



Unhedged Fund (Fund)

Product Disclosure Statement

Dated: 30 September 2022

ARSN 655 758 820

Contact via website <https://unhedged.com.au/contact/>
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Responsible Entity	Manager and Administrator	Unhedged
Melbourne Securities Corporation Limited ACN 160 326 545 AFSL 428289 Level 2, 395 Collins St, Melbourne Vic 3000 1300 798 790	Cache Investment Management Pty Ltd ACN 624 306 430 AFSL 514360 Level 2, 23 Foster Street Surry Hills NSW 2010 1300 122 243	Unhedged Pty Ltd ACN 646 541 362 AR001288751 710 Collins Street, Docklands, Victoria, 3008 Contact via website

Important Information

This Product Disclosure Statement (**PDS**) is a summary of significant information about the Fund and is issued by Melbourne Securities Corporation Limited (ACN 160, 326 545, AFSL 428289 (**MSC, the Trustee or we**)) as the trustee and responsible entity of the Fund. It refers to important information in the Additional Information Document (available at unhedged.com.au/importantdocuments/AID.pdf) (**AID**) and Investment Options List (available at unhedged.com.au/importantdocuments/IOL.pdf), which both form part of this PDS.

You should consider the information in this PDS (including the AID and the Investment Options List) and obtain financial advice tailored to your personal circumstances before making a decision about the Fund. The information in this PDS 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 or the Unhedged App with a copy of, or hyperlink to, the relevant communication). The Unhedged App is not incorporated by reference into, and otherwise does not form part of, this PDS.

This offer is only open to investors who are Australian residents for income tax purposes, who have received this PDS in Australia and who have an Australian residential address.

Information in this PDS 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 Unhedged to provide a digital copy of any updated information, free of charge, at support@unhedged.com.au.

MSC is not a bank and an investment in the Fund is not a bank account. Neither Unhedged, Cache, the Trustee 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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1. About Melbourne Securities Limited

The Trustee has appointed Cache Investment Management Pty Ltd as the investment manager and administrator of the Fund, and in these roles it is responsible for managing the assets of the Fund and the Fund's administration.

Manager and Administrator

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

Unhedged

Unhedged Pty Ltd (ACN 646 541 362 AR 001288751) (**Unhedged**) is the promoter of the Fund and will assist investors to engage with their investment in the Fund by operating the Unhedged App. Unhedged has been appointed as Cache's authorised representative (number 001288751) under its Australian financial services licence (number 514360).

Responsible entity

Melbourne Securities Corporation Limited (ACN 160 326 545, AFSL 428289) (**MSC, the Trustee or we**) is the responsible entity 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* (Cth) (**Corporations Act**) and other relevant laws.

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)

2. How Unhedged Fund works

A unit trust and a managed investment scheme

The Fund is a managed investment scheme that is structured as an Australian unit trust and registered with the Australian Securities and Investments Commission under the Corporations Act. 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 PDS 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.

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.

2. How Unhedged Fund works (continued)

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

For more information, please see the Unit Pricing Policy and Fair Value Pricing Policy for the Fund. You can ask Unhedged to provide a digital copy to you free of charge at support@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 or via the Unhedged mobile application (**Unhedged App**), and transfer monies into your account.

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

You may increase the size of your investment by providing the Trustee with an investment instruction via an Investment Instruction Form or the Unhedged App coupled with transferring additional funds 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 or via the Unhedged App. Withdrawal amounts will usually be paid to you within 5 - 7 days after your withdrawal request is received and accepted (less any applicable sell spread and any amounts you owe in relation to your investment).

You may also request to switch money from one Investment Option to another, and that will be deemed to constitute both a request to withdraw from one Investment Option and an application to invest in another.

You should read the important information about acquiring and disposing of units before making a decision. Go to section 1 of the AID. The material

Where that kind of request is accepted, units in the first Investment Option will be redeemed at their applicable unit price (less any applicable sell price) and then the proceeds will be applied towards an application for units in the second Investment Option at their 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. Fees apply – see section 6 'Fees and Costs' of this PDS.

Transfers of units

Transfers of units are not permitted without the Trustee's consent.

Limitations

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

The Trustee may accept or reject any investment or withdrawal request at any time at its discretion, without providing reasons for its decision.

Minimum amounts

The minimum initial investment amount is **\$100**. There is no minimum withdrawal amount or minimum balance.

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 or via the Unhedged App.

relating to acquisitions and disposals of units may change between the time when you read this PDS and the day when you acquire the product.

3. Benefits of investing in Unhedged Fund

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

Access to investment options

Unhedged provide access to sophisticated 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 (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

The key to 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 irrational decisions, that may be based on fear and greed, are mitigated.

Investments on autopilot

Unhedged's algorithms are designed to trade continuously when markets are open and make decisions in an instant. Dividends and distributions will be automatically

3. Benefits of investing in Unhedged Fund (continued)

reinvested back into the Fund to grow the value of your investment. The investments in the Fund are automatically rebalanced using an algorithm.

Aligned incentives

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

You should read the important information about the key features and benefits of investing in the Fund before making a decision. Go to section 2 of the AID. The material relating to the key features and benefits of investing in the Fund may change between the time when you read this PDS and the day when you acquire the product.

4. Risks of managed investment schemes

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 their money. Laws affecting registered managed investment schemes may also change in the future.

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.

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

(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.

(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.

(Liquidity risk): the risk that the Fund has insufficient liquid assets to pay a withdrawal request in a timely manner.

(Interest rate risk): the risk to performance resulting from changes in interest rates.

(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.

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

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.

(Underlying fund risk): the risk that any underlying fund or ETF terminates, its fees or other terms change or its manager or other service provider changes.

(Concentration risk): the risks associated with investing in a limited number of shares, ETFs or investment classes.

(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).

(Operational risk): the risk that the Trustee's, Cache's, Unhedged's or another service provider's operational processes and procedures malfunction or fail.

(Foreign exchange risk): the risk that the value of the currency in which investments are held falls.

(Data security risk): the risk that information systems fail, are infiltrated or corrupted.

(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.

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

(Technology risk) the risks associated with investing in a digital investment product, such as the risk of software errors and bugs occurring. Technology risks may result in, for example:

- a transaction request (such as a withdrawal request) you submit in the Unhedged App not being received (and therefore not being processed); or
- your balance, transaction history or other information in relation to your investment in the Fund not being presented accurately on the Unhedged App.

You should read the important information about the risks of investing in the Fund before making a decision. Go to section 3 of the AID. The material relating to the risks of investing in the Fund may change between the time when you read this PDS and the day when you acquire the product.

5. How we invest your money

The Fund is an algorithmically invested investment vehicle. A range of Investment Options are offered under this PDS. Each Investment Option (except the USD Cash Investment Option) invests in accordance with a particular investment algorithm.

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

You should consider the likely investment return, risk and your investment time frame when choosing to invest in an Investment Option.

As an example, set out below is detailed information about the 'Sector Rotation' Investment Option below.

Investment return objective – Sector Rotation

The investment return objective for the Sector Rotation Investment Option is to exceed the performance of the S&P Target Risk Growth Index after fees and expenses in Australian dollars by providing exposure to broad-based index ETFs that invest in US equities and bonds

There is no guarantee that the returns of an underlying ETF will reflect its index or meet its objective.

The benchmark to calculate any performance fee in respect of the Sector Rotation Investment Option is the iShares Core Growth Allocation ETF (AOR.ARC).

Investment profile – Sector Rotation

This strategy is 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.

There are markets which are deemed to be defensive in nature, such as gold, so their relative performance against another market, such as silver, will signal whether the overall market is in a positive or negative sentiment. The allocation to equity or bond exposure will be based on individual sectors with the weightings determined by an allocation algorithm to set an equal risk contribution of each security.

The Sector Rotation Investment Option may suit an investor with a high risk tolerance seeking to capitalise and exploit a specific anomaly in the market. The specific anomaly is that some sectors tend to be more volatile than others from time to time and the risk of that volatility is rebalanced. By using various pairs to determine market conditions exposure is increased or decreased depending on those market conditions.

This Investment Option is **High** risk. The recommended investment period is at least 7 years, but investors may make withdrawal requests at any time.

Sector Rotation – Asset allocation	Allocation (% of the gross value of the Investment Option)
International equities	59.5% [0% - 100%]
International bonds	39.5% [0% - 100%]
USD cash	0% [0% - 100%]
AUD cash	1% [0% - 10%]

This table sets out the strategic asset allocations. In practice, the actual asset allocation may vary from the target asset allocation (within the range specified). The Fund's investment objective and strategy can be changed without notice in some cases. Investors will be informed of any material change to the Fund as required by law.

You should read the important information about how your money is invested before making a decision. Go to section 4 of the AID and to the Investment Options List. The material relating to how your money is invested may change between the time when you read this PDS and the day when you acquire the product.

6. Fees and costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example reduce it from \$100,000 to \$80,000).

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

You may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.

TO FIND OUT MORE

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

6. Fees and costs (continued)

Fees and other costs

The table below shows fees and other costs that you may be charged in the **Sector Rotation Investment Option** and can be used to compare costs between different simple managed investment schemes.

Fees and costs may be paid directly from your account or deducted from investment returns.

Unhedged Fund – Sector Rotation		
Type of fee or cost	Amount⁵	How and when paid
Ongoing annual fees and costs		
<i>Management fees and costs¹</i> The fees and costs for managing your investment	0.77% p.a. of the net trust value of the Fund.	The management fee is calculated and accrued on each business day and are paid from the assets of the Fund monthly in arrears. Other management fees and costs include indirect costs which are costs which reduce the returns of the Fund, such as the fees charged by issuers of underlying ETFs (if any). Such costs are generally deducted from the Fund's assets as and when they arise. ²
<i>Performance fees</i> Amounts deducted from your investment in relation to the performance of the product	0.02% p.a. of the net trust value of the Fund. ³	The performance fee is calculated and accrued on each business day and (if payable) is paid from the assets of the Fund monthly in arrears.
<i>Transaction costs⁴</i> The costs incurred by the scheme when buying or selling assets	1.42% p.a. of the net trust value of the Fund.	Paid as incurred or reimbursed from the assets of the Fund, or from the assets of any interposed vehicle, as and when they are incurred and reflected in the unit price of the Investment Option.
Member activity related fees and costs (fees for services or when your money moves in or out the scheme)		
<i>Establishment fee</i> The fee to open your investment	Not applicable.	Not applicable.
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil.	Not applicable.
<i>Buy-sell spread</i> An amount deducted from your investment representing costs incurred in transactions by the scheme	Buy spread +0.25%, Sell spread -0.50%	The buy spread will be applied to the investment price and paid into the Fund when you invest into the Fund. The sell spread will be applied to the withdrawal price and paid into the Fund when you withdraw from the Fund.
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil.	Not applicable.
<i>Exit fee</i> The fee to close your investment	Not applicable.	Not applicable.
<i>Switching fee⁶</i> The fee for changing investment options	Nil.	Not applicable.

¹ The management fee reflects the Trustee's reasonable estimates of the typical fee for the current financial year, which is 0.49% p.a. of the net trust value of the Fund. The costs component of management fees and costs reflects costs that the Trustee reasonably estimates, as at the date of this PDS, will apply for the current financial year as a percentage of the net trust value of the Fund, which comprise only indirect costs of 0.28% of the net trust value of the Fund. For more information, please see the 'Additional explanation of fees and costs' below, section 5 of the AID and sections 1 and 2 of the Investment Options List.

6. Fees and costs (continued)

² In addition to indirect costs and the management fee, management fees and costs could include other fees and costs such as recoverable expenses but none are anticipated at this stage. For more information on management fees and costs, please see section 5 of the AID and sections 1 and 2 of the Investment Options List.

³ The performance fee depends on the Investment Option and is based on the Trustee's reasonable estimate of the average annual performance fee by reference to the number of financial years that the Investment Option was on offer, as a percentage of the net trust value of the Fund. For more information, please see section 5 of the AID.

⁴ The transaction costs are based on the Trustee's estimate of the transaction costs for the current financial year that are not recovered by the buy/sell spread. For more information, please see section 5 of the AID.

⁵ 'Nil' means there is an entitlement under the Constitution but we have elected not to charge it. 'Not applicable' means there is no entitlement for the Trustee to charge this fee under the Constitution.

⁶ A switch is effected as a withdrawal from one Investment Option and an investment in another Investment Option.

Under the Constitution there is no fee chargeable specifically relating to switching between Investment Options, however, under the Constitution the Trustee is entitled to charge an application fee and a redemption fee associated with the process of switching from one Investment Option to another. The Trustee has elected not to charge such application and redemption fees, however a buy/sell spread applies. For more information, or for the fees and costs for other Investment Options, please see section 5 of the AID and sections 1 and 2 of the Investment Options List.

Example of annual fees and costs for a balanced investment option or other investment option

This table gives an example of how the ongoing annual fees and costs for the **Sector Rotation Investment Option** can affect your investment over a 1-year period. You should use this table to compare this product with other products offered by managed investment schemes.

EXAMPLE – Sector Rotation¹		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution Fees	\$0	For every additional \$5,000 you put in, you will be charged \$0
PLUS Management fees and costs	0.77% ⁵ p.a. of the net trust value of the Fund	And , for every \$50,000 you have in the Sector Rotation Investment Option you will be charged or have deducted from your investment \$384.66 each year.
PLUS Performance fees	0.02% of the net trust value of the Fund	And , you will be charged or have deducted from your investment \$9.90 in performance fees each year
PLUS Transaction costs	1.42% p.a. of the net trust value of the Fund	And , you will be charged or have deducted from your investment \$708.70 in transaction costs
Equals Cost of Sector Rotation Investment Option		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of: \$1,103.26
		What it costs you will depend on the investment option you choose and the fees you negotiate.

¹ This example assumes a constant investment of \$50,000 throughout the year and the \$5,000 investment occurs at the end of the year.

There is a calculator provided by ASIC on its Moneysmart website (www.moneysmart.gov.au) that you can use to calculate the effect of fees and costs on your balance.

For more information, or for the fees and costs for other Investment Options, please see section 5 of the AID and sections 1 and 2 of the Investment Options List.

Additional explanation of fees and costs

In respect of the Fund, no transaction fees will be charged when you invest money, withdraw money, or move money from one Investment Option to another.

Fees will be paid directly from the Fund to Cache, who will pass on some or all that fee to MSC or Unhedged (depending on the scale of the Fund). All monetary amounts are in Australian dollars. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (**GST**), any applicable stamp duty and consider expected

reduced input tax credits in respect of the GST component of the fee.

The Trustee can change its fee structure without your consent, subject to the maximum fees described in the Constitution. Fees may vary over time due to changes to the Fund, changing economic conditions or changes in regulation.

You will be given notice of any changes to fees in accordance with the Corporations Act (for example, where

6. Fees and costs (continued)

there is a material increase in fees or charges and the Fund is not a disclosing entity, you'll be notified at least 30 days before the increase takes effect).

If you have a financial adviser, additional fees may be payable to the adviser. Refer to the Statement of Advice provided by your adviser.

You should read the important information about the fees and costs of the Fund before making a decision. Go to section 5 of the AID and sections 1 and 2 of the Investment Options List. The material relating to the fees and costs of the Fund may change between the time when you read this PDS and the day when you acquire the product.

7. How managed investment schemes are taxed

Investing in a registered managed investment scheme is likely to have tax consequences and you are strongly advised to seek professional tax advice.

Registered managed investment schemes generally do not pay tax on behalf of investors. However, the Trustee may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. Investors are assessed for tax on any income and capital gains generated by the registered investment scheme.

The Trustee will provide an annual summary of distributions made to you during each financial year, as well as the relevant information required to complete your Australian tax return.

You should read the important information about how managed investment schemes are taxed before making a decision. Go to section 6 of the AID. The material relating to how managed investment schemes are taxed may change between the time when you read this PDS and the day when you acquire the product.

8. How to apply

How to invest

Before you choose to invest, please carefully read and consider this PDS (including the AID and the Investment Options List).

To invest, you will need to download the Unhedged App and then complete and submit an application through the Unhedged App or Application Form.

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

Cooling off

Where your application to invest in the Fund has been accepted, you can request the return of your investment within a 14-day cooling-off period. Please contact Unhedged directly if you would like to exercise this right. If you cool-off, your money will be returned to you and no fees will apply. However, the amount you receive will reflect any movement (whether up or down) in the unit price of the Fund and any related expenses. As a result, there may be tax, profit or loss implications for you. The cooling-off period commences on the earlier of the end of the fifth business day after your units are issued or the

day you receive confirmation of your investment.

Enquiries or complaints

If you have any suggestions, tips or complaints, please contact:

Unhedged: 710 Collins Street, Docklands, Victoria 3008
support@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.

If an issue has not been resolved to your satisfaction, you can request that the complaint be escalated to MSC for review. You can also lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
afca.org.au ; info@afca.org.au
1800 931 678 (freecall)

9. Additional Information

You should read the important additional information about how to request further information about the Fund, notifying changes in your details, transaction confirmation and reporting, privacy, requirements relating to your foreign tax residency status, when your investment account may be suspended or transactions request rejected, the Constitution, and how the Trustee meets its obligations in respect of the Fund (i.e. its compliance plan).

The AID also contains information about your rights and liability under the Constitution and investor meetings, your liability, financial information we'll give you about the Fund and what happens if the Fund terminates and changes to the Fund. **Go to section 7 of the AID**