Australian Taxation Office is, in turn, obliged to supply that information to the appropriate foreign jurisdiction in terms of legislation such as the Foreign Account Tax Compliance Act or Common Reporting Standards in terms of agreements with participating foreign jurisdictions.

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.

AML/CTF legislative requirements

As required by Australian Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) laws, MSC have

implemented AML/CTF compliance measures. We must, as a result, at various intervals (including before units are issued in the Fund to you) collect certain personal information from you and verify that information. Verification may, in certain instances, require us to also collect identification documentation from you or beneficial owners of certain investors (such as an entity).

We may also require you to provide updated or additional information from time to time. At times we may be obliged to disclose that information or documentation to the Australian regulatory and/or law enforcement agencies.

Australian law may require us to seek further information from you before accepting or processing an application or withdrawal. We will refuse to accept an Application Form, or issue units in the Fund, to you or another investor until we have satisfactorily concluded a customer identification procedure. We may delay or refuse any application, request or transaction, if we are concerned that the application, request or withdrawal may cause us to contravene AML/CTF laws. We will not incur any liability to you or any investor in such an instance.

Management of conflicts

In the course of managing the Fund, we may face conflicts in respect of our duties in relation to the Fund, related funds and our own interests. We have policies and procedures in place to manage these appropriately. We will resolve such conflict fairly and reasonably and in accordance with the law, ASIC policy and our policies.

Enquiries or complaints

If you have any suggestions, tips or complaints, please contact us via the website or email:

<https://unhedged.com.au/contact-unhedged/>

invest@unhedged.com.au

Unhedged will confirm receipt of any complaint by email within 1 business day, investigate the matter (in conjunction with Cache) and get back to you with a response with the aim of resolving your complaint within 30 days.

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 are committed to respecting the privacy of your personal information. 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 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. In such an instance we will provide your personal information only for the purpose for which the personal information may be required. 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 (Cth).

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

We need to know you

We can't let you invest in 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 this IM.

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 Fund's trust deed sets out MSC's 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.

You should also be aware of the MSC general right of indemnity which means that it may, in appropriate circumstances, recover unpaid fees from the Fund. Such a recovery may negatively impact on your investment.

We may suspend your account or refuse to process a transaction.

You agree that MSC may (in its discretion) suspend, delay, cancel or refuse to process a transaction (including the issue or redemption of units), where:

- (a) MSC considers such action is necessary or desirable in light of its obligations under anti-money laundering or sanctions or other legal obligations;
- (b) MSC believes that a transaction may be fraudulent or
- (c) MSC considers such action is necessary (for example to manage regulatory risk).

In these circumstances, neither MSC nor Cache will be liable to you for any resulting loss.

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

MSC has 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. 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 MSC money. These amounts may be recovered from your bank account (if applicable). Details of your liability as an investor are set out in the Constitution.

Termination

MSC can terminate the Fund at any time or terminate an Investment Option. When 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 Fund's constitution. Your final distribution will be determined by reference to the number of units you hold in an Investment Option on the termination date.

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 and the IM. Sometimes, changes may occur without prior notice. We'll give you 30 days' prior notice of any material changes to the Fund or as required by law.

Consents

MSC and Unhedged have each given, and at the date of this IM have not withdrawn, their consent to be named in this IM in the form and context in which they are named.

Glossary

In this information memorandum:

Term	Meaning
Act	Corporations Act 2001 (Cth)
Algorithm / algorithmic investment / algorithmic trading	An 'algorithm' is a computer program that generates trading instructions according to the rule set established for that program. The investment strategy is determined by humans, who create and monitor the algorithm as it generates instructions according to the investment strategy.
AML/CTF	Anti-Money Laundering and Counter-Terrorism Financing
ASIC	Australian Securities and Investments Commission
Cache	Cache Investment Management Pty Ltd ACN 624 306 430 AFSL 514360
Constitution	The legal document (as amended from time to time), which establishes and sets out the governing rules of the Fund.
Derivative	A financial contract whose value depends on, or is derived from, assets, liabilities or indices, and includes financial instruments known as futures, options, swaps and related instruments.
ETF	A managed fund which is traded on a stock exchange and which invests a basket of securities bought and sold on a stock exchange.
Fund	The Unhedged Fund, interests in relation to which are available under this IM
Qualifying Investors	Persons who qualify as wholesale clients (as defined in sections 761G(7) or 761GA of the Act)
IM	This information memorandum
Investment Option	An investment option in the Fund
Trustee, MSC	Melbourne Securities Corporation Limited (ACN 160 326 545, AFSL 428289)
Unhedged	Unhedged Pty Ltd (ACN 646 541 362 AR001288751)
USD	US dollars, the currency of the United States of America

Contact via website:

unhedged.com.au/contact-unhedged

Invest@unhedged.com.au

Trustee

Melbourne Securities Corporation
Limited (MSC)
ACN 160 326 545 AFSL 428289
Level 2, 395 Collins Street,
Melbourne Vic 3000
1300 798 790
info@msc.group

Manager and Administrator

Cache Investment Management Pty Ltd
ACN 624 306 430 AFSL 514 360
2/6 James St,
Manly NSW 2095
1300 122 243
help@cacheinvest.com.au

Promoter

Unhedged Pty Ltd
ACN 646 541 362 AR001288751
710 Collins street, Docklands,
Victoria, 3008
Contact via website
invest@unhedged.com.au

Custodian

Phillip Capital Ltd
ACN 160 326 545 AFSL 246827
Level 12, 15 William Street
Melbourne VIC 3000
03 8633 9800
supporttrading@phillipcapital.com.au