

DMX AUSTRALIAN SHARES FUND

Information Memorandum (IM)

June 2021

FUNDHOST LIMITED

ABN 69 092 517 087

Australian Financial Services Licence
(AFSL) 233 045

DMX ASSET MANAGEMENT LIMITED

ABN 33 169 381 908

AFSL 459 120

Important Information

Fundhost Limited ABN 69 092 517 087 AFSL 233 045 (**Fundhost, Trustee, we or us**) is the trustee of, and issuer of units in the DMX Australian Shares Fund (**Fund**), offered in this Information Memorandum (**IM**). Fundhost has prepared this IM.

The information contained in this IM has been prepared without taking account of your personal objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness having regard to your objectives, financial situation and needs.

This IM is intended to provide a guide to the principal features of the Fund. An investment in the Fund is subject to the terms of the Fund's trust deed (**Trust Deed**). The IM is not a comprehensive statement of the Trust Deed or of all of the terms applicable to an investment in the Fund. A copy of the Fund's Trust Deed can be obtained by contacting us. This IM may not contain all of the information that a prospective investor or their advisers may expect or require in order to make an informed decision as to whether to subscribe for units in the Fund.

Prospective investors should rely upon their own enquiries in deciding whether to invest.

Neither Fundhost, DMX Asset Management Limited ABN 33 168 381 908 AFSL 459 120 (**DMX Asset Management** or the **Investment Manager**) nor any related or associated companies guarantees the performance of the Fund, the return of investor's capital or any specific rate of return.

All amounts in this IM are given in Australian dollars. Fees and costs in this IM are disclosed inclusive of the net effect of Goods and Services Tax (**GST**) if applicable and any reduced input tax credits.

You should read this IM in full before deciding to invest.

This IM supersedes all preliminary information and other previous communications in connection with this offer and the Fund. All such preliminary information and previous communications should be disregarded. Any information or representation not contained in this IM may not be relied on as having been authorised by Fundhost or DMX Asset Management in connection with the offer.

Eligibility

This IM can only be used by:

1. in Australia, wholesale investors (as defined in sections 761G or 761GA of the **Corporations Act 2001**) who receive the IM (electronically or otherwise) and respond to this offer in Australia; and
2. in New Zealand, wholesale investors (as defined in clause 3 of Schedule 1 of the **Financial Markets Conduct Act 2013 (NZ)** (FMCA) who receive the IM (electronically or otherwise) and respond to this offer in New Zealand

(Eligible Investors).

Other than as permitted by law, units in the Fund offered in this IM will only be issued on receipt of an application form issued with this IM together with evidence that the investor qualifies as an Eligible Investor. The units in the Fund are not available to retail investors. For information on this refer to [Eligible Investor](#) or contact Fundhost on +61 (0)2 8223 5400.

This IM is not a product disclosure statement under the **Corporations Act 2001** and has been prepared for use only by Eligible Investors. This IM is not required to be and has not been lodged with ASIC under the **Corporations Act 2001**.

Important information for New Zealand investors

This IM and the information contained in or accompanying it

- are not, and are under no circumstances to be construed as, an offer of financial products for issue requiring disclosure to an investor under Part 3 of the FMCA;
- have not been registered, filed with or approved by any New Zealand regulatory authority or under or in accordance with the FMCA; and
- are not a disclosure document under New Zealand law and do not contain all the information that a disclosure document is required to contain under New Zealand law.

Any offer or sale of any financial product described in this IM in New Zealand will be made only in accordance with the FMCA: Refer to [New Zealand Eligible Investors](#) for details of the criteria that must be satisfied.

Warning

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision.

The usual rules do not apply to this offer because there is an exclusion for offers where the amount invested upfront by the investor (plus any other investments the investor has already made in the financial products) is \$750,000 or more. As a result of this exclusion, you may not receive a complete and balanced set of information. You will also have fewer other legal protections for this investment.

Investments of this kind are not suitable for retail investors.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

Updated information

Information in this IM is subject to change from time to time. If it is not materially adverse information this may be updated by us. Updated information (such as performance information for the Fund) can be obtained by contacting Fundhost on +61 (0)2 8223 5400. We intend to issue a supplementary or replacement IM where any changes are, in our view, materially adverse to unitholders.

Changes to Fund details

We have the right to change the Fund's objective and investment strategy (including the benchmark), asset allocation and range and currency strategy (if any), without prior notice.

We will inform investors of any significant change to the Fund's details in their next regular communication.

Scheme registration

The Fund is not registered with ASIC pursuant to Chapter 5C of the *Corporations Act 2001*. At some stage in the future, Fundhost, in consultation with DMX Asset Management, may choose to register the Fund with ASIC. By investing in the Fund, you agree to Fundhost applying for registration with ASIC at some time in the future. Please see the application form. If the Fund does become a registered managed scheme the level of fees may change. If the fees do change we will write to you to notify you of the changes prior to the change becoming effective and give you sufficient time to withdraw from the Fund should you so choose.

	FUNDHOST (TRUSTEE)	DMX ASSET MANAGEMENT (INVESTMENT MANAGER)
MAIL	Fundhost Ltd PO Box N561 Grosvenor Place NSW 1220 Australia	DMX Asset Management Limited Level 13, 111 Elizabeth Street Sydney NSW 2000
TELEPHONE	+ 61 (0)2 8223 5400	+ 61 (0)2 8069 7965
FAX	+ 61 (0)2 9232 8600	
EMAIL	admin@fundhost.com.au	team@dmxam.com.au
WEBSITE	www.fundhost.com.au	www.dmxam.com.au

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We hope you find this IM easy to use. We encourage you to read it all before you make any investment decision.

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The Fund at a Glance

FEATURE	SUMMARY
Name of Fund	DMX Australian Shares Fund
Trustee	Fundhost Ltd
Investment Manager	DMX Asset Management Limited
Investment objective	To provide a genuinely differentiated investment exposure to a difficult to access asset class; and generate strong absolute returns for Investors over the medium to long term. Returns and capital are not guaranteed.
Investment strategy	To identify and construct a portfolio of attractively priced ASX and NZX listed smaller companies that have yet to be recognised by the market and therefore offer asymmetrical upside potential.
Benchmark	RBA Cash Rate plus 5%
Major asset class	Listed Australian and New Zealand securities and cash
Income distribution frequency	Annually (as at 30th June)
Minimum initial investment	\$50,000 (or other amounts as agreed with Fundhost). unless relying on an Eligible Investor criterion for which there is a minimum investment amount – for more information, refer to Eligible Investor .
Minimum additional investment	\$10,000
Minimum withdrawal	\$10,000
Minimum balance	\$50,000
Unit pricing frequency	Monthly
Application processed	Monthly, cutoff 4:00pm Sydney time, the last business day of the month
Withdrawals processed	Monthly, cutoff 4:00pm 10 business days prior to month end
Cost of fund	Fees and expenses are capped at 1.50% p.a. of portfolio value excluding performance fees, abnormal expenses and transaction costs.
Performance fee	15.38% of the amount by which the Fund outperforms its benchmark subject to a high-water mark.

The Trustee Fundhost

Fundhost is the trustee of the Fund. The duties of the Trustee include:

- acting in the best interests of investors and, if there is a conflict between the investors' interest and its own interest, giving priority to the investors' interest;
- ensuring that the property of the Fund is clearly identified, held separately from any other property and is valued at regular intervals;

- ensuring that payments from the Fund are made in accordance with the Trust Deed of the Fund and the *Corporations Act 2001*.

Fundhost is a public company that has been established to provide essential services to managed investment schemes. More information on Fundhost is available on the website www.fundhost.com.au.

The Investment Manager DMX Asset Management

DMX Asset Management is the Investment Manager of the Fund. It holds Australian Financial Services Licence No. 459 120.

DMX Asset Management is the Investment Manager of the highly successful nano and micro-cap focused investment fund, DMX Capital Partners Limited (DMXCP). DMXCP was established in 2015 and from its inception at 1st April 2015 through to 31st December 2020 has generated in excess of 22% pa pre-tax but net of all fees & expenses. (Based on audited financial statements to 30th June 2020; unaudited between 1st July and 31st December 2020.)

DMXCP has a focus on very small companies, principally with a market value between \$5m and \$100m. While the DMX Australian Shares Fund has a broader mandate with an ability to invest across the market capitalisation spectrum including a small portion of New Zealand-listed shares, it too has a strong focus on smaller companies. Considering the similar investment strategies, shared principal focus on smaller companies, and common key investment team members across both funds, the Investment Manager anticipates that for the foreseeable future there will likely be a greater than 50% overlap between the two portfolios, subject to liquidity constraints.

The Investment Team

Chris Steptoe, Co-Portfolio Manager

Chris has over 20 years of experience researching and investing in ASX and NZX small cap equities and has been a research analyst with DMX Asset Management since 2017. Since joining DMX Asset Management, Chris has worked closely with Steven McCarthy in the management of the DMXCP portfolio and has an intimate working knowledge of the DMXCP portfolio and its holdings. Chris will sit across both portfolios, continuing to work closely with Steven in the research and management of DMXCP portfolio; and will co-manage the DMX Australian Shares Fund with Michael Haddad, both with the analytical support of the broader Investment Committee, including Steven.

Chris holds a Bachelor of Commerce and Bachelor of Science from the University of Auckland.

Michael Haddad, Co-Portfolio Manager

Michael was an analyst and principal at Sydney-based global equity firm Peters MacGregor Capital Management from 2002 until 2019. Since then, Michael has been an investment strategist with DMX Asset Management, working with the team both on portfolio-wide matters including risk management, and portfolio construction; as well as participating in the individual stock research process.

Michael has managed portfolios with both a global and Australian-specific focus, with a strong interest in smaller companies. Michael holds a Bachelor of Management Studies (Honours) degree and a Graduate Diploma in Accounting & Finance, both from the University of Waikato, and is a CFA Charterholder.

In co-managing the DMX Australian Shares Fund, Chris and Michael draw on their individual unique experiences as well as into the deep pool of combined research and intellectual property inherent within the DMXCP portfolio, seeking to achieve a 50%+ replication of DMXCP and add appropriate additional companies that bring diversity and the potential for strong returns over time.

Steven McCarthy, Investment Committee Member

Steven is a qualified accountant with more than 20 years of experience in corporate finance, business valuation, advisory, and fund management roles, with extensive analytical, valuation, financial and commercial due diligence experience. Steven has previously worked for PPB Advisory and BDO Corporate Finance in senior roles.

Steven has driven the DMXCP portfolio since inception and has more than 20 years' experience focused on the Australian nano and micro-cap market. Steven remains explicitly focused on his portfolio management role with DMXCP, but as an Investment Committee Member participates in the research and management process for both funds.

Roger Collison, Investment Committee Chair

Roger is an experienced investment analyst and fund manager, having previously been a director at Credit Suisse in both Sydney and London; and head of research at Tyndall Asset Management. Roger also has extensive governance experience both in the private and not-for-profit sectors.

As chair of the Investment Committee, Roger has brought institutional-grade structure, insight, and experience to bear in the oversight of the portfolio management function. In addition to lending his experience and perspective to the DMX Asset Management team, Roger is active with a number of other external governance roles, as well as actively managing a private family investment fund with a focus on value opportunities on the ASX.

The Investment Objective of the Fund

The objective of the Fund is to generate strong absolute returns for its investors over the medium and long term. To achieve this objective, the Fund invests in a carefully-constructed portfolio of smaller companies that the Investment Manager considers are yet to be recognised by the broader market and therefore offer the potential for asymmetrical returns over time. The Fund's focus on smaller companies ensures a genuinely differentiated portfolio exposure is provided to Investors, and within an asset class that is often difficult to access otherwise.

The Fund will typically invest in between 20 and 40 companies. Up to 20% of the portfolio may be NZX listed, while up to 10% may be unlisted securities. The Investment Manager is not explicitly focused on identifying unlisted opportunities. But incidental to its research and industry-relationship-intensive process, it has from time to time had the opportunity to invest in interesting unlisted securities.

The Fund is generally focused on higher quality companies with a growth profile, and within the market capitalisation range of \$20m to \$200m – its current 'sweet spot'. Though investments may be sought and made both above and below that range. The Investment Manager has developed and maintains strong relationships both among the smaller company focused broker community, as well as with the management teams of investee and prospective investee companies. These relationships help the Investment Manager secure access to attractive capital raisings, placements, and high-volume lines of shares not otherwise available to most investors, further reinforcing the value-add from an exposure to the Australian smaller companies sector via the Investment Manager.

Cash is a by-product of the investment process and will generally move around within the 0-30% range.

The Investment Strategy of the Fund

The strategy of the Fund is to focus on identifying 20-40 high quality investment opportunities taking a 'bottom-up' approach. With more than 1300 Australian and 50 New Zealand listed companies with a market capitalisation between \$5m and \$500m, the hunting ground for absolute return focused and bottom-up investors is considerable. Due to their size and relatively low liquidity, these small companies often fall outside the investment universe of many investors, and are therefore more likely to be inefficiently priced. As a result of this mispricing, these small companies often represent compelling investment opportunities with attractive risk / reward characteristics.

To identify the most compelling of these opportunities to include in the portfolio, DMX Asset Management screens and continually monitors the investment universe, seeking to consolidate the opportunity set down to a broad watchlist of around 200 companies. Across the various attributes of business quality, management quality, growth potential, economic position, balance sheet strength, and durable competitive position, DMX Asset Management seeks to construct and manage a portfolio of the most compelling 20-40 ideas from its watchlist. In essence, this research-intensive process seeks to provide an attractive portfolio exposure to a carefully selected group of the most compelling opportunities in the smaller company universe.

The Investment Manager also believes an informational advantage may be obtained in the smaller company universe through conducting thorough due diligence and seeking greater understanding of these companies' business models and market potential. This depth of research, together with the ability to take a long term perspective on a company's prospects, gives DMX Asset Management the confidence to invest in small companies where others may be reluctant.

The Investment Manager believes high quality smaller **growing** companies offer interesting potential as often-times their valuations can be quite undemanding. The impact on returns from the combination of strong growth in earnings, together with multiple expansion as others become aware of an emerging growth story, can be powerful. Whilst there is a strong focus on profitable, growing companies within the universe of interesting smaller companies that the Fund will assess and invest in, the Investment Manager considers a range of opportunities.

These can be broadly categorised thematically as:

- **growing companies** with a **history of profitability** but where multiples do not fairly reflect the inherent growth potential;
- **growing companies** that are **not presently profitable** but where equity valuations are overly short-term focused and fail to recognise the very real profitability potential as a business scales; and
- in addition to these cashflow-based opportunities, and to a smaller degree, the Fund invests in companies trading at least to some degree on the basis of **underlying assets**. These asset-based opportunities can be particularly interesting when a catalyst exists such as a return of capital, sale of a business unit or key asset.

Sometimes, an opportunity will exhibit attributes across the various thematic baskets, and DMX Asset Management's absolute return focused strategy and approach allows for all prospective opportunities to be considered.

Individual stock selection is a key part of the investment strategy of the Fund. Equally important is how these individual opportunities are brought together in a portfolio context. The Investment Manager is acutely aware of risk and as part of its active risk management process continually monitors each holding and prospective holding for key risk and sensitivity variables. Through the portfolio construction and ongoing management process due consideration is given to the correlations between the behaviour of various portfolio components, and the need for appropriate portfolio diversification is emphasised. Bringing together a portfolio of companies with idiosyncratic risk profiles helps mitigate overall risk profile. And from an end client perspective, the team at DMX Asset Management are proud to deliver to clients a genuinely differentiated and unique portfolio exposure.

What are the Features & Benefits of the Fund?

Being comprised of mostly smaller companies, the Fund's portfolio companies are not only different from each other, but together are highly differentiated from most other equity portfolios a client may also be exposed to. The power of genuine differentiation is that investors may blend portfolio exposures with uncorrelated or lowly-correlated assets to reduce **overall risk** without necessarily reducing **expected return**.

In addition to delivering Investors a differentiated investment exposure, the smaller company asset class and Fund itself hold the potential for strong absolute returns over time.

The Fund includes opportunities that are not only **economically** different from each other, but are **thematically** different. Blending undervalued high quality growth companies together with shares trading at a material discount to their asset backing (ideally where a catalyst exists) gives the Fund the best chance of benefiting in different investment environments. When one style is particularly neglected, another may be in vogue.

The DMX Asset Management investment process is research intensive and utilises strong relationships cultivated by its principals over many years. These relationships span the broking community as well as across the many companies that DMX Asset Management actively researches. The benefit of this intensive research process is that DMX Asset Management can glean insights that assist it in assessing the long-term prospects for individual companies and help it identify opportunities.

All DMX Asset Management investment staff are significantly co-invested in the funds it manages, the firm itself, or both. Further, key investment staff share in the performance fees generated by the firm via an absolute performance-linked bonus structure. The benefit of this significant ownership, fund investment, and performance-linked bonus structure is the strong alignment of the investment team's interests and those of investors. DMX Asset Management and its investment team share in the upside **and** downside, as well as having incentives that reward strong performance over the short, medium, and long term, with an emphasis on the latter.

You have the right to receive any distributions made from the Fund (usually shortly after the end of June each year). Distributions may include taxable capital gains although they may also carry imputation and other tax credits. You should consult your tax adviser for any tax related enquiries.

Distributions can be reinvested in the Fund or credited to your nominated account. Distributions are automatically reinvested in the Fund unless you tell us not to do this (see the application form or contact us anytime).

Portfolio guidelines

DMX Asset Management will seek to manage the Fund's investments within certain portfolio guidelines. These are described in this section.

GUIDELINES	AS A % OF PORTFOLIO VALUE	
	Min	Max
Cash (or cash equivalents)	0%	30%
Securities	70%	100%
New Zealand securities	0%	20%
Unlisted securities	0%	10%
Number of positions (typically but not always)	20	40

Maximum weightings for New Zealand listed securities and unlisted securities are monitored at the time of acquisition. So for example the Fund would not generally acquire more NZX listed securities if the effect of doing so would be that holdings in NZX listed securities exceeded 20% of the portfolio. However, if the NZX holdings increased in value over time so that they comprised more than 20% of the portfolio, DMX Asset Management would not be obliged to sell securities to bring the holdings below this level. The same principles apply to unlisted securities.

Maximum cash holdings are expected to be 30%, but could be higher in some situations such as at commencement of the Fund when it is building out its portfolio, or at times when the Fund is experiencing high inflows of investor money, or when the Fund has sold several investments and is receiving the proceeds, or in extreme market conditions.

What are the Significant Risks?

About risk and return

All investments are subject to varying risks and the value of an investment can decrease as well as increase (i.e. you can experience investment losses or investment gains). Changes in value can be significant and they can happen quickly. Investments within categories can have varying performance results. These results are dictated by the individual risk characteristics of the investment, timing and market volatility.

The significant risks for the Fund are discussed below. Not all risks can be eliminated and the risk management strategies that are adopted may not always be successful. However, the DMX Asset Management investment team follows an investment process whereby risks are considered as an integral part of the investment process.

If these risks occur, distributions may be reduced or there may be none, the value of your investment could fall and you could lose money.

Concentration risk

The Fund will seek to hold a concentrated portfolio of investments. For example, at times it may hold only a few investments, with the rest of the Fund being held in cash. The value of the Fund's investments may be more affected by any single adverse event than the investments of a more diversified portfolio.

DMX Asset Management will seek to minimise the risks of holding a concentrated portfolio by employing careful investment selection, paying heed to underlying assets and employing hedging techniques, where applicable and appropriate.

Cyber risk

There is a risk of fraud, data loss, business disruption or damage to the information of the Fund or to investors' personal information as a result of a threat or failure to protect the information or or personal data stored within our IT systems and networks and those of our service providers.

Fund risk

Risks particular to the Fund include that it could terminate (i.e. if its costs of operating become unreasonable), the fees and expenses could change (see the section entitled Can the fees change?), DMX Asset Management could be replaced or the Fund terminated, Fundhost could be replaced as trustee and its or DMX Asset Management's management and staff could change.

There is also a risk that investing in the Fund may give different results than investing individually because of income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other investors.

Individual investment risk

The Fund is exposed to the risk that poor stock selection occurs whereby individual investments selected by the Investment Manager for inclusion in the fund either underperform the market or perform poorly in an absolute sense. This risk is magnified by the degree of concentration inherent in this portfolio.

The Investment Manager's bottom-up focus results in a portfolio that looks quite different from most equity indices. Together with the concentrated nature of the portfolio means the Fund is at risk of underperforming the broader equity market, in addition to carrying the risk of poor or negative absolute returns.

These risks are managed as far as is practicable by DMX Asset Management through the Fund's portfolio management guidelines. These ensure a basic degree of diversification (notwithstanding an inherently high-concentration investment approach) as well as adherence to its well-considered and time-tested core investment philosophy and process.

International investment risk

The Fund may invest in companies listed on the NZX which may give rise to foreign currency exposure. The relative strength or weakness of the Australian dollar against other currencies will affect the Fund's performance and the Fund may have less protection under laws outside of Australia.

Investment Manager risk

It is possible that DMX Asset Management could be wound up or liquidated, it might cease to manage the investments of the Fund and be replaced, its investment methodology could change or it could manage risks poorly.

If the investment strategy of this Fund changed significantly, you would be given at least 30 days' notice (where practicable).

Fundhost has the power to terminate and replace DMX Asset Management as the Investment Manager, or to terminate the Fund in the interests of unitholders.

Key person risk

The investment management professionals at DMX Asset Management are responsible for managing the Fund and their personal circumstances can change.

The potential for any key investment staff to depart in the future poses a risk to the investment outcomes for the Fund. This risk is mitigated by the investment management professionals' ownership stake in DMX Asset Management, and the opportunity for them to share in any performance fees earned by DMX Asset Management. The team is supported by an Investment Committee which is active in the investment process. Further, the Investment Manager strives to instill a team-based culture and approach to executing its investment mandate.

Liquidity risk

There are circumstances under which access to your money may be delayed – refer to [Accessing your investment](#).

Further, the level of overall market liquidity is an important factor that may contribute to the profitability of the Fund and access to your money. Illiquid markets can make it difficult to trade profitably and to realise assets in a timely fashion to meet withdrawal requests. Unlisted shares can comprise up to 10% of the portfolio and are generally illiquid.

Please refer to [Accessing your investment](#).

The investments the Fund will invest in may also face liquidity risk themselves.

Units in the Fund are not quoted on any stock exchange and you cannot sell them through a stockbroker.

Market risk

Economic, technological, climate, political or legal conditions, health conditions such as pandemics, interest rates and even market sentiment can (and do) change over time and this can lead to changes in the value of investment markets. While the Fund's exposure will be differentiated from the broad sharemarket indices and may perform very differently from the market at any particular point in time, because it will hold mostly listed securities, the Fund will carry market risk exposure and may decline more or less in line with the market during market downturns. As these conditions change through time, they can cause unanticipated changes to the value of the investments in the Fund.

Micro caps risk

In addition to general liquidity risks as outlined above, DMX Asset Management has sought opportunity in the nano, micro and small capitalisation segments of the market. Its principal focus is on companies with a market capitalisation of between \$5m and \$500m. These companies can often be particularly illiquid, and the liquidity profile of investments across the portfolio may be strongly correlated such that market dislocations or an abrupt change in market sentiment can adversely affect both the value and the liquidity of large portions of the portfolio at the same time therefore posing additional risks to the Fund.

These risks are intended to be mitigated through ensuring a basic degree of liquidity is inherent within the portfolio, and that there is basic diversification not only of the economic types of securities, but also their perceived liquidity profile. Ultimately, an investment in the Fund should be considered a long-term investment and investors should be prepared to accept a greater degree of valuation volatility and a reduction in the liquidity profile as the Fund seeks to benefit from mispricing among smaller and less liquid securities.

Unlisted securities risk

While the Investment Manager is not explicitly focused on identifying unlisted securities, it may invest in unlisted securities that are identified incidentally to its core investment process. Examples include, but are not limited to, where the opportunity arises to invest in an unlisted security (such as a convertible note) offered by an existing portfolio holding, or where a company becomes delisted.

This risk is mitigated through the relatively small maximum allocation to these types of securities (10% at cost) within the Fund.

Fees and Other Costs

Management fees and costs

The Fund will pay Fundhost a fee equivalent to 0.15% per annum of portfolio value. This fee will be accrued and paid monthly in arrears. The Fund will pay the Investment Manager a fee equivalent to 1.28% per annum of portfolio value. This fee will be accrued and paid monthly in arrears. The Trust Deed of the Fund provides that expenses incurred in relation to the proper performance of Fundhost's duties as trustee are payable or reimbursable out of the assets of the Fund. These expenses include, but are not limited to, audit and legal fees.

We estimate the normal recurring level of such expenses will be approximately 0.51% per annum of the portfolio value of the Fund.

Fee cap

Management fees and costs payable by the Fund (other than performance fees, abnormal costs and transaction costs) are capped at 1.50% p.a.

Abnormal costs

Fundhost and DMX Asset Management may incur non-recurrent expenses on behalf of the Fund. These expenses may include, but are not limited to, litigation, legal and other expert's fees, travel and accommodation costs, and other expenses arising from managing the Fund. Fundhost may charge additional fees for its own time spent on such matters.

These are deducted from the assets of the Fund as and when they are incurred. These are not included in the recurrent recoverable expense estimate or the fee cap. Abnormal expenses are expected to occur infrequently.

Performance fee

DMX Asset Management is entitled to a performance fee of 15.38% of the amount by which the Fund (after fees and expenses but before distributions) outperforms its benchmark over a calculation period. The benchmark for the purpose of calculating the performance distribution is the RBA Cash Rate at the start of the calculation period, plus 5%. The performance fee is payable annually as at 30th June and is subject to a high water mark.

The high water mark means the highest unit price at the end of a performance period where a performance fee has been paid, adjusted for subsequent distributions.

Transaction costs

Transaction costs include brokerage, settlement costs, clearing costs and stamp duty costs. The Fund will incur and pay transaction costs when buying or selling investments. Some of these costs are recovered through the buy-sell spread (see below).

Can the fees change?

Yes, all fees can change. The Trust Deed for the Fund sets the maximum amount that can be charged in fees. The approval of investors is needed in order to raise fees above the amounts allowed for in the Trust Deed.

You will receive at least 30 days' written notice of any proposed increase to fees charged under this IM.

Buy-Sell spread

When you invest in the Fund, the Fund buys investments, and this incurs costs (for example, to buy shares, a broker charges a fee). When you withdraw, investments are sold so cash can be paid to you, and this costs money too. This is called a buy-sell spread. A buy-sell spread is an adjustment to the unit price reflecting Fundhost's estimate of the transaction costs that may be incurred as a result of the purchase/sale of assets arising from the issue/withdrawal of units. This adjustment ensures that existing investors do not pay costs associated with other investors acquiring/withdrawing units in the Fund. The buy-sell spread is reflected in the buy and sell unit prices.

Currently, the buy-sell spread is estimated to be 0.50% of the unit price (that is an adjustment of +0.25% on the entry price and -0.25% on the exit price is made). So if the net asset value (NAV) of each unit is \$1.00, on entry the unit price is adjusted up approximately 0.25% (up 0.25 cents) and on exit down approximately 0.25% (down 0.25 cents). None of this amount is paid to Fundhost nor is money deducted from your account. You won't see the buy-sell spread on any account statement.

Can fees be different for different investors?

We may negotiate fees with investors. The size of the investment and other relevant factors may be taken into account. The terms of these arrangements are at the discretion of Fundhost on advice from DMX Asset Management. Any fee rebates paid to investors are a cost to DMX Asset Management and not to the Fund.

Government charges and taxation

Taxes such as GST will be applied to your account if required by law. In addition to the fees and costs described in this section, standard government fees, duties and bank charges may also apply. Some of these charges may incur additional GST and will apply to your investments and withdrawals as appropriate.

The fees outlined in this document take into account any reduced input tax credits which may be available.

What about Fund Performance?

If you are interested in:

- up to date Fund performance; or
- current unit prices

then ask your financial adviser, call Fundhost on +61 (0)2 8223 5400, or go to www.fundhost.com.au

Up to date information is always free of charge. Don't forget that any past returns are just that, just because they happened doesn't mean they will happen again. Returns are volatile and may go up and down significantly and sometimes quickly.

How the Fund Works

Fund structure

When you invest in the Fund your money (together with all other investors' monies) is gathered in one place and invested in assets. We have appointed DMX Asset Management to manage the Fund. DMX Asset Management uses its resources, experience and expertise to make the investment decisions.

We have appointed National Australia Bank (**NAB**) as the independent custodian to hold the assets of the Fund.

Units

The Fund is a unit trust. This means your interests in the Fund are represented by units. Certain rights (such as the right to any income and a right to vote) attach to your units. You may also have obligations in respect of your units.

Each unit has a value which we calculate. When you invest, we issue you a number of units depending on the amount you invest. Similarly, when you withdraw from the Fund, we calculate your withdrawal proceeds by reference to the number and value of units you hold at the time of withdrawal. Generally, the price of units will vary as the market value of assets in the Fund rises or falls.

Investing in the Fund

Investing and withdrawing

To invest in the Fund, use the application form accompanying this IM. The following minimum transactions, balance requirements and processing rules generally apply (although we may vary them at our discretion and without notice):

Transaction	Details
Minimum initial investment	\$50,000
Minimum additional investment	\$10,000
Minimum withdrawal	\$10,000 or remaining balance
Minimum balance	\$50,000
Unit pricing frequency	Monthly

Applications and withdrawals processing

Application and redemption requests will be processed monthly. If your application request and investment is received before 4pm Sydney time, the last business day of the month it will be processed using the unit price effective for that month. If it is received after 4pm, it will be processed effective for the following month.

If your redemption request is received before 4pm, 10 business days prior to month end, it will be processed using the unit price effective for that month. If it is received after 4pm, it will be processed effective for the following month.

Please note that both application and redemption prices effective on a particular date are not the same as the current prices shown on our website.

Additional investments can be made at any time in writing using the additional investment form.

You may make investments into the Fund with an initial amount of at least \$50,000.

To apply, use the application form accompanying this IM.

The application form contains detailed instructions and will ask you to provide the identification documents required under the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (AML CTF Act) and relevant tax legislation.

We do not earn interest, nor do we pay you interest, on application monies held prior to the time we issue units to you.

We accept signed application forms and certified copies of documents required to identify applicants (**Application Documents**) by email or fax as well as paper. Provided we receive clear and legible copies of your Application Documents by the cutoff time, together with your application monies, we will process your application using the unit price effective for the month we receive your application monies and Application Documents. Applications via email need to be sent to admin@fundhost.com.au or by fax to +61 (0)2 9232 8600.

To apply for units in the Fund using email or fax, you must accept full responsibility (to the extent permitted by law) for any loss arising from us acting upon Application Documents received by email or fax.

You agree to release and indemnify Fundhost in respect of any liabilities arising from us acting on Application Documents received by email or fax, even if those documents are ultimately found to not be genuine. You also agree that neither you nor any other person has any claim against Fundhost in relation to a payment processed, units issued or other action taken by us if we rely on Application Documents received by email or fax.

Withdrawing your Investment

Accessing your investment

Generally, you may access your investment monthly. You must provide your written notice of withdrawal to us by mail. See [Applications and Withdrawals Processing](#) for details of cutoff times.

Despite being able to redeem your units monthly, an investment in the Fund should be viewed as a medium to long term investment.

How to withdraw

Units in the Fund are not listed on any stock exchange like the ASX, so you cannot sell your units through a stockbroker.

If you want to withdraw your money, simply contact us in writing and tell us how much you need to withdraw. This is called a redemption request.

We accept scanned or faxed redemption requests on the following conditions:

- all instructions must be legible;
- instructions must bear your investor number and signature; and
- redemption proceeds will only be transferred to the financial institution account previously nominated on the application form or otherwise notified to us in writing (we need an original signed by the account signatories to effect such a change).

To use this service, you will need to accept full responsibility (to the extent permitted by law) for loss arising from us acting upon faxed or scanned instructions which comply with these security processes and you also agree to release and indemnify us in respect of any liabilities arising from us acting on faxed or scanned instructions (including future instructions), even if those instructions are not genuine. Also you agree that neither you nor any other person has any claim against us in relation to a payment made or action taken under the facsimile or

scanned instruction service if the payment is made in accordance with these conditions. These terms and conditions are additional to any other requirements for giving redemption instructions.

The amount of money you receive is determined by the unit price applicable to your redemption request. We can withhold from amounts we pay you any amount you owe us or we owe someone else relating to you (for example, the tax office).

We generally pay all redemption proceeds in cash, but we are permitted under the trust deed for the Fund to pay proceeds in kind (i.e. in specie share transfer).

Payments can be delayed

In certain circumstances we may need to delay withdrawal of your money. We can delay withdrawal of your money for up to 180 days or such period as we consider appropriate in all the circumstances if:

- something outside our control affects our ability to properly or fairly calculate the unit price (for example, if the investments are subject to restrictions or if there is material market uncertainty like a stock market crash);
- we receive a quantity of withdrawal requests representing more than 20% of the value of the investments of the Fund. In this case we can stagger withdrawal payments; or
- we otherwise determine in our absolute discretion (but we must always act in the best interests of investors as a whole when deciding to do this).

The Trust Deed sets out the full range of circumstances in which we can delay withdrawal of your money.

We can give you back your invested money without you asking

In certain circumstances we can, or may be required to, also redeem some or all of your units without you asking. These circumstances include:

- if you breach your obligations to us (for example, you provide misleading information in your application form);
- to satisfy any amount of money due to us (as trustee or in any other capacity relevant to the Fund) by you;
- to satisfy any amount of money we (as trustee or in any other capacity relevant to the Fund) owe someone else relating to you (for example, to the tax office);
- where we suspect that law prohibits you from legally being an investor; or
- such other circumstance as we determine in our absolute discretion (but we must always act in the best interests of investors as a whole when deciding to do this).

The Trust Deed sets out the full range of circumstances in which we can give you back your invested money without you asking.

How we calculate unit prices

We calculate unit prices in three steps:

- we calculate the value of the investments of the Fund and take away the value of the liabilities as defined in the Fund's Trust Deed;
- we divide this result by the number of units we have on issue to obtain the unit mid-price;
- we then make an adjustment (up for the entry price, to take account of the costs of buying investments or down for the exit price to take account of the costs of realising investments) called a buy-sell spread. The buy-sell spread does not represent a fee to Fundhost or DMX Asset Management and is discussed in more detail in the section "[Buy-sell spread](#)"

These steps give us a price per unit.

We determine the market value of the Fund at least each month end based on the closing market prices for the last business day of that month.

Distributions

The Fund generally distributes net realised gains and income annually as at 30th June. Income distributions are usually reinvested at the end of each financial year (June), but you can tell us if you do not want to automatically reinvest distributions or advise us in writing anytime if you would like us to pay them to your nominated Bank Account. Any distributions reinvested are reinvested at the ex-distribution mid price.

Distributions may also be paid at other times, or in some years, not paid at all.

Keeping you Informed

We will:

- confirm every transaction you make;
- soon after June each year send you a report to help you with your tax return;
- each year (around September) make the accounts of the Fund available to you on our website;
- send you your annual statement;
- notify you of any material changes to this IM and any other significant event as required by law; and
- send you a monthly investment report each month.

Taxation

Your tax liability ultimately depends on your circumstances, for example, whether you are an Australian resident. So it's important that you seek professional advice before you invest or deal with your investment.

In all likelihood you will need to pay tax in relation to your investment in this Fund. Generally you will pay income or capital gains tax, but you might be able to claim some tax credits or have the benefit of some concessions.

We will send you the information you need each year to help you to complete your tax return.

We will generally distribute any income and realised gains, if any, annually. Distributions could comprise:

- income (like dividends and interest); and
- net taxable capital gains (from the sale of the Fund's investments); and
- tax credits (like franking credits attached to dividend income and credits for tax paid on foreign income).

We may also pay interim distributions.

Additionally, Australian residents are generally subject to capital gains tax on gains when they withdraw any money or transfer units.

Depending on the kind of taxpayer you are, and how long you have held your units, you may be entitled to a capital gains concession which can reduce the liability by up to one half.

If you choose not to provide us with your tax file number (**TFN**) or Australian business number (**ABN**) and don't have an exemption, we must deduct tax at the highest personal rate, plus the Medicare levy, before passing on any distribution to you. The law is very strict on how we can use these details.

You should seek your own tax advice to ensure the Fund is appropriate for you. Neither Fundhost nor DMX Asset Management provide any tax advice.

A taxation regime for managed investment trusts has been introduced called the Attribution Managed Investment Trust (**AMIT**) regime. Subject to the Fund being eligible, Fundhost can elect to operate the Fund under this regime. As an AMIT the Fund can attribute amounts of income and tax offsets to investors on a fair and reasonable basis. There is also an ability to adjust the cost base of an investor's interest in a Fund upwards or downwards. Should Fundhost make this election investors will be advised on our website.

This section outlines taxation for Australian investors. New Zealand investors should seek their own taxation advice.

Privacy

We collect and use personal information about you to administer your investment and also to conduct research.

By applying for units in the Fund you consent and agree to information about you being obtained and used by us. Fundhost will collect and use your information in accordance with our Privacy Policy, a copy of which is available from Fundhost free of charge.

If you fail to provide us with the required information or if you provide us with incomplete or inaccurate information Fundhost may not be able to provide you with the products or services you are seeking within the time periods contemplated in this IM.

Your information will not be disclosed unless:

- the law requires;
- your financial adviser needs the information;

- it is in keeping with our Privacy Policy and may be provided to external service providers including DMX Asset Management, auditors, taxation and legal advisers, and information technology consultants; or
- Fundhost needs it to send you promotional material. If you don't want this, indicate on the application form or contact Fundhost anytime.

Fundhost will disclose information if required by law to do so (including under anti-money laundering and counter-terrorism financing legislation).

If you think any of the details that Fundhost holds are wrong or out of date contact Fundhost and they will correct the details. You can always access the personal information held about you by contacting Fundhost on +61 (0)2 8223 5400.

Anti-Money Laundering and Counter-Terrorism Financing

In order to meet our obligations under anti-money laundering and counter-terrorism financing legislation (**AML CTF Act**) or other applicable taxation or reporting legislation (including the Foreign Account Tax Compliance Act and Common Reporting Standards legislation), we may require further information from you as to identity, the source of your funds and similar matters. Fundhost may be required to verify that information by sighting appropriate documentation. Records of the information obtained will be kept and may be required by law to be disclosed. Otherwise the information will be kept confidential.

By applying for units in the Fund, you also agree that Fundhost may in its absolute discretion determine not to issue units to you, may cancel units which have been issued to you or may redeem any units issued to you if Fundhost believe such action to be necessary or desirable in light of its obligations under the AML CTF Act or other legislation and Fundhost will not be liable to you for any resulting loss.

Summary of Trust Deed

The Fund is governed by a Trust Deed dated 9th December 2020, as amended. The Trust Deed sets out our obligations as well as the rights of investors. Key aspects of the Trust Deed have been summarised in this section.

We may alter the Trust Deed.

You may view a copy of the Trust Deed at our offices on any Business Day and you may obtain a copy free of charge by contacting us.

Classes of units

Under the Trust Deed for the Fund, we may issue units in one or more classes and may create additional classes of units at any time.

Rights of investors

Subject to the Trust Deed of the Fund, investors are generally entitled to:

- receive a share of the Fund's distributable income;
- request a redemption of units;
- transfer units; and
- inspect the Trust Deed.

Unitholder meetings

Subject to the Trust Deed of the Fund, investors are also entitled to requisition, attend and vote at investors' meetings for the Fund. An investor is bound by a resolution of investors, whether or not they attend the meeting at which it is passed.

Interest in the Fund

Each unit issued in the Fund entitles the investor to a beneficial interest in the total investments of the Fund but does not give the investor an interest in any particular part of the Fund.

Unitholder liability

The Trust Deed limits an investor's liability in relation to the Fund to the amount the investor has invested, however the law in relation to investor liability has not yet been settled. Under the Trust Deed we can recover from you any taxes or other amounts that the Fund is required to pay because you hold units or because of any action you have taken or failed to take, either by deduction from amounts payable to you or by redemption of some of your units.

Termination of the Fund

We can terminate the Fund at any time at our discretion or when required by law. If the Fund is terminated, we must generally convert the Fund's assets to cash and pay off the Fund's liabilities (including those incurred in winding up the Fund and any unpaid fees including performance fees).

Investors are then entitled to a share of the balance of the assets in accordance with the Trust Deed. This will be the final distribution of the Fund. The final distribution may include both a capital and income component.

Eligible Investor

Australian Eligible Investors

To be an Eligible Investor in Australia, you must satisfy one of these criteria:

- Invest at least A\$500,000 at one time (excluding superannuation sourced monies¹);
- Provide Fundhost with an accountant certificate (in form annexed) which is less than 24 months old indicating that the applicant has either net assets of least \$2.5 million or a gross income for each of the last 2 financial years of at least \$250,000 a year²;
- Be a company or trust controlled by someone who has a certificate from a qualified accountant (such certificate referred to in the category immediately prior);
- Be a business that is not a small business (that is, companies that employ more than 20 people or 100 people if they are a manufacturer);
- Hold an Australian Financial Services Licence;
- Control at least \$10 million (including any amount held by an associate or under a trust that the applicant manages);
- Be regulated by the Australian Prudential Regulatory Authority other than a trustee of an Australian superannuation fund, approved deposit fund, pooled superannuation trust or public sector superannuation scheme;
- Be the trustee of an Australian superannuation fund, approved deposit fund, pooled superannuation trust or public sector superannuation scheme with assets of at least \$10 million;
- Be a body registered under the *Financial Corporations Act 1974* of the Commonwealth of Australia;
- Be an exempt public authority;
- Be a listed entity or a related body corporate of a listed entity;
- Be a related body corporate of a wholesale client;
- Carry on a business of investment in financial products, interests in land or other investments and invest funds received (directly or indirectly) following an offer or invitation to the public, the terms of which provided for the funds subscribed to be invested for those purposes;
- Be a foreign entity that, if established or incorporated in Australia, would be covered by one of the preceding paragraphs; or
- An Australian financial services licensee (or its representative) considers the investor has requisite experience to invest in the Fund.

New Zealand Eligible Investors

To be an Eligible Investor in New Zealand, you must satisfy one of these criteria:

- Be an “investment business”, such as an entity whose principal business consists of investing in financial products, providing a financial adviser or broking service, or trading in financial products on behalf of other persons;
- Meet the “investment activity” criteria, meaning that:
 - you own (or have owned in the previous two years) a portfolio of financial products of at least NZ\$2 million; or
 - you have acquired during the previous two years specified products of at least NZ\$1 million and the other parties to the transaction are not associated with you; or
 - you have two years of experience (within the last ten years) participating to a material extent in investment decisions made by an investment business;
- Be “large”, meaning that in each of the two most recently completed financial years, you and your controlled entities had net assets greater than NZ\$5 million, or total consolidated turnover greater than NZ\$5 million;

¹Superannuation sourced monies are monies which the applicant knows the superannuation trustee will pay to a person as a superannuation lump sum or has been paid as an eligible termination payment or lump sum.

²In calculating the \$2.5 million or \$250,000 the person can include the net assets or gross income (as relevant) of any company or trust the person controls.

- Be a government agency;
- Be an “eligible investor”, meaning that you can provide:
 - a certification that your experience in acquiring or disposing of financial products allows you to assess the merits of the investment, the adequacy of the information provided to you, your own information needs in relation to the investment; and
 - a confirmation of that certification from an authorised financial adviser, qualified statutory accountant, or lawyer;
- Your minimum investment in the Fund is at least NZ\$750,000, or your current investment plus amounts previously paid by you for units in the Fund add up to at least NZ\$750,000; or
- Meet the requirements for any other circumstances where there is no contravention of the FMCA (or any statutory modification or re enactment of, or statutory substitution for, the FMCA).

The full requirements to meet these criteria are specified in Schedule 1 of the FMCA.

Please refer to “Important Information for New Zealand investors” contained in [Important Information](#).

Custodian

Fundhost has appointed NAB as custodian of this fund. NAB's role as custodian is limited to holding the assets of the Fund as Fundhost's agent. NAB has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests. NAB has no liability or responsibility to you for any act done or omission made in accordance with the terms of the Custody Agreement. NAB makes no statement in the IM and has not authorised or caused the

issue of it. Investments of the Fund do not represent investments in, deposits with, or other liabilities of, NAB or any other member of the NAB group of companies (**NAB Group**). Neither NAB, nor any other member of NAB Group, in any way stands behind the capital value, nor do they guarantee the performance of the investment or the underlying assets of the Fund, or provide a guarantee or assurance in respect of the obligations of Fundhost or its related entities.

Related Party Transactions and Conflicts of Interest

Fundhost does not engage in any related party transactions with any person. All dealings with other parties are at commercial, arms' length terms.

Fundhost has a conflicts of interest policy and register which it maintains in accordance with the law. It seeks to address any conflicts that may arise as part of Fundhost's business and that relate to the Fund.

DMX Asset Management is or may become the Investment Manager for other funds that invest in many of the same assets as this Fund.

DMX Asset Management endeavours to ensure that all portfolios are treated fairly by ensuring that, where appropriate, trades in the assets are undertaken as block trades and allocated pro rata according to the size of each portfolio.

However investors should be aware that DMX Asset Management may give priority to DMXCP for investments in companies with a market value of less than \$100 million.