



ARSN 111 456 387

PRODUCT DISCLOSURE STATEMENT

RESPONSIBLE ENTITY

CIP Licensing Limited

[ACN 603 558 658](#)

[AFSL No. 471728](#)

Investment Manager



Merchant
FUNDS

TABLE OF CONTENTS

1.	IMPORTANT NOTICE TO INVESTORS	2
2.	CHAIRMAN'S LETTER	4
3.	KEY FEATURES OF THE OFFER	5
4.	THE OFFER IN DETAIL	9
5.	ABOUT THE FUND	11
6.	INVESTMENT STRATEGY	14
7.	INVESTMENT PROCESS	16
8.	CURRENT ASSETS OF THE FUND	17
9.	ABOUT MERCHANT FUNDS MANGEMENT	17
10.	FEES AND OTHER COSTS	18
11.	FINANCIAL INFORMATION	24
12.	RISK FACTORS	24
13.	IMPORTANT DOCUMENTS	27
14.	ADDITIONAL INFORMATION	31
15.	GLOSSARY	33
16.	CORPORATE DIRECTORY	Back Cover

1. IMPORTANT NOTICE TO INVESTORS

This product disclosure statement (PDS) is dated 27 July 2017

Offer of Units

Units in the Merchant Opportunities Fund ARSN 111 456 387 are offered by CIP Licensing Ltd ACN 603 558 658, the Responsible Entity (RE) of the Fund, under this PDS. The contact details of CIP Licensing Ltd are set out in the Corporate Directory in Section 16 of this PDS. Merchant Funds Management Pty Ltd is the Investment Manager of the Fund. The contact details of Merchant Funds Management Pty Ltd are set out in the Corporate Directory in Section 16 of this PDS.

You should seek your own advice

This PDS contains important information and you should read the entire PDS, any Updated Information and any supplementary PDS in full before making a decision to invest in the Fund. The information contained in this PDS is general information only and does not take into account your individual investment objectives, financial situation or particular needs. Because of this you should carefully consider this PDS in light of your particular objectives, financial situation and needs. Before deciding to invest on the basis of this PDS, you should consult your accountant, financial planner, stockbroker or other professional adviser to assess whether an investment in the Fund is appropriate for you.

Liquidity

The Units will not be listed on any stock exchange unless the Responsible Entity decides to apply for listing in the future. An investment in the Fund is not expected to be liquid. The Responsible Entity does not undertake to assist Unitholders to locate purchasers of their Units. Investors should consider this a medium to long term investment.

Responsibility of parties

This PDS has been issued by CIP Licensing Ltd as the Responsible Entity. None of CIP Licensing Ltd, its related bodies corporate nor any of their respective directors or officers guarantee the performance of the Fund, the repayment of capital or any particular rate of return from the Fund. Investing in a financial product such as Units in the Fund is subject to investment risks. These are described in Section 12 of this PDS, and can adversely affect the financial performance of the Fund and the value of your investment.

Merchant Funds Management Pty Ltd has been appointed as Investment Manager of the Fund by the Responsible Entity. Information in respect to Merchant can be found at www.merchantfunds.com.au. None of Merchant Funds Management Pty Ltd, its related bodies corporate nor any of their respective directors or officers guarantee the performance of the Fund, the repayment of capital or any particular rate of return from the Fund.

As Custodian of the Fund, the role of The Trust Company (Australia) Limited ACN 000 000 993, which is part of the Perpetual group of companies, is limited to holding assets of the Fund as an agent of CIP Licensing Ltd. The Trust Company (Australia) Limited, is the holder of Australian Financial Services Licence No. 235145. The Trust Company (Australia) Limited has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests. The Trust Company (Australia) Limited has not been involved in the preparation of and has not issued this PDS.

1. IMPORTANT NOTICE TO INVESTORS (continued)

This product disclosure statement (PDS) is dated 27 July 2017

Representations

No person is authorised to provide any information or to make any representation in connection with the PDS or in Updated Information provided by Merchant Funds Management or CIP Licensing Ltd. Any information or representation not so contained may not be relied on as having been authorised by Merchant Funds Management or CIP Licensing Ltd.

ASIC takes no responsibility for the content of this PDS.

Offering restriction

This PDS does not constitute an offer or invitation in any place where, or to any person to whom, it would not be lawful to make such an offer or invitation.

Electronic copy of PDS

The distribution of this PDS (including online distribution) in jurisdictions outside Australia may be subject to legal restrictions. Any person who receives or gains access to this PDS should comply with any such restrictions as a failure to do so may constitute a violation of securities law.

The electronic version of this PDS is available online on the Merchant Funds Management Pty Ltd website <http://www.merchantfunds.com.au>. Paper copies of this PDS, including the accompanying Application Form, are available free of charge by calling CIP Licensing Ltd on 1800 679 000 or Merchant Funds Management Pty Ltd on 08 9389 3600.

PDS may be updated

Information in this PDS is subject to change from time to time and may be updated by CIP Licensing Ltd as the Responsible Entity if not materially adverse to investors. Updated Information can be obtained by contacting Merchant Funds Management Pty Ltd. The electronic updated version of this PDS is available online on the

Merchant Funds Management Pty Ltd website <http://www.merchantfunds.com.au>. A paper copy of Updated Information will be provided free of charge on request.

Photographs

Photographs used in the PDS are for illustration purposes only and should not be interpreted to mean that any person shown in the photograph endorses this PDS unless stated otherwise. Similarly, assets depicted in the photographs, such as equipment, buildings facilities or other property, are not necessarily assets owned or used by the Fund and have been included for presentation or illustrative purposes unless stated otherwise. Photographs are copyright of Shotgun Photography.

(Please visit www.shotgunphotography.com.au for further information).

Glossary

Key terms in this PDS are defined in the glossary in Section 15 of this PDS. Unless otherwise specified, all references in this PDS to '\$' are references to Australian dollars.

2. CHAIRMAN'S LETTER

Dear Investor,

On behalf of Merchant Funds Management Pty Ltd ("Merchant"), it is my pleasure to invite you to invest in the Merchant Opportunities Fund (Fund).

Merchant has successfully operated the Fund since February 2012 after taking over the former Entrust Investment Fund. Since then, Merchant has made additional investments in various asset classes which have added significant value to the Fund. In particular, the average 3 year return on funds invested in the Fund is 31.27%.

The Fund continues to expand and diversify in order to broaden its investment base and take advantage of the numerous and varied opportunities apparent in current markets. This strategy will see the Fund invest in financial assets that may include investments in private companies, pre-initial public offering investments, ASX listed companies or other unit trusts that invest in asset classes such as Australian and international equities. A core objective of the Fund is to hold a diversified portfolio with the potential for capital growth while spreading risk across multiple asset sectors.

Some of the key benefits that you may derive from investing in the Fund include:

- Access to investment opportunities that are not normally available to retail investors;
- Access to a diversified portfolio of selected assets offering a combination of income and capital growth over the medium to long term;
- A competitive fee structure with the interests of the Unitholders and the Investment Manager aligned; and
- An opportunity to be involved in the long term commercial future of Australia, with a special focus on domestic capital assets, domestic start-up companies and specialist mandated investments undertaken by external parties

As with all financial investments it is important to read this PDS in full, including the risks of investing in the Fund, before making an investment decision. If you have any questions regarding the Offer or completing the Application Form, it is always advisable to seek professional and independent advice.

On behalf of Merchant Funds Management, I recommend the Fund and its experienced managers to you and look forward to welcoming you alongside myself, as an investor in the Fund.

Yours sincerely

Peter Cook

Chairman

Merchant Funds Management Pty Ltd

The returns in this letter are past performance and are not indicative of future results. No person guarantees the performance of any financial product or service or the amount or timing of any return from it. There can be no assurance that the financial product or service will achieve any targeted returns, that asset allocations will be met, or that the financial product or service will be able to implement its investment strategy and investment approach or achieve its investment objective.

3. KEY FEATURES OF THE OFFER

Below is a brief summary of the Offer. These are highlights only and need to be read in conjunction with the entirety of this PDS, including the sections referred to below.

Features	Summary	More Detail
What is offered?	Ordinary Units in an open-ended unit trust.	Section 4
How will the money raised be applied?	<p>Merchant Funds Management intends to invest the money raised in accordance with the investment strategy outlined in this PDS.</p> <p>Cash obtained from investors is initially held in a cash management account while investments consistent with the strategy are identified and the strategy is implemented.</p>	Sections 6, 7 and 8
What is the investment strategy of the Fund?	<p>The Merchant Opportunities Fund (MOF) aims to materially outperform the ASX All Ordinaries Accumulation Index net of fees over a rolling 5 year period via investing in a portfolio of Australian companies listed - or soon to be listed - on the ASX</p> <p>The Fund will invest in financial assets, which may include private companies, pre-IPO Investments, ASX Listed Shares or other unit trusts that invest in asset classes such as:</p> <ul style="list-style-type: none"> • Australian equities; • Fixed interest or convertible note investments; • Seed or pre-IPO investments; • International equities; and • cash. <p>A dividend accumulation strategy will be applied where appropriate. Investments that offer high dividend yields will be considered where appropriate to enhance the liquidity of the Fund.</p> <p>This is also expected to provide cash for new investment opportunities.</p>	Section 6

4. THE OFFER IN DETAIL

4.1 The Offer

You are invited to subscribe for Units in the Fund.

4.2 Who can invest?

This PDS does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. The return of a duly completed Application Form will be taken to constitute a representation and warranty by the applicant to the Responsible Entity that there has been no breach of such laws and that all necessary approvals have been obtained to make the application.

The electronic copy of this PDS, including the accompanying application form, is available online at www.merchantfunds.com.au. Paper copies of this PDS, including the accompanying Application Form, are available free of charge by calling Merchant Funds Management or CIP Licensing Limited using the contact details provided in the Corporate Directory at the end of this document, Section 16.

4.3 How to invest

You can invest by completing and lodging the Application Form attached to or accompanying this PDS or the electronic PDS.

Application Forms must be completed in accordance with the instructions set out in or accompanying the Application Form.

The minimum investment is \$25,000 and after that in multiples of \$10,000. There is no maximum number of Units that you may apply for.

The Application Form must be accompanied by a direct credit to the bank account specified in the application form or a cheque made payable to "The Trust Company

(Australia) Limited ATF Merchant Opportunities Fund" and crossed "not negotiable". We will not accept cash, credit cards or foreign currency payments.

You should ensure that sufficient funds are held in the relevant account to cover the payment. If the amount of your payment is insufficient to pay for the number of Units you have applied for in your Application Form, your application may be rejected.

Under the Fund constitution the Responsible Entity can accept property as consideration for Units in the Fund. Any property to be exchanged for Units in the Fund must fit the investment criteria of the Fund as determined by the Responsible Entity.

Your completed Application Form (and cheque if paying by cheque) should be mailed or delivered the following address:

[Merchant Opportunities Fund](#)
[PO BOX Z5482](#)
[Perth St Georges Tce WA 6831](#)

The Fund is open ended, which means there is no fixed closing date.

4.4 Acceptance of applications

A completed Application Form is an irrevocable offer to the Responsible Entity to subscribe for Units on the terms and conditions set out in this PDS.

The Responsible Entity reserves the right to reject any application, including applications that have not been correctly completed or accompanied by payments that are dishonoured, or to allocate to any applicant a lesser number of Units than that applicant applied for.

If an application is rejected, or accepted in part only, the relevant part of the surplus application money will be refunded (rounded down to the nearest whole cent). No interest will be paid to applicants on any application money refunded.

4. THE OFFER IN DETAIL (continued)

4.5 Integrity of this PDS

The Responsible Entity will not accept a completed Application Form if it has reason to believe that the applicant has not received a complete paper or electronic copy of this PDS or if it has reason to believe that the Application Form or electronic copy of this PDS has been altered or tampered with in any way.

Although the Responsible Entity believes that it is unlikely that the electronic version of this PDS will be tampered with or altered in any way, the Responsible Entity cannot give any absolute assurance that this will not occur. Any applicant in doubt concerning the validity or integrity of an electronic copy of this PDS should immediately request a paper copy of this PDS directly from Merchant Funds Management or the applicant's stockbroker or financial adviser. Additional copies of this PDS are available from Merchant Funds Management's website www.merchantfunds.com.au.

4.6 Issue of Units

Units are issued on a monthly basis, in respect of applications received.

4.7 Rights attaching to Units

The Units offered under this PDS will rank equally with the Units currently on issue, except that Units offered under this PDS will rank for any distribution from the Fund from the first day following the date on which they are issued. The rights attaching to all Units are detailed in the **Constitution Reference Guide**. A summary of the important terms of the Constitution is set out in Section 13.1 of this PDS.

4.8 Cooling off period

A cooling-off period will only apply to the extent that the Fund is considered 'liquid' for the purposes of the Corporations Act. As at the date of this PDS the Responsible Entity does not consider the Fund to be liquid.

4.9 Enquiries

If you have read this PDS and have any questions, please call Merchant Funds Management using the contact details provided in the Corporate Directory at the end of this document (Section 16) or contact your stockbroker, financial planner or other professional adviser.

5. ABOUT THE FUND

5.1 Structure of the Fund

The Fund is an unlisted, open-ended unit trust.

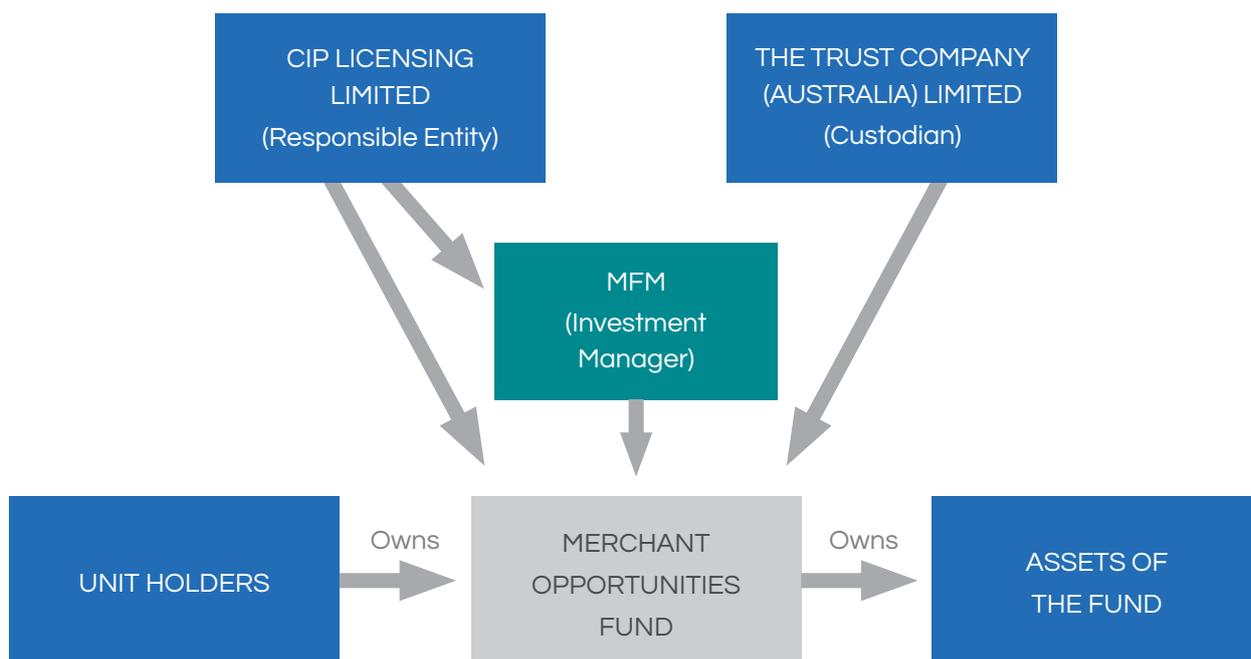
The Fund has been registered as a managed investment scheme under the Corporations Act.

The Fund is managed by the Responsible Entity, which is CIP Licensing Ltd. The role of the Responsible Entity is to ensure that the Fund is managed in the best interests of Unitholders.

Legal title to the assets of the Fund is held by the Custodian, The Trust Company (Australia) Limited, as an agent of the Responsible Entity. The Custodian does not have a supervisory role in relation to the operation of the Fund.

CIP Licensing Limited has appointed Merchant Funds Management as the Investment Manager of the Fund.

A diagram of the structure of the Fund is set out below:



5. ABOUT THE FUND

5.2 History of the Fund

Entrust Funds Management Ltd established the Fund in November 2004 and managed the Entrust Investment Fund (EIF) for eight years. Since 2012, the Investment Manager of the Fund has been Merchant Funds Management. In restructuring the Fund's assets the Investment Manager found it necessary to write down the value of assets originally selected by the previous manager by approximately \$3 million. The Fund also fulfilled redemptions by previous investors in the amount of \$2 million. Over the course of the last four years, the Investment Manager has focused on preserving the integrity of the unit price, creating opportunities for limited redemptions and has put in place an investment strategy whereby the Responsible Entity is now comfortable in inviting new investors to apply for Units. Since being appointed Investment Manager of the Fund the performance of the Fund has exceeded its investment benchmark considerably.*

The current assets of the Fund are described in Section 8 below.

**Past performance is not a guide to future performance of the Fund. No person guarantees the performance of any financial product or service or the amount or timing of any return from it. There can be no assurance that the financial product or service will achieve any targeted returns, that asset allocations will be met, or that the financial product or service will be able to implement its investment strategy and investment approach or achieve its investment objective.*

5.3 Investment objectives

The overriding objective of the Fund is to create increased value for Unitholders. This is measured by growth in net assets and earnings distributions to Unitholders. The Fund aims to deliver a gross return of approximately 7 percent per annum over the long term. There is no guarantee that the Fund's objective will be achieved. This objective is not meant to be a forecast. It is merely an indication of what the Fund aims to achieve on the assumptions that markets remain relatively stable.

The Fund has the following specific objectives:

- Maintain a low fee structure where the interests of the Unitholders and the Investment Manager are aligned.
- Achieve above index returns for individual asset classes over the medium to long term.
- Provide a diversified investment portfolio consisting of investments in financial assets that may have an interest in Australian equities, private or seed investments, cash and international equities.
- Invest into assets that the Manager believes provide the potential for capital growth.
- Maintain a medium risk profile.
- Where possible select financial assets that have a presence in Australia.

5. ABOUT THE FUND (continued)

5.4 Borrowing policy

Whilst the Fund's Constitution allows borrowings, as at the date of this PDS the Fund has no borrowings in place.

5.5 Distributions

The Constitution provides for the Responsible Entity to distribute Fund taxable income to Unitholders following the end of the financial year. The Responsible Entity may, in its discretion, distribute capital or other amounts to Unitholders at any time. Distributions are to be paid not more than 90 days after the end of the relevant period unless distributions are to be reinvested. Distributions are not guaranteed by the Investment Manager or the Responsible Entity and should be viewed as additional return to the Fund's aim of increasing the Unit price.

Distributions of income are to be reinvested in additional Units unless the Responsible Entity decides otherwise. A Unitholder may, however, notify the Responsible Entity that it does not want the distribution to be reinvested. The notice must be given 15 business days before the end of the interim or annual distribution period.

5.6 Redemption of Units

A Unitholder may, by giving notice in writing, request the redemption of some or all of their Units. Different withdrawal procedures apply according to whether the Fund is liquid or not.

As at the date of this PDS the Fund is not liquid. If the Fund is not liquid, then you may only redeem your Units if the Responsible Entity makes a redemption offer to Unitholders.

The continued availability of the redemption offer and the quantum of funds available for redemptions will be subject to variables such as the market, the current liquidity of the Fund and the Responsible Entity's view as to the effect of a redemption on remaining Unitholders. If the redemption facility/offer is oversubscribed then redemptions will be scaled back on a proportional basis.

5.7 Labour standards and ethical, social and environmental considerations

Although the Responsible Entity and the Investment Manager intend to conduct the Fund's affairs in an ethical and sound manner, the investment process in assessing potential investments does not include giving additional weight to labour standards, social or ethical considerations in selecting, retaining or realising investments of the Fund.

6. INVESTMENT STRATEGY

The investment strategy of the Fund is to:

- only invest in financial assets, which may include investments in asset classes such as equities (Australian and international), pre-IPO and private investments;
- be a “long-only” Fund, comprising a diversified portfolio of ASX listed assets or assets to be listed on the ASX in the near to medium future;
- incorporate fixed interest or convertible note type investments where appropriate;
- reduce the correlation of the Fund to the ASX 200 by investing outside the ASX 200 and in private and pre-IPO investments that the public have difficulty accessing; and
- where appropriate hold larger cash positions than a traditional fund would do.

The weightings for each asset class will be determined by the Fund’s investment committee from time to time. More information on the investment committee is contained in the **Reference Guide: Corporate Governance**, available from Merchant Funds Management’s website www.merchantfunds.com.au. or from the Responsible Entity on request, free of charge.

The table below shows indicative portfolio weightings for the Fund. The weightings are indicative only and the Responsible Entity may apply other weightings.

Indicative portfolio weightings (%):



	Minimum weighting	Maximum weighting
Australian shares	0	100
International Equities	0	60
Fixed Interest Investments	0	30
Private Companies	0	50
Pre-IPO Investments	0	50
Cash	0	100

NB: The data shown in this table is not intended to add to 100 percent.

6. INVESTMENT STRATEGY

(continued)

The Investment Manager intends to mitigate risk through the following:

- in depth research of investment opportunities as per Merchant's research and investment policy;
- including cash investments in the portfolio, which serve to mitigate volatility;
- the construction of a diversified portfolio, including financial asset investments in asset classes such as Australian shares, fixed interest investments, international shares, unlisted and pre-IPO investments; and
- a preference for investments with a clear exit mechanism or obvious liquidity event.

The Investment Manager's objective is to construct and maintain a portfolio that meets the requirements of:

- matching identified Fund risk profile to portfolio risk;
- the Fund will have a bias towards capital growth;
- achieving generally accepted financial standards for diversity; and
- lowering overall cost of management for investors.

The Fund's investment portfolio is to be structured such that:

- there is diversification across the various assets; and
- there is diversification within the individual asset classes (for example, listed equities would include a range of market sectors, such that exposure to an individual industry is kept to an acceptable level).

As a result of this strategy, the broad investment criteria for the Fund is as follows:

- an investment must comply with the Fund's investment strategy to maintain a diversified portfolio;
- an investment must assist in meeting the Fund's investment objective of paying redemptions; and
- the investment must have the potential to provide either capital appreciation or income greater than the prevailing cash rate of the time.

7. INVESTMENT PROCESS

The objective of the Fund is to generate returns over time commensurate with those of the equity market with lower year to year volatility in asset value. The Fund will have a bias towards capital growth.

To do this the Fund will invest primarily in assets that are assessed to have clear growth potential. On occasion, this above trend growth will come at a cost in terms of liquidity. The assets of the Fund are anticipated to be often beyond the access capabilities of the average individual due to scale (i.e. minimum investment requirement), liquidity, access and the requirements of management or analytical time and expertise. The portfolio will be regularly reviewed to ensure consistency with the Fund's objectives in light of prevailing economic and market conditions, and issues related to specific investments.

The assets held by the Fund will be referred periodically to the investment committee, using a wide range of independently researched information and analysis. More information on the investment committee is contained in the **Reference Guide: Corporate Governance**, available from Merchant Funds Management's website www.merchantfunds.com.au or from the Responsible Entity on request, free of charge. The role of the investment committee is to:

- Ensure that continued ownership of the asset is consistent with the objectives of the Fund;
- Review the performance and status of investments held by the Fund to ensure that the returns expected prior to the investment are being met and are likely to continue being met in the foreseeable future;
- If an asset is underperforming, or expected to under-perform in future due to changing or previously unforeseen economic or competitive conditions, determine what remedial action can and ought to be taken;

- If an asset has performed extremely well determine whether future returns will be commensurate with the objectives of the Fund or whether the asset should be divested; and,
- Identify and analyse potential new investments for the Fund that will enable the objectives of the Fund to be met on a sustainable basis over the longer term.

The investment committee will normally be expected to utilise internal and external resources in determining the suitability or otherwise of new assets for inclusion in the Fund. These will include:

- In house financial modelling and analysis;
- Visits to the site or operations of the investment, discussions with competitors and customers to assess market conditions, market position and management capability;
- Specialist input from professionals (for example, industry analysts, financial research reports and other experts) where appropriate;
- Industry related data sources such as Bloomberg/Iress;
- Analysis of company annual reports;
- A network of professionals in established financial centres including Perth, Brisbane, Sydney and Melbourne; and
- Brokers or analysts who provide a wide range of daily investment research and commentary.

8. CURRENT ASSETS OF THE FUND

Current assets of the Fund are described in the **Reference Guide: Current Assets of the Fund**, available from the Merchant Funds Management website – www.merchantfunds.com.au or from the Responsible Entity on request, free of charge. This information may change between the time you read this PDS and the date Units in the Fund are issued to you.

9. ABOUT MERCHANT FUNDS MANAGEMENT AND THE RESPONSIBLE ENTITY

9.1 Overview of Merchant Funds Management

The Investment Manager of the Fund is Merchant Funds Management Pty Ltd.

Post a 15-year career in stockbroking, Merchant Group was established by Andrew Chapman and three partners in November 2011. With offices in Perth and Melbourne, Merchant Group has grown considerably since inception based on word of mouth and a combination of results and service to its exclusive client base.

The current range of services offered by Merchant Group covers:

- financial planning;
- funds management (Merchant Opportunities Fund);
- share trading;
- self-managed superannuation funds administration service; and
- corporate advice and strategy execution.

As at the date of this PDS the Merchant Group is responsible for maintaining and managing assets of more than \$300 million.

Merchant Funds Management Pty Ltd is responsible for:

- investing the Fund's assets;
- maintaining the Fund's investment portfolio;

- day-to-day administration of the Fund;
- annual Fund taxation requirements;
- dealing with Unitholder queries; and
- audit and accounting for the Fund.

9.2 The Responsible Entity

The Responsible Entity for the Fund is CIP Licensing Limited.

The Responsible Entity is required to manage the affairs of the Fund in accordance with the Fund's Constitution and the Corporations Act, including overseeing the activities of the Investment Manager and custodian.

Further information on the Board of CIP Licensing Limited, its senior management team and committees are provided in the **Reference Guide: Corporate Governance**, available from the Merchant Funds Management website www.merchantfunds.com.au or from the Responsible Entity on request, free of charge. The information on the Board of CIP Licensing Limited, its senior management team and committees may change between the time you read this PDS and the date units in the Fund are issued to you.

10. FEES AND OTHER COSTS

10.1 Consumer Advisory Warning

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 Fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

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

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial 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)** website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

10. FEES AND OTHER COSTS

(continued)

All fees and costs in this Section 10 are presented inclusive of goods and services tax unless stated otherwise.

None of the fees or other costs set out in this Section 10 are negotiable.

Tax costs are discussed in Section 14.8.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

10.2 Table of Fees and Other Costs

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the Fund		
Establishment fee: The fee to open your investment.	Nil	Not applicable.
Contribution fee: The fee on each amount contributed to your investment	Nil	Not applicable.
Withdrawal fee: The fee on each amount you take out of your investment.	Nil	Not applicable.
Exit fee: The fee to close your investment.	Nil	Not applicable.
Management Costs*		
Management fee: the fees and costs for managing your investment.	1.485% per annum (including GST) of the gross value of the assets of the Fund.	In cash payable monthly in arrears, paid out of the assets of the Fund.
Other management costs: the ongoing costs and expenses of operating the Fund (accounting, audit, custodian fees etc.)	Estimated for the year to be approximately 0.25% (exclusive of GST) of funds under management.	In cash as incurred, paid out of the assets of the Fund.
Service Fees		
Switching Fee: The fee for changing investment options.	Nil	Not applicable.

*For further information on, and examples of, these costs please see Sections 10.3 and 10.4 of this PDS.

10. FEES AND OTHER COSTS

(continued)

10.3 Additional explanation of fees and costs

10.3.1 Reimbursement of costs and expenses incurred by the Responsible Entity

Subject to the Corporations Act, under the Constitution the Responsible Entity is entitled to be reimbursed out of the assets of the Fund for all expenses incurred by it in relation to the proper performance of its duties in respect of the Fund. These costs include expenses properly incurred in the administration, custody, management, compliance and promotion of the Fund. The Constitution is summarised in Section 13.1 of this PDS and in the **Reference Guide: Constitution**, available from Merchant Funds Management's website www.merchantfunds.com.au or from the Responsible Entity on request, free of charge.

10.3.2 Transactional and operational costs

In addition to the fees and costs set out in the table in Section 10.2 of this PDS, when you invest in the Fund, the Responsible Entity will buy assets, and this may incur transaction costs (e.g. brokerage). If you withdraw from the Fund, assets may need to be sold so that cash can be paid to you and this also incurs transaction costs (e.g. brokerage). The money paid to agents or government as the result of undertaking a transaction underlies the buy-sell spread.

A buy-sell spread is an adjustment to the Unit price reflecting the Responsible Entity's estimate of the transaction costs that may be incurred as a result of the purchase or sale of assets arising from the issue or withdrawal of Units. This adjustment ensures that existing investors do not pay costs associated with other investors acquiring or withdrawing Units.

Currently, the buy-sell spread is 0.25% of the Unit price. So if the net asset value of each Unit is \$1.00, on entry the Unit price is adjusted up 0.25% (to \$1.0025). None of this amount is paid to the Responsible Entity nor is

money deducted from your account. This means that you will not see the buy-sell spread on any account statement.

10.3.3 Performance fee

The Responsible Entity will be entitled to receive a Performance Fee based on the performance of the Fund against its benchmark. If the Responsible Entity is entitled to a Performance Fee, it will pay 100% of the fee to the Investment Manager under the Investment Management Agreement referred to in Section 13.4 of this PDS.

The Performance Fee will be calculated by multiplying the increase in the net portfolio value of the Fund over the benchmark, by 20%. The benchmark is the amount that would have been returned if the net portfolio value of the Fund had been invested at the Reserve Bank of Australia cash rate plus 5%. If the benchmark is not exceeded, a Performance Fee will not be payable.

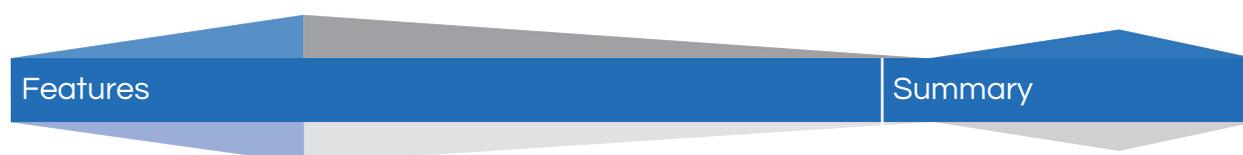
The Performance Fee will also be subject to a high watermark. This means that the Responsible Entity will only be entitled to the Performance Fee if the net portfolio value of the Fund at the time of calculation of the fee is higher than the net portfolio value used for the purpose of the high watermark. The net portfolio value used for the high watermark is the higher of:

- the net portfolio value of the Fund determined every three years commencing on 1 March 2016; and
- the net portfolio value of the Fund at the beginning of the financial year (1 July):
 - plus any application money received for the issue of new Units;
 - less funds paid to satisfy redemption requests;
 - less any Performance Fee paid in the current year that accrued from a prior year;
 - less any funds transferred to the distribution account.

10. FEES AND OTHER COSTS (continued)

The Performance Fee is calculated and accrued each month and is payable at the end of each financial year after completion of the audit of the Fund.

The accrued Performance Fee is deducted from the net portfolio value of the Fund when calculating the Unit price at which Units are redeemed or new Units are issued.



Features	Summary
Net portfolio value at commencement of financial year (the high watermark)	\$22,000,000
Net portfolio value at end of financial year	\$24,000,000
Increase over financial year	\$2,000,000
RBA cash rate	2%
Benchmark (RBA + 5%)	7%
Return in excess of benchmark	\$460,000
Performance Fee (20% of excess)	\$92,000

10. FEES AND OTHER COSTS (continued)

10.3.4 Fees payable on removal of Responsible Entity

Under the Constitution, if the Responsible Entity is removed by an extraordinary resolution of Unitholders, and the Responsible Entity has at all times properly performed its duties as Responsible Entity, it will be entitled to receive from the Fund:

- a termination payment equal to the amount of the Management Fee and the Performance Fee for the previous financial year at the date of removal, multiplied by 1.5, payable within 30 days of the resolution; and
- continued payment of the Management Fee for a period up to six months after removal to allow an adequate hand over period from the former Responsible Entity to the new Responsible Entity.

10.3.5 Example of annual fees and costs

Note: The example below is based on the most recent complete financial year, during which time the Fund generated a net after fees return to investors of 89.23%.¹

Example	Balance of \$50,000 with a contribution of \$5,000 during year	
Contribution fees	Nil	For every additional \$5,000 you put in you will be charged \$0.
PLUS Management Costs²	1.70% (excluding the 2016 Performance Fee)	And, for every \$50,000 you have in the Fund you will be charged \$850 each year (excluding GST).
	7.72% (including the 2016 Performance Fee)	And, for every \$50,000 you have in the Fund you will be charged \$3,860 each year (excluding GST).
EQUALS Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of: \$850 (if no Performance Fee is payable) to \$3,860 (if a Performance Fee is payable).

¹ Past performance is not a reliable indicator of future performance.

² Management Costs have, as required by law, been calculated using the indirect cost ratio determined for the financial year before this PDS was issued (see Section 10.4 of this PDS for further information on the indirect cost ratio). The Management Costs show the costs exclusive of the Performance Fee paid for that year and the costs inclusive of the Performance Fee paid for that year. The Performance Fee is payable only if the Fund outperforms the performance hurdles set out in the Constitution and this PDS.

10. FEES AND OTHER COSTS (continued)

10.4 Indirect cost ratio

The management costs in this Section 10 have been calculated using the Indirect Cost Ratio (ICR) for the Fund.

The ICR is expressed as a percentage of the net asset value of the Fund and provides a ratio of the management costs that are not deducted directly from a Unit holder's account to the Fund's total average net assets. It includes Management Fees, Performance Fees and expense recovery. It does not include transaction costs or other costs charged directly to a Unitholder.

The Responsible Entity charges a Management Fee of 1.35% excluding GST and recovers costs of approximately 0.25%. The Performance Fee was paid for the financial year ending 30 June 2016 and formed part of the ICR for that year. In the table below the Performance Fee has been assumed to be the same as 2016, however, the Management Fee has increased from 1% including GST to 1.35% excluding GST, in accordance with amendments to the Constitution during the 2016 financial year. The ICR for the purposes of this calculation has taken into account the Management Fee increase.

The Performance Fee is dependent on the Fund exceeding the benchmark returns as set out in Section 10.3.3 of the PDS. Below is an example of the calculation of the ICR including and not including the Performance Fee:

Note: The example below is based on the most recent complete financial year, during which time the Fund generated a net after fees return to investors of 89.23%.³

Net assets <small>(per June 2016 annual report)</small>	Management fees <small>(calculated on gross assets of \$41,131,964)</small>	Expense recovery <small>(calculated on net assets of \$38,160,805)</small>	Performance fee <small>(per 2016 annual report rate)</small>	ICR Not including Performance fee <small>(calculated as the total fees as a percentage of the 2016 net assets)</small>	ICR Including Performance fee <small>(calculated as the total fees as a percentage of the 2016 net assets)</small>
\$38,160,805	\$555,281 (1.35 %)	\$95,402 (0.25 %)	\$2,296,011 (5.58%)	1.70%	7.72%

** Management Costs have, as required by law, been calculated using the indirect cost ratio determined for the financial year before this PDS was issued (see Section 10.4 of this PDS for further information on the indirect cost ratio). The Management Costs show the costs exclusive of the Performance Fee paid for that year and the costs inclusive of the Performance fee paid for that year.*

10.5 Can the fees change?

Yes, all fees can change. Reasons for changing fees might include changing economic conditions and changes in regulations.

The Constitution sets out the fees the Responsible Entity is entitled to receive (such fees being set out in the table in Section 10.2 of this PDS). In order to change these fees, the Responsible Entity must amend the Constitution. If the Responsible Entity amends the Constitution to increase its fees, the Responsible Entity must first obtain the approval of Unitholders unless it reasonably considers that the increase will not adversely affect Unitholder's rights.

You will be given at least 21 days' written notice of a Unitholder meeting to consider an increase in fees. The Responsible Entity reserves the right to waive, or receive a lower amount, in respect to any of the fees described in this PDS without prior notice.

³Past performance is not a reliable indicator of future performance.

11. FINANCIAL INFORMATION

Reference Guide: Financial Information, is available from Merchant Funds Management at www.merchantfunds.com.au or from the Responsible Entity on request, free of charge. This guide contains a description of the assets held by the Fund and the recent Unit price history of the Fund and performance of the Fund. The Fund assets and Unit price and performance of the Fund may change between the time you read this PDS and the date Units in the Fund are issued to you.

12. RISK FACTORS

12.1 Introduction

You should be aware that there are risks associated with an investment in Units in the Fund, many of which are outside the control of the Responsible Entity.

The risks associated with an investment in the Fund can be broadly categorised as including:

- general investment risks associated with the Fund; and
- particular risks of the Fund

The future performance of the Fund, the level of future distributions, the value of the assets of the Fund and the value of Units may be influenced by any of these risk factors. You should consider these risks and how they may affect your investment.

A summary of these risks is set out below. This summary is not, however, an exhaustive list of the risks associated with an investment in the Fund. You should read this PDS in full, and are encouraged to seek professional advice, before deciding whether to invest in the Fund.

12.2 General investment risks associated with the Fund

12.2.1 Economic conditions and world events

Economic conditions, including the level of employment, investment, consumer spending, consumer confidence, inflation and investment market performance generally, may adversely affect the profitability of the Fund, the value of its assets and the value of Units.

The occurrence of major world events such as war and terrorist attacks may also have an adverse effect on the profitability of the Fund, the value of its assets and the value of Units.

12.2.2 Changes in law and government policy

Changes in government legislation and policy in those jurisdictions in which the Fund operates (or has investments in) may have an adverse effect on the profitability of the Fund and/or the value of its assets.

12.2.3 Legal, tax and regulatory risks

Legal tax and regulatory change in the Australian investment environment, or otherwise, may occur during the term of the Fund which could have an adverse effect on the Fund.

12. RISK FACTORS

(continued)

The returns from the Fund may be influenced by tax laws or their interpretation.

Changes in tax law, or changes in the way tax law is expected to be interpreted in the jurisdictions in which the Fund will operate, may affect the expected tax liabilities of the Fund.

Under the current income tax legislation, the Fund is generally not liable to Australian income tax, including CGT, if it distributes all of its taxable income. You should be aware, though, that should the actions or activities of the Fund cause it to be treated as a trading trust, the Fund may be taxed on its net income at a rate that is currently equivalent to the corporate income tax rate of 30%.

12.2.4 Past performance is not necessarily a good indicator of future performance

Market conditions and trading approaches are continually changing, and the fact that any trading adviser or investment manager happened to be successful in the past may be irrelevant to its prospects for future profitability.

12.2.5 Investment values rise and fall

Units in the Fund are priced according to the market value of the underlying assets to which they correspond. The value of these assets will rise and fall over time as will the price of the Units in the Fund. Generally, the risks of an investment falling in value are greater the shorter period in which the investor holds them. Over the life of the investment the value of that investment may not keep pace with inflation. For Investors, the return on the investment will depend on the success of the Fund's investments, and there can be no assurances that they will generate target returns. Neither the Responsible Entity nor any other entity guarantees any particular rate of return being earned by the Fund or the return of capital.

12.2.6 Variable distributions

Distributions will vary from time to time because of fluctuations in the earnings of the Fund.

12.2.7 Reliance on key personnel

The Fund will be managed by the Investment Manager and the Responsible Entity. Investors will not be able to make investment or other decisions regarding the Fund. Accordingly, the success of the Fund will depend on the ability of the Investment Manager, the Responsible Entity and the individuals employed or contracted by the Responsible Entity to source, select, complete and realise appropriate investments.

The Investment Manager and the Responsible Entity are dependent upon the expertise of their employees in providing advisory services with respect to investments in Australia and overseas. If the services of the Investment Manager, the Responsible Entity or individuals employed or contracted by the Responsible Entity cease, the Fund could be affected adversely.

12.2.8 Suspension of trading

Security exchanges typically have the right to suspend or limit trading in any instrument traded on the exchanges. A suspension could render it impossible for the Responsible Entity to liquidate holdings and therefore expose the Fund to losses.

12.2.9 Changes to accounting standards

Changes to the accounting standards applied in Australia could adversely affect the Fund's reported earnings performance in any given period and its financial position from time to time.

12.2.10 Currency risk

The Fund will issue Units denominated in Australian dollars. However, the Fund may have exposure to currencies other than Australian dollars through any international investments. Investments in foreign securities involve the risk of currency fluctuations between the Australian dollar and the currency in which the investment is made.

12. RISK FACTORS (continued)

12.3 Particular risks of the Fund

12.3.1 Gearing

The Fund constitution allows the Responsible Entity to borrow up to 20% of the portfolio valuation of the Fund. The leverage from this borrowing facility increases the risk profile of the investment.

12.3.2 Management

The success of the Fund will depend upon the ability of the Investment Manager to invest in well-managed companies which have the ability to increase in value over time.

12.3.3 Options and Warrants

The selling or purchasing of an unhedged option or warrant runs the risk of losing the entire investment or of causing significant losses to the Fund in a relatively short period of time. It is envisaged that any investments in options and warrants will only comprise a small proportion of the total portfolio of the Fund.

12.3.4 Performance Fee

The Performance Fee may create an incentive for the Responsible Entity to make investments on behalf of the Fund that are riskier or more speculative than would be the case in the absence of a Performance Fee.

12.3.5 Diversification

The portfolio is expected to be less diversified than some other investment funds. This may expose the Fund to a particular asset or risk which will affect the value of the Units.

12.3.6 Portfolio Size

The size of the portfolio will affect the risk profile of the Fund. The amount raised will impact on the ability of the Fund to diversify the portfolio.

12.3.7 Investee Companies

Some of the companies that the Fund will invest in will have a limited trading history or small capital base. This may result in these assets being undervalued for a period of time or result in price volatility.

12.3.8 Operational Costs

Operational costs for the Fund as a proportion of total assets will be affected by the level of total assets of the Fund and by the level of acceptances of this Offer.

12.3.9 Licensing

The ability of the Responsible Entity to continue to manage the Fund in accordance with this PDS is dependent on the maintenance of the Responsible Entity's AFSL and its continued solvency. Maintenance of the AFSL depends, among other things, on the Responsible Entity continuing to comply with the ASIC imposed licence conditions.

12.3.10 Long Term Investment

Investors are strongly advised to regard any investment in the Fund as a long term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investments may occur.

12.3.11 Redemptions

If a redemption offer is made, the amount of units available to redeem may not be sufficient to allow Unitholders to redeem their entire investment in the Fund.

12.3.12 Future acquisition risk

The Responsible Entity intends to grow the size of the Fund by the acquisition of additional assets. The rate at which the Fund expands will depend on market conditions and the availability of suitable acquisition opportunities. Slower than expected expansion may hinder growth in the value of the Fund and the level of distributions from the Fund.

12.3.13 Liquidity of investment in the Fund

An investment in the Fund should be considered as illiquid. Whilst the Responsible Entity may decide to make a redemption offer, at the date of this PDS the Fund is not liquid and Units are not able to be sold like an ASX listed share.

12.3.14 Liquidity of underlying investments

The underlying securities of the Fund may not be easily converted into cash at short notice to realise underlying investment positions or to redeem the Fund's investments.

13. IMPORTANT DOCUMENTS

Below are summaries of the important documents concerning the Fund. The summaries are not meant to be, and should not be relied upon, as being exhaustive.

13.1 Fund Constitution

The Fund is governed by a Constitution.

The Constitution is the primary document governing the relationship between the Unitholders and the Responsible Entity and the terms and conditions of the Units. The Constitution is legally enforceable between the Unitholders and the Responsible Entity, and the Unitholders agree to be bound by its terms.

The Responsible Entity can amend the Constitution if the change does not adversely affect the rights of Unitholders. Otherwise, the change must be approved by a special resolution passed by Unitholders at a general meeting.

For further information about the Constitution of the Fund, you should read the **Reference Guide: Constitution**, available from Merchant Funds Management's website www.merchantfunds.com.au or from the Responsible Entity on request, free of charge. The information may change between the time you read this PDS and the date units in the Fund are issued to you.

13.2 Compliance plan

The Responsible Entity has adopted a compliance plan in respect of the Fund. The compliance plan has been lodged with ASIC.

The compliance plan sets out the key measures and procedures that the Responsible Entity will apply to ensure compliance with the requirements of the Corporations Act and the Fund Constitution. Those measures and procedures apply to a variety of issues, including the safe keeping of Fund property, the valuation of Fund property, insurance of Fund property, the investment strategy of the Fund, income of and distributions from the Fund and dealings with external service providers.

Under the Corporations Act the Responsible Entity has the power to modify the compliance plan or repeal it and replace it with a new compliance plan. Any modification

to the existing compliance plan or adoption of a new compliance plan must be lodged with ASIC.

13.3 Custody deed

The Responsible Entity has entered into a custody deed with the Custodian under which the Responsible Entity has appointed the Custodian to hold the Fund's assets on the Responsible Entity's behalf.

The Custodian is entitled to be paid fees by the Fund for the performance of its custodial services. Those fees are included in the management costs set out in the table of fees and costs in Section 10.2 of this PDS.

The Responsible Entity indemnifies the Custodian for any act or omission of the Custodian in the proper performance of the Custodian's duties under the custody deed.

The Custodian agrees to exercise all due care and diligence in carrying out its duties. If it does so, the Custodian is not liable to the Responsible Entity for any loss caused by: events beyond the Custodian's reasonable control; errors by the Responsible Entity in giving proper instructions to the Custodian; acts, omissions or insolvency of a clearing agency of securities approved by the Responsible Entity; or complying with a proper instruction from the Responsible Entity.

Either party may terminate the custody deed by giving at least 60 days' notice to the other party unless a different period is agreed in writing. Either party may also terminate the custody deed if there is a change of control of the other party, the other party ceases to carry on business or becomes insolvent or the other party commits a material breach of the custody deed that is not remedied.

13. IMPORTANT DOCUMENTS

(continued)

13.4 Investment Manager Agreement

The Responsible Entity has entered into an agreement with the Investment Manager under which the Investment Manager is the exclusive Investment Manager of the Portfolio. The term of the agreement is for twenty-five years. The agreement can be terminated under certain circumstances including:

Termination by Investment Manager

The Investment Manager may terminate this Agreement:

- a) at any time by giving to the Responsible Entity **at least 6 months' prior notice;**
- b) with 3 months' notice, where the Responsible Entity has committed a serious breach of this Agreement, and the Responsible Entity fails to correct the serious breach within 1 month of receiving notice from the Investment Manager specifying such breach; or
- c) if the Investment Manager obtains its own AFSL enabling it to operate as a Responsible Entity.

The Investment Manager is obligated to pay the Responsible Entity certain fees if the agreement is terminated under (a) or (c).

Termination by Responsible Entity

The Responsible Entity may immediately terminate this Agreement at any time by notice to the Investment Manager if:

- a) a receiver and Investment Manager, administrator or similar person is appointed with respect to the assets and undertaking of the Investment Manager;
- b) the Investment Manager:
 - i. goes into liquidation (other than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Responsible Entity); or
 - ii. materially breaches any provision of this Agreement and the Investment Manager fails to correct such breach or failure within 30 Business Days of receiving notice from the Responsible Entity specifying such breach or failure;

- c) the Investment Manager fails to duly and punctually observe or perform any material representation, warranty, undertaking, duty or obligation on its part required to be observed or performed under this Agreement and such default or breach cannot be rectified or, if rectifiable, is not rectified within 30 Business Days after the Responsible Entity has notified the Investment Manager to rectify the default or breach;
- d) the Investment Manager creates or purports or attempts to create or knowingly allows to exist or subsist any security, charge, mortgage, pledge, lien or encumbrance of any kind on the Portfolio unless expressly permitted to do so under this Agreement;
- e) any representation or warranty made or repeated in this Agreement proves to be incorrect, untrue or misleading (whether by omission or otherwise) in any material respect when made or repeated and continues to be incorrect, untrue or misleading for a period of 30 Business Days after the Responsible Entity has notified the Investment Manager to rectify the default or breach;
- f) the Investment Manager's Australian Financial Services Licence is suspended or cancelled at any time in accordance with Subdivision C, Division 4 of Part 7.6 of the Corporations Act and the Investment Manager fails to rectify breach within 1 month of such suspension or cancellation;
- g) any Key Professional Person leaves the employ of the Investment Manager's Group within three years of Commencement Date, without the Responsible Entity's consent. Such consent may not be withheld where:
 - i. the Investment Manager is able to satisfy the Responsible Entity that the Investment Manager without the Key Professional Person has the skills, competence and qualifications to manage the Portfolio, or that a replacement Key Professional Person has the qualifications to manage the Portfolio; or
 - ii. the Key Professional Person is unable to continue to be actively involved in the management of the Portfolio as a result

13. IMPORTANT DOCUMENTS

(continued)

of illness or other event outside his or her reasonable control.

Services provided by the Investment Manager

Unless the Responsible Entity otherwise agrees, the Investment Manager must:

- a) Undertake all work involved in and bear all costs associated with becoming Investment Manager of the Fund including, but not limited to:
 - i. all costs, including any legal costs associated with any alterations to the Constitution that the Parties agree are necessary or appropriate;
 - ii. preparation of this Agreement and all authorised representative documentation;
 - iii. preparation of the Product Disclosure Statement;
 - iv. levying the Fees; and
 - v. any changes to the Fund's strategy documents and compliance plans.
- b) manage the Portfolio for and on behalf of the Responsible Entity in accordance with this Agreement (using any agent, broker or other third party necessary or convenient to do so);
- c) keep the Portfolio under regular review and confer at regular intervals with and advise the Responsible Entity regarding the management of the Portfolio;
- d) keep proper books of accounts for the Portfolio recording transactions by the Investment Manager in accordance with all Relevant Laws and generally accepted accounting standards and provide information regarding the Portfolio to assist the Responsible Entity in the preparation of reports required under the Relevant Law;
- e) if applicable, give Proper Instructions to the Responsible Entity and the Custodian in relation to transactions concerning the Portfolio;
- f) promptly comply with Proper Instructions given by the Responsible Entity;
- g) disclose to the Responsible Entity any monetary benefits, fees or commissions, including underwriting fees, received by the Investment Manager or by an associate or any related body corporate in relation to its management of the Portfolio;
- h) promptly notify the Responsible Entity if the Investment Manager becomes a banned or disqualified person for the purposes of Chapter 7 of the Corporations Act;
- i) promptly notify the Responsible Entity if the Investment Manager becomes aware of any breach or likely breach of the Investment Manager's authorisation under a valid Australian Financial Services Licence;
- j) comply with any reasonable request for information from the Responsible Entity (including information in relation to its internal risk management system) and otherwise assist the Responsible Entity with any ASIC query or, the inquiries of any auditor appointed by the Responsible Entity to conduct an audit of the Portfolio;
- k) exercise due care, skill and diligence in selecting, appointing, dealing with, supervising, monitoring and reviewing the performance of any agent of the Investment Manager involved with the Portfolio or any or agent broker engaged by the Investment Manager under clause 5.3;
- l) have in place adequate and appropriate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to activities undertaken by the Investment Manager under this Agreement; and
- m) provide or procure all of the information reasonably required by the Responsible Entity, from time to time, for the Responsible Entity to fulfil its duties set out in clause 4.

13. IMPORTANT DOCUMENTS

(continued)

Fees Payable to the Investment Manager

The fees payable to the Investment Manager are calculated as the total fees charged to the fund by the Responsible Entity less fees retained by the Responsible Entity being:

- a) A base fee of \$50,000 plus GST;
- b) An incremental fee of 0.2 per cent for total assets over \$10 million but less than \$40 million;
- c) An incremental fee of 0.1 per cent for total assets over \$40 million;
- d) A contribution to the costs of operating the Compliance Committee as negotiated from time to time;
- e) There will be no sharing of the performance fee.

Indemnities

Indemnities granted to the investment manager are as follows.

1. Investment Manager's indemnity to Responsible Entity

- a) The Investment Manager must indemnify the Responsible Entity and its' directors and officers against any loss or liability arising out of or in connection with, and any costs, charges and expenses reasonably incurred by the Responsible Entity arising out of, or in connection with:
 - i) the loss, theft or destruction of any certificates, warrants or other indicia of title in the custody of the Investment Manager for the purposes of this Agreement, other than as a result of a Force Majeure Event; or
 - ii) any wilful breach of any obligation by, or the gross negligence, fraud or dishonesty of, the Investment Manager or by any of the Investment Manager's officers, employees or agents (other than brokers, Clearing Houses, banks or sub-custodians).

- b) The indemnity in this clause continues after the termination of this Agreement.

2. Responsible Entity's indemnity to Investment Manager

- a) The Responsible Entity must indemnify the Investment Manager and its directors and officers against any loss or liability arising out of or in connection with, and any costs, charges and expenses reasonably incurred by the Investment Manager arising out of, or in connection with:
 - i. the loss, theft or destruction of any certificates, warrants or other indicia of title in the custody of the Responsible Entity for the purposes of this Agreement, other than as a result of a Force Majeure Event; or
 - ii. any wilful breach of any obligation by, or the gross negligence, fraud or dishonesty of the Responsible Entity or by any of the Responsible Entity's officers, employees or agents (other than brokers, Clearing Houses, banks or sub-custodians).
- b) The indemnity in this clause continues after the termination of this Agreement.

14. ADDITIONAL INFORMATION

14.1 Investor information

The Fund is a disclosing entity under the Corporations Act, and so will be subject to regular reporting and disclosure obligations under the Corporations Act. This means that investors will receive an annual report and a half yearly report regarding the operations of the Fund. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

In addition to the annual and half yearly reports, the Responsible Entity will also provide you with the following written statements:

- a confirmation of every application or withdrawal you make from the Fund;
- an annual distribution statement; and
- an annual tax statement for each financial year ending 30 June.

As a disclosing entity, the Fund will also be subject to continuous disclosure obligations under the Corporations Act. This will require the Responsible Entity to lodge continuous disclosure notices with ASIC. You have a right to obtain various financial reports and continuous disclosure notices lodged with ASIC for the Fund.

14.2 Complaints handling policy

You have a right to complain if you are not satisfied with the performance of the Responsible Entity. The Constitution details how complaints can be made and how the Responsible Entity must deal with them. A summary is set out below.

If you have a complaint, you should notify the Responsible Entity in writing. The Responsible Entity will acknowledge the complaint within 14 days of receipt. The Responsible Entity must ensure that any complaint receives proper consideration resulting in a determination by a person or body designated by the Responsible Entity to handle complaints. The Responsible Entity must act in good faith to deal with the complaint. The Responsible Entity must respond to each complaint with a view to resolving the complaint within 45 days.

If a satisfactory resolution cannot be reached, then you may lodge your complaint with the Financial Ombudsman Service, of which the Responsible Entity is a member. You can write to the Ombudsman at GPO Box 3, Melbourne, Victoria 3001 or you may phone them on 1800 367 287.

14.3 Privacy

The Application Form accompanying this PDS requires you to provide information that may be personal information for the purposes of the Privacy Act.

The Responsible Entity (and any Unit registry on its behalf) may collect, hold and use that personal information in order to assess your application, service your needs as an investor and to administer the Fund.

The information may also be used to send you marketing material relating to the Fund, which the Responsible Entity considers may be of interest to you. If you do not want your information used for this purpose, you may indicate this by marking the appropriate box on the Application Form.

Access to your personal information may also be provided to external service providers to the Fund, including investment managers, custodians, auditors, taxation and legal advisers and information technology consultants. The Responsible Entity will also disclose information if required by law to do so (including under anti-money laundering and counter-terrorism financing legislation).

If you do not provide the information requested of you in the Application Form, the Responsible Entity may not be able to process your application or administer your holding of Units appropriately.

Under the Privacy Act, you may request access to your personal information held by or on behalf of CIP Licensing, whose contact details are set out in the corporate directory in Section 16 of this PDS.

14. ADDITIONAL INFORMATION (continued)

14.4 Anti-money laundering and counter-terrorism

In order for the Responsible Entity to meet its obligations under the AML Act in Australia, the Application Form seeks various details about you. Further information may also be required from you regarding your identity, the source of your Funds and similar matters. The Responsible Entity may be required to verify that information by sighting appropriate documentation. If you do not provide the information requested, or if there is a delay, your investment may not be able to be processed.

Records of the information obtained will be kept by the Responsible Entity and may be required by law to be disclosed. Otherwise, the Responsible Entity will keep the information confidential.

By applying for Units under this PDS, you also agree that the Responsible Entity may in its discretion determine not to issue Units to you if it believes that such action is necessary or desirable in light of its obligations under the AML Act or any regulations or rules made in connection with that legislation.

14.5 Consents

Each of the following parties has given its consent to be named in this PDS in the form and context in which it is named and has not, before the issue of this PDS, withdrawn its consent to be named. Each of the parties has not caused the issue of this PDS and does not make, nor purport to make, any statement in this PDS. To the maximum extent permitted by law, each of the parties expressly disclaims and takes no responsibility for any part of this PDS other than the reference to its name.

Trust Company (Australia) Limited has given its consent to being named as the Custodian for the Fund.

HLB Mann Judd has given their consent to being named as auditors of the Fund and have given their consent to the issue of this PDS with references to the audited accounts of the Fund in the **Reference Guide: Financial Information**.

Merchant Funds Management Pty Ltd has given its consent to being named as Investment Manager of the Fund and to the inclusion of any statements

made by Merchant Funds Management and any statements said in the PDS to be based on a statement made by Merchant Funds Management.

14.6 Governing law

This PDS and the contracts that arise on acceptance by the Responsible Entity of Application Forms are governed by the laws in force in Western Australia, and each applicant for Units submits to the non-exclusive jurisdiction of the courts of Western Australia.

14.7 Foreign Account Tax Compliance Act of the United States of America (FATCA)

FATCA requires Australian Financial institutions to identify and report to the Australian Tax Office customer accounts held by U.S. persons. In order for the Responsible Entity to meet its obligations under FATCA the Application Form seeks various details about you. The Responsible Entity may be required to verify that information by sighting appropriate documentation. If you do not provide the information requested, or if there is a delay, your investment may not be able to be processed.

Records of the information obtained will be kept by the Responsible Entity and may be required by law to be disclosed. Otherwise, the Responsible Entity will keep the information confidential.

By applying for Units under this PDS, you also agree that the Responsible Entity may in its discretion determine not to issue Units to you if it believes that such action is necessary or desirable in light of its obligations under FATCA or any regulations or rules made in connection with that legislation.

14.8 Taxation

Reference Guide: Taxation, provides a broad summary of the taxation consequences for Unit holders associated with the ownership of Units in the Fund. The **Reference Guide** is available from Merchant Funds Management's website www.merchantfunds.com.au or from the Responsible Entity on request, free of charge.

15. GLOSSARY

In this PDS:

Application Form means each form attached to or accompanying this PDS upon which an offer to subscribe for Units may be made.

AFSL or Australian Financial Services Licence means an Australian Financial Services Licence issued by ASIC under the Corporations Act.

AML Act means the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Commonwealth).

ASIC means the Australian Securities and Investments Commission.

Board means the board of Directors of CIP Licensing Limited.

CIP Licensing Limited means CIP Licensing Limited ACN 603 558 658

Constitution means the constitution of the Fund (as amended).

Corporations Act means the *Corporations Act 2001* (Commonwealth).

Custodian means the agent appointed by the Responsible Entity to hold the legal title to the assets of the Fund, currently The Trust Company (Australia) Limited ACN 000 000 993.

Director means a director of the Responsible Entity.

FATCA means the Foreign Account Tax Compliance Act of the United States of America.

Fund or MOF means the Merchant Opportunities Fund ARSN 111 456 387.

GST means goods and services tax.

Issue Price means the price at which Units are being issued.

Investment Manager or Manager or Merchant Funds Management means Merchant Funds Management Pty Ltd.

Management Fee has the meaning given to that term in the Constitution.

Offer means the offer to subscribe for Units as set out in this PDS.

Performance Fee has the meaning given to that term in the Constitution.

PDS or Product Disclosure Statement means this product disclosure statement.

Responsible Entity means the responsible entity of the Fund, currently CIP Licensing Limited.

Unit means an ordinary unit in the Fund.

Unitholder means the registered holder of a Unit.

Updated Information means documents prepared by the Responsible Entity from time to time to update this PDS for information changes that are not materially adverse to investors.

16. CORPORATE DIRECTORY

Responsible Entity

CIP Licensing Limited
ACN 603 558 658
AFSL No. 471728

Registered office

103 Bolsover Street
Rockhampton QLD 4700
Telephone: 1800 679 000

Directors of the Responsible Entity

Mr. David French (Managing Director)
Mr. Lance Livermore
Mr. Owen Evans (Non-Executive)
Mr. Christopher Heyworth
Mr. Nigel Allfrey (Non-Executive)

Company secretary

Mr. Richard Symons

The Investment Manager

Merchant Funds Management Pty Ltd
ACN 154 493 277

Registered Office

Level 3, 101 St Georges Terrace
Perth WA 6000
Telephone: (08) 6277 0050

Fund Auditor

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Custodian

The Trust Company (Australia) Limited
Level 13
123 Pitt Street
Sydney NSW 2000



Level 3
101 St Georges Terrace
PERTH WA 6000

P + 61 8 6277 0050
F + 61 8 9200 5790