

# Product Disclosure Statement

## Terra Capital Natural Resources Fund

ARSN 624 739 493 | Product APIR Code TER0001AU

26 April 2018

### Read This

This Product Disclosure Statement ('PDS') provides a summary of significant information and the Fund's Reference Guide dated 26 April 2018 ('Reference Guide') contains a number of references to important information (each of which forms part of this PDS). You should consider both the information in this PDS, and the information in the Reference Guide, before making a decision about investing in the Fund.

The information in this PDS is general information only and does not take into account your personal financial situation or needs. You should consult a licensed financial adviser to obtain financial advice that is tailored to suit your personal circumstances.

We reserve the right to change any terms and conditions set out in this PDS. If you receive this PDS electronically, we will provide a paper copy to you free of charge upon request during the life of this PDS.

The offer made in this PDS is available only to persons receiving this PDS (electronically or otherwise) within Australia and New Zealand. Applications from outside Australia and New Zealand will not be accepted.

### Updated Information

Information in this PDS is subject to change. We will notify you of any changes that have a materially adverse impact on you or other significant events that affect the information contained in this PDS. Any information that is not materially adverse is subject to change from time to time and may be obtained by contacting Evolution on +61 2 8866 5150, emailing [info@evolutiontrustees.com.au](mailto:info@evolutiontrustees.com.au) or visiting [evolutiontrustees.com.au](http://evolutiontrustees.com.au). A paper copy of any updated information will be provided free of charge on request.

### Responsible Entity

Evolution Trustees Limited ACN 611 839 519  
AFS Licence No 486217

Participant APIR Code: EVOX100AU  
(**'Evolution'**, **'us'**, **'we'**, **'our'** and **'Responsible Entity'**),

Suite 306, Burns Philip Building, 7 Bridge Street, Sydney NSW 2000

Telephone +61 2 8866 5150

Fax +61 2 8866 5151

Email [info@evolutiontrustees.com.au](mailto:info@evolutiontrustees.com.au)

### Fund

Terra Capital Natural Resources Fund (**'Fund'**)

Product APIR Code: TER0001AU

### Investment Manager

Terra Capital Holdings Pty Ltd ACN 622 649 647  
(**'Investment Manager'**) (**'Terra Capital'**)

Level 12, Domain House, 139 Macquarie Street, Sydney NSW 2000

Telephone +61 2 9252 4293

Fax +61 2 9252 2637

Email [info@terracapital.com.au](mailto:info@terracapital.com.au)

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### Warning Statements for New Zealand Investors

- This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
- This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.
- There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
- The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
- Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.
- The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
- If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.
- The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.
- If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.
- The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

## 1. About Evolution

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### Responsible Entity

Evolution is the Fund's Responsible Entity and issuer of this PDS. Evolution is a business servicing Australian and offshore asset managers and institutions with a select range of fiduciary services including corporate trustee, MIT trustee and acting as a responsible entity for registered schemes. Evolution's approach is to tailor its service offering to specifically meet the needs of each structure in a manner which is consistent with Australian laws and regulations. Evolution is focused on advancing the best interests of the investors whose money it takes care of.

Evolution's responsibilities and obligations as the Responsible Entity are governed by the Fund's constitution ('**Constitution**'), the Corporations Act and general law. As Responsible Entity, Evolution is solely responsible for the management of the Fund. Evolution has delegated the investment management functions to Terra Capital Holdings Pty Limited which will make investment decisions for the Fund.

### Investment Manager

We have appointed Terra Capital as the Investment Manager of the Fund. The Investment Manager has been appointed as a corporate authorised representative (001260962) of Evolution (AFSL 486217) and is authorised to provide general financial product advice and deal in a financial product in relation to derivatives. The Investment Manager has been appointed as a corporate authorised representative of PT Asset Management Pty Ltd (AFSL 318961) and is authorised to provide general financial product advice and deal in a financial product in relation to basic deposit products, interests in management investment schemes (excluding IDPS) and securities.

Terra Capital is a specialist equity investment manager established in 2010 focusing on small and mid-sized companies. Terra Capital's investment strategy is fundamentally driven, high conviction, and relatively high concentration. Terra Capital's research driven process and true active management is complimented by a focus on risk management.

**You should read** the important information about consents and the appointment and termination of the Investment Manager (the Important Information) before making a decision.

Go to [www.evolutiontrustees.com.au](http://www.evolutiontrustees.com.au) for a copy of the Reference Guide. The material relating to the Important Information may change between the time when you read this PDS and the day when you sign the Application Form.

Neither the Responsible Entity nor the Investment Manager guarantees the performance of the Fund or the return of capital or income. Your investment in the Fund is subject to investment risk. This could involve delays in repayment and loss of income or the principal invested. For details about risks see Section 4.

## 2. How the Terra Capital Natural Resources Fund Works

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### Managed Investments

The Fund is a managed investment scheme. When you invest your money in a managed investment scheme, your money is pooled together with other people's money. We use this pool of money to buy investments and manage them on behalf of all members of the Fund. This means that, through the managed investment scheme, you may access certain investments that you may not otherwise be able to access, your transaction costs may be reduced, and you access the knowledge of our specialist Investment Manager through their investment decisions concerning the Fund. However, we, rather than you, have day to day control over the operation of the Fund.

### Your Interests

So that you know what your interest in the Fund is worth, the total value of the assets in the Fund (which are normally valued monthly) is divided into 'Units'. We will provide you a monthly price for each Unit and will keep a record of the number of Units you have bought.

### How Unit Prices are calculated

Under the Constitution, the Unit application (or withdrawal) price is generally calculated monthly as of the last Business Day of each month by establishing the net asset value of the Fund and dividing the resulting amount by the number of Units on issue (with adjustments for Transaction Costs (buy/sell spread)). For more detail, see the Reference Guide.

We will be able to provide you with information about the current unit price to help you decide whether to sell or retain your Units or buy more.

### Applications

You can acquire Units by completing the accompanying Application Form. The minimum investment amount for the Fund is \$25,000.

### Additional Applications

You can increase your investment at any time by applying for more Units in the Fund with a minimum of \$10,000.

### Withdrawals

Generally, you can decrease your investment by selling (in particular, by redeeming) some or all of your Units. However in certain circumstances (such as a freeze on withdrawals) you may have to wait for a period of time before we can process your withdrawal request. The minimum amount you can reduce your investment by is \$10,000 unless you are withdrawing all of your investment.

Proceeds of a properly completed withdrawal request are paid at the end of each month with a 30 day notice period. Withdrawals are usually paid within 15 business days after the month end but may take longer in some circumstances (up to 21 days).

We reserve the right to fully redeem your investment if your investment balance in the Fund falls below \$10,000 as a result of processing your withdrawal request. We can deny a withdrawal request or suspend consideration of a withdrawal request in certain circumstances, including where accepting the request is not in the best interests of investors in the Fund or where the Fund is not liquid (as defined in the Corporations Act). When the Fund is not liquid, an investor can only withdraw when we make a withdrawal offer to investors in accordance with the Corporations Act. We are not obliged to make such offers.

### Application Processing

Properly completed requests for applications received by the fund administrator before 5:00 pm Sydney Time on the last Business Day of the month will be processed using the application price calculated for that month. Where a request is received after that time, it will be processed using the application price calculated for the next month. Applications must be accompanied by cleared funds to be processed.

We reserve the right to vary or waive the minimum amounts stated in this PDS. If investing through an investor directed portfolio service ('IDPS'), other minimum investment amounts may apply and you can only increase and decrease your investment in accordance with the IDPS terms and conditions.

### Distributions

Distributions are paid annually within 15 Business Days after the end of each financial year ending 30 June. The amount you receive is dependent on the number of Units you hold on the last day of the distribution period.

In special circumstances, such as where there is a large withdrawal during a distribution period, we may change distribution periods by giving notice to you.

Depending on your selection, your distributions will be paid directly to your nominated account or reinvested. Reinvestments of units will be applied back to the Fund using the reinvestment unit price at the date of distribution. There is no buy/sell spread charged for income reinvestment. We do not accept directions to pay distributions to third parties. If an attempted deposit is rejected, the deposit may be cancelled.

If you do not make a selection or distributions cannot be paid into your account, distributions will be reinvested (less any bank charges), until you advise us otherwise.

**You should read** the important information about your interests, staggering or freezing of withdrawals, anti-money laundering requirements, unit pricing, distributions, withdrawals, privacy, the rights of Evolution and the retirement of Evolution, electronic instructions and the term of the Fund (the Important Information) before making a decision to invest in the Fund.

Go to [www.evolutiontrustees.com.au](http://www.evolutiontrustees.com.au) for a copy of the Reference Guide. The material relating to the Important Information may change between the time when you read this PDS and the day when you sign the Application Form.

### Holding of Fund Assets and fund Administration

We have appointed Mainstream Fund Service Pty Ltd ABN 81 118 902 891 AFSL 303253 ('Mainstream', 'Custodian' and 'Administrator') as the custodian and administrator of the assets of the Fund. In its capacity as Custodian, Mainstream (or its appointed agent) will hold the Fund assets in its name and act on the direction of the Responsible Entity to effect cash and investment transactions. The Custodian has no supervisory role for the operation of the Fund and has no liability or responsibility to a unit holder for any act done, or omission made, under the Custodian Agreement. The Custodian's role is limited to holding the Fund's Assets. In its capacity of Administrator, Mainstream will administer the Fund assets, including providing Fund accounting and unit registry services.

### Indirect Investors

If you invest in the Fund through an IDPS you will not become a Unit Holder in the Fund. The operator or custodian of the IDPS will be the Unit Holder entered in the Fund's register and will be the only person who is able to exercise the rights and receive benefits of a Unit Holder. Please direct any queries and requests relating to your investment to your IDPS Operator. Unless otherwise stated, the following explanation of the benefits applies to direct investors.

## 3. Benefits of Investing in the Terra Capital Natural Resources Fund

Investing in the Fund offers you a range of features and benefits including but not limited to:

- The expertise of the Investment Manager managing the Fund's assets.
- Pooling of your investment with other investors, which provides you with the potential to access investments you may not be able to access by yourself and/or a reduction in the costs of investing in these assets.
- Services to make investing easier – you will receive a confirmation of investment or withdrawal plus regular statements to keep you up to date with your account, including an annual taxation statement (if investing through an IDPS, your IDPS operator will provide you with this information).
- Investor protection - your rights are set out under the Constitution as well as under the Corporations Act.
- We have a compliance plan used to monitor compliance with the Corporations Act and the Constitution. The compliance plan is lodged with ASIC and our compliance with the plan is independently audited each year.

Details of the Fund, including what assets it invests in, are set out later in this PDS at Section 5, How we invest your money.

## 4. Risks of Managed Investment Schemes

**You should read** the important information about the rights of investors before making a decision. Go to [www.evolutiontrustees.com.au](http://www.evolutiontrustees.com.au) for a copy of the Reference Guide. The material relating to the rights of investors may change between the time when you read this PDS and the day when you sign the Application Form.

### Investment Risks

All investments have some level of risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy.

Managed investment schemes can invest in a range of asset classes – for example, cash, bonds, equities and property. The likely investment return, and the level of risk of losing money, is different for each asset class. Those assets with the highest long-term returns (such as equities) may also carry a higher-level of short-term risk. Before making an investment decision, it is important to understand the risks that may affect the value of your investment. While it is not possible to identify every risk relevant to investing in the Fund, we have detailed significant risks that may affect your investment.

Neither the Investment Manager nor the Responsible Entity, either together or separately, or their respective associates or related bodies corporate, guarantee that the investment objective will be achieved or that you will earn any return on your investment or that your investment will gain in value or retain its value. In addition, neither the investment manager nor the Responsible Entity, either together or separately, or their respective associates or related bodies corporate, guarantee any particular taxation consequences of investing. The level of returns will vary, and future returns may differ from past returns. Investment in the Fund is subject to investment risk, including possible delays in repayment and the loss of income and capital invested.

The appropriate level of risk for you will depend on a range of factors including your age, investment time frame, where other parts of your wealth are invested and how comfortable you are with the possibility of losing some of your money in some years. Your financial adviser can help you understand investment risk and help you design an investment strategy that is right for you. They will also be able to assist in determining whether this investment is suited to your investment strategy. The value of your investment may fall for a number of reasons, including the risks set out below. The following significant risks apply to this investment:

#### ○ **Commodity price risk:**

The Fund may invest in companies which have exposure to a single commodity. The risk that commodities rise and fall regularly depending on the commodity cycle, commodity consumption and supply of the commodity. Commodities are generally more volatile than other asset classes such as equities, bonds and cash.

#### ○ **Small companies risk:**

Small companies generally have less diversified income streams, less stable funding sources and weaker bargaining positions with their counterparties when compared to larger companies. The securities of small companies may also be less liquid than those of larger companies.

#### ○ **Liquidity risk:**

Whilst the Fund is primarily exposed to securities listed on the Australian Securities Exchange and other global securities exchanges which are generally considered liquid, under extreme market conditions there is a risk that investments cannot be readily converted to cash or at an appropriate price. There is a risk that the Fund may have to sell assets at a substantial loss in these circumstances in order to meet its obligations within required timeframes.

#### ○ **Concentration risk:**

The Fund's performance is heavily dependent on the performance of the resources sector. The Fund will be less diversified than more balanced funds and there is a greater risk negative returns, particularly over the short to medium term.

#### ○ **Unlisted securities risk:**

The Fund may have exposure to securities that are not listed on a securities exchange. Unlisted securities may have higher risk of loss, and may be difficult to value and sell due to their unlisted nature.

#### ○ **Market risk:**

An investment in the Fund exposes you to securities markets. Movements in various markets due to the economic or political conditions, as well as investor sentiment, will result in the value of your investment moving up or down.

#### ○ **Legal and regulatory risk:**

The Fund itself or investments of the Fund, or the effectiveness of the Fund's trading or investment strategy, may be adversely affected by changes in government policies (including taxation), regulations and laws, or changes in generally accepted accounting policies or valuation methods).

#### ○ **Fund risk:**

Risks particular to the Fund include that it could terminate (for example, at a date we decide), the fees and expenses could change (although we would always give you at least 30 days' notice if fees were to increase), we could be replaced as responsible entity and our 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.

#### ○ **Counterparty risk:**

The counterparty to a transaction or contract (such as a broker or other agent of the Responsible Entity) may default on their obligations and that the Fund may, as a result, experience an adverse investment outcome or liability.

#### ○ **Interest rate risk:**

The capital value or income of a security may be adversely affected when interest rates rise or fall.

#### ○ **Investment manager risk:**

Investment managers can be wound up or liquidated, they can cease to manage the relevant fund and be replaced, their investment methodology can change, they can poorly manage operational risks and their funds can perform poorly. If any of these occurred we would do all things reasonably practicable to recover the value of the Fund's investments and may seek to appoint a new investment manager or program, with a similar investment profile if thought appropriate. If the investment program changed significantly, you would be given at least 30 days' notice. Further, only a small number of investment professionals are responsible for managing the Fund and their personal circumstances can change which can affect their performance.

○ **Foreign currency risk:**

Investment in international markets usually involves the risk of loss arising from changes in exchange rates that negatively impact upon the value of the Fund's investment denominated in a currency other than Australian dollars. The Fund from time to time invests in foreign assets and disposes of foreign assets. The Investment Manager does not maintain a hedging policy, and will convert currencies when appropriate for acquiring or disposing of assets.

○ **Foreign issuer risk:**

Investments in foreign companies may decline in value because of sovereign, political, economic or market instability; the absence of accurate information about the companies; risks of unfavourable government actions such as expropriation and nationalisation. Such securities may be less liquid, more volatile, and harder to value. In times of market disruptions (including but not limited to market closures), security prices may be delayed or unavailable. Some countries may have different legal systems, taxation regimes, auditing and accounting standards with less governmental regulation and transparency. These risks may be higher when investing in emerging markets.

## 5. How we Invest your Money

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

The following table presents a summary of the Fund's investment profile.

SUMMARY OF INVESTMENT FEATURES	
Investment objective	To deliver superior absolute returns over the medium to long term by investing in small to medium-sized companies in the mining and resources sectors.
Benchmark	5% annually (0.42% monthly)
Investor Suitability	You should be comfortable with some volatility and the possibility of negative returns.
Investments	The Fund will invest in the securities of listed and unlisted companies who operate in the natural resource sector or who have exposure to this sector (such as companies providing service to natural resource companies).
Geographical exposure to equity markets	Australia (up to 100% of Fund assets) and global (up to 40% of Fund assets)
Fund asset allocation	<ul style="list-style-type: none"> <li>• Generally hold 15% cash at all times</li> <li>• Hold no more than 20% of the Fund in unlisted equities and other unlisted securities</li> <li>• Hold no more than 10% of the equity in any one company (as % of investee company)</li> <li>• Hold no more than 10% of the Fund in any one security (as % of the Fund at the time of investment)</li> <li>• Hold no more than 40% of the Fund in any one commodity</li> <li>• Hold no more than 40% of the Fund in non-ASX listed securities</li> </ul>

SUMMARY OF INVESTMENT FEATURES	
Risk Level	High - the likelihood of your investment going down in the short term is relatively high compared to investments in funds investing in other types of assets such as fixed interest or cash.
Instrument constraints	The Fund does not utilise leverage and is not permitted to engage in short selling. The Fund will hold listed assets, derivatives of those assets (options/warrants) and pre-IPO unlisted assets (which can include convertible Notes and derivatives, such as options).
Currency	AUD
Minimum suggested investment timeframe	Five-year plus investment period. This is a guide only and not a recommendation.
Fund performance	The Fund's performance is available at: <a href="http://www.terracapital.com.au">www.terracapital.com.au</a>
Change to Fund details	For up-to-date information about the Fund's investment strategy, performance and unit prices, visit <a href="http://www.terracapital.com.au">www.terracapital.com.au</a>

### Environmental and Ethical Considerations

Whilst we intend to conduct our affairs in an ethical and sound manner, the Fund's investment criteria does not take into account labour standards, environmental, social or ethical considerations for the purpose of selecting, retaining or realising an investment of the Fund.

### Changes to the Investment Option and Other Matters

**You should read** the important information about the rights of investors before making a decision. Go to [www.evolutiontrustees.com.au](http://www.evolutiontrustees.com.au) for a copy of the Reference Guide. The material relating to the rights of investors may change between the time when you read this PDS and the day when you sign the Application Form.

We have the right to close or terminate the Fund and change the Fund's investment objective, asset classes and asset allocation ranges and investment approach, without prior notice to you. We will inform you of any material change to the Fund's details.

These changes will be made available on the Investment Manager's website at [www.terracapital.com.au](http://www.terracapital.com.au).

## 6. Fees and Costs

### Did you know?

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

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

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

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

### To find out more

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

### Fees and Costs

This table shows fees and other costs that you may be charged in the Fund and can be used to compare costs between different managed investment schemes. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole. Details about taxes are set out in a later part of this PDS at Section 7, How managed investment schemes are taxed. You should use this information to compare costs with other simple managed investment scheme products.

TYPE OF FEE OR COST	AMOUNT
<b>Fees when your money moves in or out of the managed investment product</b>	
Establishment fee	Nil
Contribution fee	Nil
Withdrawal fee	Nil
Exit fee	Nil
<b>Management costs*</b>	
The fees and costs for managing your investment <sup>1</sup> : <b>Management fee</b> 1.568% p.a. <b>Responsible Entity fee</b> 0.07% - 0.08% p.a. <sup>2</sup> <b>Indirect Costs</b> 0.523% p.a. <b>Performance fee</b> 20.5% of the Fund's excess return versus its benchmark, net of the management fee. <sup>3</sup>	The management fee is payable to the Investment Manager for managing the investments of the Fund. The management fee is calculated on the Fund's gross asset value, reflected in the unit price and payable monthly in arrears from the Fund.  The performance fee is calculated and accrued each business day and is payable half-yearly, if applicable.

<sup>1</sup>The fees are inclusive of GST and net of RITC.

<sup>2</sup>The Responsible Entity Fee is 0.08% p.a. for the first \$200,000,000 and 0.07% p.a. for amounts above \$200,000,000. Notwithstanding this, the minimum Responsible Entity fee for the fund is \$32,000 p.a inclusive of GST and net of RITC.

<sup>3</sup>The Fund's benchmark is 5% annually. You should use this information to compare this product with other simple managed investment schemes. The performance fee is subject to a "high watermark" such that it will only be paid if the Fund's value (in absolute terms) increases by or more than 5% since the last payment of a performance fee.

\*What it costs you will depend on the fees you negotiate with your financial adviser or the fees charged by your IDPS (as applicable). For further information, refer to the information about fees paid to a financial adviser which appears below, or information about wholesale investors in the Fees and costs section in the Reference Guide.

Unless otherwise stated, the fees and costs shown in this section are inclusive of Goods and Services Tax ('GST') and any applicable stamp duty, less Reduced Input Tax Credits ('RITCs') or other input tax credits claimable.

**WARNING:** Additional fees and costs may be paid to a financial adviser if a financial adviser is consulted. The details of these fees and costs should be set out in the statement of advice by your adviser.

### Example of Annual Fees and Costs for the Fund

The following table gives an example of how the fees and other costs in the Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

EXAMPLE: BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR		
Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged nil.
<b>PLUS</b> Management fee Responsible Entity fee (Indirect Costs)	1.568% p.a. management fee plus 0.08% p.a. Responsible Entity fee, estimated indirect costs of 0.523% p.a. plus estimated performance fee of 1.52% p.a.	<b>And</b> , for every \$50,000 you have in the Fund you will be charged \$1,845 (comprising \$783.75 management fee, \$40.00 Responsible Entity fee, estimated indirect costs of \$261.25 and estimated performance fee of \$760 <sup>1</sup> .)
<b>EQUALS</b> Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged a fee of \$250 <sup>2</sup>

<sup>1</sup>The example includes the performance fee estimate of 1.52%, which is calculated as the actual performance fee charged for 30 June 2017 as a percentage of total average net assets. Past performance is not a reliable indicator of future performance. In particular, the performance fee payable (if any) will depend on the performance of the Fund and previous performance fees may not be a reliable indicator of future performance fees of the Fund.

<sup>2</sup>This example assumes the \$5,000 contribution occurs at the end

of the year and therefore management costs are calculated using the \$50,000 balance only. The additional management costs would be \$78.40 if you had invested the \$5,000 for the full 12 months. Additional fees may apply, including a buy/sell spread (excludes performance fees).

This example assumes the \$5,000 contribution occurs at the end of the year and so management costs are calculated using the \$50,000 balance only and also excludes any transactional and operational costs that may be charged (see Additional Explanation of Fees and Costs below). Additional costs may be charged by your financial adviser or IDPS (as applicable) if you are an indirect investor for investing in the Fund. You should refer to the statement of advice provided by your financial adviser for details of these fees are set out.

## **Additional Explanation of Fees and Costs**

### **Management Costs**

Management costs comprise the additional fees or costs that you incur by investing in the Fund rather than by investing directly in the assets.

The management fees of 1.568% p.a. of the Gross Asset Value of the Fund are payable to the Investment Manager of the Fund for managing the assets and overseeing the operations of the Fund. The management fees are accrued daily and paid from the Fund monthly in arrears and reflected in the unit price.

The management costs shown above do not include extraordinary expenses (if they are incurred in future), including litigation costs, the costs of convening Unit Holder meetings. In addition, management costs do not include transactional and operational costs (i.e. costs associated with investing the underlying assets, some of which may be recovered through Buy/Sell Spreads).

### **Performance Fees**

It is not possible to estimate the actual performance fee payable in any given period, as we cannot forecast what the performance of the Fund will be, but it will be reflected in the management costs for the Fund for the relevant year. Information on current performance fees will be updated from time to time and available at [evolutiontrustees.com.au](http://evolutiontrustees.com.au).

### **Indirect Costs**

The Constitution provides that expenses incurred by us in relation to the proper performance of our duties in respect of the Fund are payable or reimbursable out of the assets of the Fund and are unlimited.

However, we cap our recovery of ordinary expenses for the Fund at 0.523% per annum of the gross assets of the Fund. These are the ordinary and every day expenses incurred in operating the Fund and are deducted from the assets of the Fund. Any expenses in excess of this cap amount is paid by the Investment Manager personally and not out of the assets of the Fund.

While ordinary and every day expenses are capped, we reserve the right to recover abnormal expenses.

Abnormal expenses are expected to incur infrequently and may include (without limitation) costs of litigation to protect investors' rights, costs to defend claims in relation to the Fund and termination and wind up costs.

### **Transactional and Operational Costs**

In managing the assets of the Fund, the Fund may incur transaction costs such as brokerage, settlement costs, clearing costs and applicable stamp duty when assets are bought and sold. This generally happens when the assets of a fund are changed in connection with day-to-day trading or when there are applications or withdrawals which cause net cash flows into or out of a fund.

The Buy/Sell Spread reflects the estimated transaction costs incurred in buying or selling assets of the Fund when you invest in or withdraw from the Fund. The Buy/Sell Spread is an additional cost to you and is incorporated into the unit price and incurred when you invest in or withdraw from the Fund and is not an expense of the Fund. The Buy/Sell Spread is paid into the Fund and not paid to us or the Investment Manager. The estimated Buy/Sell Spread is 0.25% upon entry and 0.25% upon exit. The dollar value of these costs based on an application or a withdrawal of \$10,000 is \$25 for each individual transaction. The Buy/Sell Spread can be altered by us at any time. We may also waive the Buy/Sell Spread in part or in full at its discretion. If we are to amend the Buy/Sell Spread we will provide you with 30 days' notice.

Transactional costs which are incurred other than in connection with applications and redemptions arise through the day-to-day trading of the Fund's assets and are reflected in the Fund's Unit price. As these costs are factored into the NAV of the Fund and reflected in the unit price, they are an additional implicit cost to the Unit Holder and are not a fee paid to the us or the Investment Manager. These costs can arise as a result of bid-offer spreads (the difference between an asset's bid/buy price and offer/ask price) being applied to securities traded by the Fund. Liquid securities generally have a lower bid-offer spread while less liquid assets have a higher bid-offer spread.

In the year ended 30 June 2017 total transaction costs amounted to 0.584% of the Fund's net asset value. Historically, the Fund has not charged a buy/sell spread, consequently these costs were borne by the Fund entirely. Going forward the impact of such charges will be reduced by the impact of the buy/sell spread. As flows into the Fund cannot be predicted it is not possible to provide an illustrative example of the net effects of the buy/sell spread on historical transactional costs.

### **Fee Changes**

Keep in mind that the amount of transaction or management costs may change without investor consent, except if required by the Corporations Act. We will give you at least 30 days prior notice of any increase in the management fees.

### **Differential Fees**

We or the Investment Manager may from time to time negotiate a different fee arrangement (by way of a rebate or waiver of fees) with certain investors who are Australian Wholesale Clients.

### **Fees paid to a Financial Adviser**

If you have a financial adviser, you may also have to pay other fees to your adviser. See the Statement of Advice given to you by your adviser. A service charge may be separately negotiated with your financial adviser and deducted from your investment at your request. These payments are separate from the management costs referred to in this PDS.

**You should read** the important information about financial adviser remuneration, maximum costs, abnormal expenses, indirect costs, wholesale investors and related party transactions (the Important Information) before making a decision. Go to [www.evolutiontrustees.com.au](http://www.evolutiontrustees.com.au) for a copy of the Reference Guide. The material relating to the Important Information may change between the time when you read this PDS and the day when you sign the Application Form.

## 7. How Managed Investment Schemes are taxed

**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 particular circumstances before investing in the Fund.

The Fund is a resident for Australian income tax purposes and does not pay tax on behalf of its members. Australian resident investors are assessed for tax on any income and capital gains generated by the Fund.

**You should read** the important information about Australian Taxation and Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) Obligations (the Important Information) before making a decision. Go to [www.evolutiontrustees.com.au](http://www.evolutiontrustees.com.au) for a copy of the Reference Guide. The material relating to the Important Information may change between the time when you read this PDS and the day when you sign the Application Form.

## 8. How to Apply

1. Read this PDS together with the Reference Guide.
2. Complete the Application Form along with the requisite identification documents which are available by calling the Administrator.
3. You can then start to make regular and/or ad hoc payments into your account.

**You should read** the important information about facsimiles (the Important Information) before making a decision. Go to [www.evolutiontrustees.com.au](http://www.evolutiontrustees.com.au) for a copy of the Reference Guide. The material relating to the Important Information may change between the time when you read this PDS and the day when you sign the Application Form.

If you are investing indirectly through an IDPS, you may invest in the Fund by directing the IDPS operator to lodge an application with us. You should complete any relevant forms provided by the IDPS operator.

### Cooling-off

If you are a retail client (as defined in the Corporations Act) and

decide that you don't want the units we have issued you in the Fund in the period set out below, we must repay your money to you.

We are allowed to (and generally do) make adjustments for market movements up or down, as well as any tax and reasonable transaction and administration costs. For example, if you invest \$25,000 and the value of the units falls by 1% between the time you invest and the time we receive notification that you wish to withdraw your investment, the amount you receive will be the reduced unit value and you would incur a buy spread of +0.25% and a sell spread of - 0.25%. This means that \$24,625 would be transferred from the Fund back to you.

If you change your mind, you have 14 days to tell us, starting on the earlier of when we send you confirmation that you are invested or 5 business days after we issue the units to you.

This right terminates immediately if you exercise a right or power under the terms of the product, such as transferring your units or voting on any units held by you. For any subsequent investments made under a distribution reinvestment plan, cooling off rights do not apply.

A cooling-off right does not apply to the operator of an IDPS or trustee of a master trust, or other wholesale clients (as defined in the Corporations Act), or to additional investments, reinvested distributions or switches between funds.

### Complaints

If you have a complaint about any aspect of your investment, please contact us by writing to us at

Evolution Trustees Limited  
Suite 306, Burns Philp Building, 7 Bridge Street, Sydney:  
Telephone +61 2 8866 5150  
Fax +61 2 8866 5151  
Email [info@evolutiontrustees.com.au](mailto:info@evolutiontrustees.com.au)

We have a structured internal complaints procedure. Every effort will be made to address your complaint. We generally will acknowledge your complaint within 5 business days and seek to resolve it within 45 days with a written response.

If you are not satisfied with the response, you should refer your complaint to the Financial Ombudsman Service by calling 1300 780 808, emailing [info@fos.org.au](mailto:info@fos.org.au) or by writing to GPO Box 3, Melbourne VIC 3001. If investing through an IDPS, you should contact the IDPS operator for their complaint processes.

## 9. Other Information

### Consents

The Investment Manager, and Mainstream have each given, and as at the date of this PDS have not withdrawn, their consent to inclusion in the PDS of the statements concerning them in the form and context in which they are included.