



# Product Disclosure Statement

8 NOVEMBER 2021

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INVESTMENT MANAGER  
Merchant Funds Management  
Pty Ltd

RESPONSIBLE ENTITY  
CIP Licensing Limited  
ACN 603 558 658  
AFSL No. 471728

## About this PDS

This Product Disclosure Statement (“**PDS**”) has been prepared and issued by CIP Licensing Limited (“**CIPLL**”, “**we**” or “**Responsible Entity**”) and is a summary of the significant information relating to an investment in the Merchant Biotech Fund (“**Fund**”). It contains a number of references to important information contained in the Merchant Biotech Fund Reference Guide (“**Reference Guide**”) which forms part of this PDS. You should carefully read and consider the information in this PDS, and the information in the Reference Guide before making a decision about investing in the Fund. The information provided in this PDS is general information only and does not take into account your personal objectives, financial situation or needs. You should obtain professional financial and taxation advice tailored to your personal circumstances and consider whether investing in the Fund is appropriate for your circumstances. The offer to which this PDS relates is only available to persons receiving this PDS (electronically or otherwise) in Australia. This PDS does not constitute a direct or indirect offer of securities in the US or to any US Person as defined in Regulations under the Securities Act of 1933 as amended (“**US Securities Act**”). CIPLL may vary this position and offers may be accepted on merit at CIPLLs discretion. The units in the Fund have not been, and will not be, registered under the US Securities Act unless otherwise approved by CIPLL and may not be offered or sold in the US to, or for, the account of any US Person (as defined in the Reference Guide) except in a transaction that is exempt from the registration requirements of the US Securities Act and applicable US state securities laws.

## Reference Guide

Throughout the PDS, there are references to further information contained in the Reference Guide. You can obtain a copy of the PDS and the Reference Guide, free of charge, by visiting [www.merchantfunds.com.au](http://www.merchantfunds.com.au) or by calling Merchant on (08) 6277 0050. The information contained in the Reference Guide may change between the time you receive this PDS and the time you acquire the product. You must therefore ensure that you have read the Reference Guide current as at the date of your application. Updated information in this PDS is subject to change. We will notify you of any changes that have a material impact on you or other significant events that affect the information contained in this PDS. Any information that is not materially adverse information is subject to change from time to time and may be obtained by visiting [www.merchantfunds.com.au](http://www.merchantfunds.com.au) or by calling Merchant on (08) 6277 0050. Should you require a paper copy of the updated information it will be provided free of charge upon request.

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# About the Responsible Entity and Investment Manager

# 1.

## The Responsible Entity

### CIP Licensing Limited

The Responsible Entity for the Fund and the issuer of this PDS is CIP Licensing Limited (ACN 603 558 658) (“CIPLL” or “Responsible Entity”) which is an unlisted public Company. The Responsible Entity is required to manage the affairs of the Fund in accordance with the Fund’s constitution (“**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, available from the Merchant Funds Management website [www.merchantfunds.com.au](http://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. The Responsible Entity has appointed a custodian to hold the assets of the Fund. The custodian has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests.

## The Investment Manager

### Merchant Funds Management Pty Limited

The Investment Manager of the Fund is Merchant Funds Management Pty Ltd (**Merchant** or **Investment Manager**).

Post a 15-year career in stockbroking, Merchant Group Pty Ltd and Merchant Funds Management Pty Ltd was established by Andrew Chapman and three partners in November 2011. With offices in Perth and Melbourne, Merchant 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 covers:

- funds management (Merchant Opportunities Fund);
  - share trading;
  - self-managed superannuation funds administration service;
  - financial planning;
- 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 \$400 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.

# How the Merchant Biotech Fund Works

## 2.

The Fund is a registered managed investment scheme governed by its Constitution. The Fund comprises assets which are acquired in accordance with the Fund's investment strategy. Direct investors receive units when they invest in the Fund. In general, each unit represents an equal interest in the assets of the Fund subject to liabilities; however, it does not give investors an interest in any particular asset of the Fund.

### Applying for units

Units are issued on a monthly basis, in respect of applications received. There are several ways to invest in the Fund. You can acquire units by completing the Application Form that accompanies this PDS. The minimum initial investment amount for the Fund is \$25,000. See Section 8 "How to Apply" of this PDS and the Merchant Biotech Fund Reference Guide for further information. Application forms and other forms can be found at [www.merchantfunds.com.au](http://www.merchantfunds.com.au)

Under the Fund's 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 Investment Manager.

Please note that all monies deposited by direct credit or cheque must match the amount specified on the Application Form for an application to be valid. We reserve the right to accept or reject applications in whole or in part at our discretion. We have the discretion to delay processing applications where we believe this to be in the best interest of the Fund's investors.

### Application Price

The price at which units are acquired will be determined in accordance with the Constitution ("**Application Price**"). The Application Price is in general terms, equal to the Net Asset Value ("**NAV**") of the Fund, divided by the number of units on issue. The Application Price will vary as the market value of the assets in the Fund rise or fall.

### Cut-off times for processing applications

If we receive all required application documents before or at 2pm (Perth time) by the last Business Day of the month, and your request is accepted by Merchant, we will process the transaction using that month's Application Price.

### Making additional investments

You can make additional investments into the Fund at any time by sending us your additional investment amount together with a completed Application Form. The minimum additional investment into the Fund is \$10,000. Application Forms are available at [www.merchantfunds.com.au](http://www.merchantfunds.com.au).

### Distributions

An investor's share of any distributable income is calculated in accordance with the Constitution and is generally based on the number of units held by the investor at the end of the distribution period.

The Fund usually distributes income annually, however, CIPLL may change the distribution frequency without notice. Distributions are calculated effective the last day of each distribution period and are normally paid to investors within 90 days after the end of the distribution period.

### Distribution Options

Investors in the Fund can indicate a preference to have their distribution:

- reinvested back into the Fund; or
- directly credited to their AUD Australian domiciled bank account.

Investors who do not indicate a preference will have their distributions automatically reinvested. Applications for reinvestment will be taken to be received immediately prior to the next Business Day after the relevant distribution period. There is no Buy Spread on distributions that are reinvested.

# How the Merchant Biotech Fund Works (cont.)

## 2.

### Redemption Facility

A redemption facility will be offered quarterly at an amount deemed appropriate by the Responsible Entity.

Investors in the Fund can apply to redeem their investment by completing a written request to withdraw from the Fund and mailing it to:

Merchant Funds Management Pty Ltd  
PO Box 883,  
Nedlands WA 6909

You can also email: [info@merchantgroup.com.au](mailto:info@merchantgroup.com.au); Redemption forms are available at [www.merchantfunds.com.au](http://www.merchantfunds.com.au).

Once we receive and accept your redemption request, we may act on your instruction without further enquiry if the instruction bears your account number or investor details and your (apparent) signature(s), or your authorised signatory's (apparent) signature(s), or your duly appointed attorney's (apparent) signature(s).

Redemption requests must be received on or before 2pm (Perth time) on the last Business Day of the month in order to receive the redemption price applicable to the valuation date (for redemptions) for a particular period. For example, a redemption request that is received before cut off time 2pm on 31 March will receive the 31 March month Valuation Date for redemptions.

However, CIPLL is allowed to reject redemption requests, and will make payment up to 30 days after acceptance of a request (which may be extended in certain circumstances) as outlined in the Constitution and Reference Guide.

We reserve the right to accept or reject redemption requests in whole or in part at our discretion.

### Unit Pricing

The price at which units are redeemed is determined in accordance with the Constitution ("Redemption Price"). The Redemption Price is, in general terms, equal to the NAV of the Fund, divided by the number of units on issue. The Redemption Price will vary as the market value of assets in the Fund rises or falls.

In certain circumstances, for example, when there is a freeze on redemptions, where accepting a redemption is not in the best interests of investors in the Fund, including due to one or more circumstances outside its control or where the Fund is not liquid (as defined in the Corporations Act), CIPLL can deny or suspend a redemption request and you may not be able to withdraw your funds in the usual processing times or at all.

An investor can only redeem when CIPLL makes a redemption offer to investors in accordance with the Corporations Act. CIPLL is not obliged to make such offers.

# How the Merchant Biotech Fund Works (cont.)

## 2.

### Additional information

If and when the Fund has 100 or more direct investors, it will be classified by the Corporations Act as a 'disclosing entity'. As a disclosing entity, the Fund will be subject to regular reporting and disclosure obligations. Investors have a right to obtain a copy, free of charge, of any of the following documents:

- the most recent annual financial report lodged with ASIC ("Annual Report");
- any subsequent half yearly financial report lodged with ASIC after the lodgment of the Annual Report; and
- any continuous disclosure notices lodged with ASIC after the Annual Report but before the date of this PDS.

CIPLL will comply with any continuous disclosure obligation by lodging documents with ASIC as and when required. Copies of these documents lodged with ASIC in relation to the Fund may be obtained from ASIC through ASIC's website.

### Further reading

You should read the important information in the Reference Guide about:

- Application cut-off times;
- Application terms;
- Authorised signatories;
- Reports;
- Redemption cut-off times;
- Redemption terms; and
- Redemption restrictions,

under the "Investing in the Merchant Biotech Fund", "Managing your investment" and "Redeeming your investment" sections before making a decision.

Go to the Reference Guide which is available at [www.merchantfunds.com.au](http://www.merchantfunds.com.au). The material relating to these matters may change between the time you read this PDS and the day when you acquire the product.

# Benefits of investing in the Merchant Biotech Fund

## 3.

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.

Significant benefits that you may derive from investing in the Fund include:

- opportunity to access life science investment opportunities that are not normally available to retail investors;
- Access to a management team with proven success in the life science sector over several years in multiple companies;
- Access to a diversified portfolio of selected assets offering a combination of income and capital growth over the medium to long term; and
- An opportunity to be involved in the long-term commercial future of Australian life science companies, with a special focus on domestic capital assets, domestic start-up companies and specialist mandated investments undertaken by external parties.

# Risks of managed investment schemes

## 4.

### Introduction

The Responsible Entity and the Investment Manager do not guarantee the liquidity of the Fund's investments, repayment of capital or any rate of return or the Fund's investment performance. The value of the Fund's investment will vary. Returns are not guaranteed, and you may lose money by investing in the Fund. The level of returns will vary, and future returns may differ from past returns. The laws on managed investment schemes may change in the future and as such, the structure and administration of the Fund is subject to change.

In addition, we do not offer advice that takes into account your personal financial situation, including advice about whether the Fund is suitable for your circumstances. If you require personal financial or taxation advice, you should contact a licensed financial adviser and/or taxation adviser.

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.

### General Risks

#### *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.

#### *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.

#### *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.

#### *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 realize 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.

#### *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

### Specific risks of the Fund

#### *Gearing*

The Fund's 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.

#### *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.

# Risks of managed investment schemes (cont.)

## 4.

### ***Performance Fee***

The Performance Fee may create an incentive for the Investment Manager to make investments on behalf of the Fund that would have been riskier or more speculative in the absence of a Performance Fee.

### ***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.

### ***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.

### ***Investee Companies***

Some of the companies that the Fund will invest in will have 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.

### ***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.

### ***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.

### ***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.

### ***Future acquisition risk***

The Investment Manager 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.

### ***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 ASXlisted shares.

### ***Liquidity of underlying investments***

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

### ***Stock selection risk***

The Investment Manager uses a stock selection process to identify investment opportunities which it believes are most likely to outperform the Fund's benchmark. There is a risk that these selected investments will not perform in line with the Investment Manager's expectations. This risk is mitigated to some extent by the skills and experience of the Investment Manager.

### ***Portfolio management risk***

The Fund is subject to portfolio management risk because it is an actively managed investment fund. The Investment Manager will apply investment process and portfolio risk management, but there is no guarantee that the Fund will successfully outperform its benchmark.

### ***Pandemic and other unforeseen event risk***

Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on the economies and financial markets either in specific countries or worldwide and consequently on the value of the Fund's investments. Further, under such circumstances the operations, including functions such as trading and valuation, of the Investment Manager, the Administrator and other service providers could be reduced, delayed, suspended, or otherwise disrupted.

# Risks of managed investment schemes (cont.)

## 4.

### Further reading

Before making a decision to invest, you should read the important information in Merchant Biotech Fund Reference Guide “Additional risks of managed investment schemes” section about additional risks that apply to the Fund. Go to the Reference Guide which is available at [www.merchantfunds.com.au](http://www.merchantfunds.com.au). The material relating to the additional risks may change between the time when you read this PDS and the day when you acquire the product.

# How we invest your money

# 5.

Warning: When choosing to invest in the Fund, you should consider the likely investment returns, the risks of investing and your investment time frame.

## Investment objective

To provide long-term capital growth by investing in a portfolio of life science companies where innovation plays a crucial role in improving global health and economic outcomes. This includes biotechnology, pharmaceuticals, medical devices & equipment, medical data, information technology (e-health), and robotics.

## Performance benchmark

RBA Cash Rate plus 5%.

## Minimum suggested time frame

The minimum suggest investment time frame for the Fund is over 5 years.

## Risk level of the Fund

There is a risk that investors may lose some or all of their initial investment. Higher-risk investments tend to fluctuate in the short-term but can produce higher returns over the long term. This risk grading may not accurately measure the actual level of risk of the Fund and is not an indicator of likely returns.

## Investor suitability

Designed for investors seeking a diversified portfolio of life science companies and medium to long-term capital growth and for those who can accept short-term volatility associated with equity market risk, as well as sector and stock-specific risk.

## 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;
- 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 Investment Manager seeks to achieve long-term capital growth by focusing stock selection on:

1. Share valuation
2. Company management and industry structure
3. Behavioral factors to determine investment-timing

It is intended that the investment portfolio will consist of 20 to 50 companies split between:

**Mature Growth** – companies that have established medical products, generate revenue and are profitable. Typically, the Life Science is hard to disrupt or replicate and has a leading market position, e.g. CSL Limited.

**Developing Growth** - companies that have disruptive intellectual property in the life science space. Typically, these companies are in late-stage clinical trials or have registered or approved medical products, growing market access, and early-stage revenue.

**Seed** – companies that are involved in disruptive life science projects, e.g., start-ups. Typically, these are fast-growing and highly innovative companies with the potential for exponential growth from successful commercialization of their product.

**Unlisted and pre-Initial Public Offering (IPO) companies** – these companies will typically reside in the “Seed” and “Developing Growth” stage of their life-cycle as defined above.

# How we invest your money (cont.)

# 5.

## Investment guidelines

The table below shows indicative portfolio weightings for the Fund. The weightings for each asset class will be determined by the Fund's Investment Manager from time to time.

## Indicative portfolio weightings

	Minimum weighting (%)	Maximum weighting (%)
Australian Shares	0	100
International Equities	0	60
Fixed Interest Investments	0	30
Private Companies	0	30
Pre- IPO Investments	0	30
Cash	0	100

*NB: The data in this table is not intended to add to 100%.*

### ***The Investment Manager intends to mitigate risk through the following:***

- in depth research of investment opportunities use internal and external research reports and systems;
- 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.

*The Investment Manager 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

## Borrowing policy

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

## 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 investment 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](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

The information in the following Fees and Costs Summary can be used to compare costs between different simple managed investment schemes. Fees and costs can be paid directly from an investor's account or deducted from investment returns. For information on tax please refer to the **Reference Guide**.

All fees and costs in this Section of the PDS are presented inclusive of goods and services tax (**GST**) unless stated otherwise.

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

Tax costs are discussed in the Reference Guide. You should read all the information about fees and costs because it is important to understand their impact on your investment.

## Fees and Costs Summary

### Fees when your money moves in or out of the Fund

Type of fee or cost	Amount	How and when paid	Balance of \$25,000 with a contribution of \$10,000 during the year
<b>Establishment fee:</b> The fee to open your investment.	Nil	Not applicable	Nil
<b>Contribution fee:</b> The fee on each amount contributed to your investment	Nil	Not applicable	Nil
<b>Redemption fee:</b> The fee on each amount you take out of your investment.	Nil	Not applicable	Nil
<b>Exit fee:</b> The fee to close your investment.	Nil	Not applicable	Nil

### Management Costs

Type of fee or cost	Amount	How and when paid	Balance of \$25,000 with a contribution of \$10,000 during the year.
<b>Management fee:</b> the fees and costs for managing your investment.	1.485% (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	And, for every \$25,000 you have in the Fund you will be charged \$371.25 each year.
<b>Other management costs:</b> 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.	For every \$25,000 you have in the Fund you will be charged \$62.50.
<b>Performance fee:</b> annual fee calculated on the outperformance of the Fund over the benchmark	Is calculated as the increase in the net portfolio value of the Fund over the benchmark, by 20%.	Paid in cash or other assets of the Fund, annually within 3 months of the end of the financial year.	See example below.

### Switching Fees

Type of fee or cost	Amount	How and when paid
The fee for changing investment options	Nil	Not applicable

## Additional Explanation of Fees and Costs

### *Transactional and operational costs*

In addition to the fees and costs set out in the table in Section 6 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 redeem 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 redemption of Units. This adjustment ensures that existing investors do not pay costs associated with other investors acquiring or redeeming Units.

### *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. 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 08 November 2021; 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.

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.

### *Can the fees change?*

Yes, all fees can change without investor consent, subject to the maximum fee amounts set out in the Constitution. The current maximum management fee to which CIPLL is entitled is 1.35% plus GST of the Gross Asset Value (**GAV**) of the Fund. However, CIPLL does not intend to charge that amount and will generally provide investors with at least 30 days' notice of any proposed increase to the management fees component of management fees and costs. In most circumstances, the Constitution defines the maximum level that can be charged for fees described in this PDS. CIPLL has the right to be reimbursed for all reasonable expenses incurred in relation to the proper performance of its duties in managing the Fund and as such these expenses may increase or decrease accordingly, without notice.

- 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

# How managed investment schemes are taxed

# 7.

Warning: Investing in a registered managed investment scheme (such as the Fund) is likely to have tax consequences. You are strongly advised to seek your own professional tax advice about the applicable Australian tax (including income tax, GST and duty) consequences and, if appropriate, foreign tax consequences which may apply to you based on your circumstances before investing in the Fund.

The Fund is an Australian resident for tax purposes and does not generally pay tax on behalf of its investors.

Australian resident investors are assessed for tax on any income and capital gains generated by the Fund to which they become presently entitled or, where the Fund has made a choice to be an Attribution Managed Investment Trust (“AMIT”) and the choice is effective for the income year, are attributed to them.

*You should read the important information in the Reference Guide about Taxation under the “Other important information” section before making a decision. Go to the Reference Guide which is available at [www.merchantfunds.com.au](http://www.merchantfunds.com.au). The material relating to these matters may change between the time when you read this PDS and the day when you acquire the product.*

Before completing the Application Form, please ensure you have read this PDS together with all the Reference Guides available from [www.merchantfunds.com.au](http://www.merchantfunds.com.au).

## New investors

- Complete the Application Form accompanying the PDS (details are in the Application Form) and post it to Merchant Funds Management Pty Ltd, PO Box 883, Nedlands, WA 6909 or email the form to: [info@merchantgroup.com.au](mailto:info@merchantgroup.com.au); with your payment by:
  - Transferring the application money electronically to the Fund (preferred)
  - Property via an executed transfer form
  - Cheque

## Existing investors and additional applications:

Additional investment can be made into an existing account at any time. The process for existing investors or making an additional investment is to complete an Application Form available at [www.merchantfunds.com.au](http://www.merchantfunds.com.au); and post or email it to Merchant Funds Management Pty Ltd with your payment by:

- Transfer the application money electronically to the Fund
- Property via an executed transfer form
- Cheque

Please note that cash cannot be accepted and all applications must be made in Australian dollars. All monies deposited by direct credit, or cheque must match the amount specified on the Application Form for the application to be valid.

## Who can invest?

Eligible persons (as detailed in the 'About this PDS' section) can invest, however individual investors must be 18 years of age or over.

## Cooling-off rights

If you are a Retail Client who has invested directly in the Fund, you may have a right to a 'cooling off' period in relation to your investment in the Fund for 14 days from the earlier of:

- confirmation of the investment being received; and
- the end of the fifth Business Day after the units are issued.

No cooling off period applies if you are a wholesale investor.

## Enquiries

If you have any enquiries regarding the Fund, you can call Merchant Funds Management Pty Ltd on (08) 6277 0050 (Australia).

## Complaint's resolution

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 you are not satisfied with our response to your complaint, you may be able to lodge a complaint with the Australian Financial Complaints Authority ("AFCA").

Contact details are:

Online: [www.afca.org.au](http://www.afca.org.au)

Phone: 1800 931 678

Email: [info@afca.org.au](mailto:info@afca.org.au)

Post: GPO Box 3, Melbourne VIC 3001.

The external dispute resolution body is established to assist you in resolving your complaint where you have been unable to do so with us. However, it's important that you contact us first.

## 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 redemption 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.

## 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 and the AML Act). 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 11 of this PDS.

## 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.

Moore Australia 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.

## 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.

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.

**Application Price** means the Net Asset Value (“NAV”) of the Fund, divided by the number of units on issue.

**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.

**CIPLL or 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 MBF** means the Merchant Biotech Fund ARSN 654 495 468.

**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.

## 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 (Non-Executive)  
Mr. Owen Evans (Non-Executive)  
Mr. Christopher Heyworth (Non-Executive)

## Company secretary

Mr. Richard Symons

## The Investment Manager

Merchant Funds Management Pty Ltd  
ACN 154 493 277  
Level 1  
441 Stirling Highway  
Cottesloe WA 6011

## Fund Auditor

Moore Australia  
Level 15 Exchange Tower  
2 The Esplanade  
Perth WA 6000

## Custodian

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

## Further reading

*You should read the important information in the Reference Guide about:*

- *The Constitution;*
- *Corporate Governance;*
- *Anti-Money Laundering and Counter Terrorism Financing (“AML/CTF”);*
- *Redeeming;*
- *Taxation;*
- *Foreign Account Tax Compliance Act (“FATCA”); and*
- *Common Reporting Standard (“CRS”),*

*under the “Other important information” section before making a decision. Go to the Reference Guide which is available at [www.merchantfunds.com.au](http://www.merchantfunds.com.au). The material relating to these matters may change between the time when you read this PDS and the day when you acquire the product.*

Product  
Disclosure  
Statement

ARSN 654 495 468

INVESTMENT MANAGER

Merchant Funds Management  
Pty Ltd

RESPONSIBLE ENTITY

CIP Licensing Limited  
ACN 603 558 658  
AFSL No. 471728

