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# AlignINVEST

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Align Inception Fund  
Information Memorandum

Date issued 1 November 2022  
AlignInvest Pty Ltd (ACN 658 804 712) - Trustee and Investment Manager  
Authorised Representative of Sandford Capital Pty Ltd  
(CAR No.1299461) (ABN 82 600 590 887) (AFSL 461981)

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# About this Information Memorandum

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This is the Information Memorandum (**IM**) for units in the Align Inception Fund (the **Fund**) and was issued on 10<sup>th</sup> October 2022. This IM has been prepared and issued by AlignInvest Pty Ltd (ACN 658 804 712) in its capacity as the Trustee of the Fund (referred to in this IM as the **'Trustee'**, **'Investment Manager'**, AlignInvest, **'us'** or **'we'**). AlignInvest is also the Investment Manager of the Fund.

AlignInvest is a corporate authorised representative (CAR No 1299461 of Sandford Capital Pty Ltd (ABN 82 600 590 887, AFSL 461981) (**Sandford Capital**) and is authorised to provide advisory and dealing in connection with the Fund to wholesale clients only.

AlignInvest has appointed Sandford Capital as its agent for the purposes of arranging for the offer to issue, vary or dispose of units in the Fund under s911A(2)(b) of the Corporations Act. AlignInvest may only issue, vary or dispose of units in accordance with Sandford Capital's offer, provided they are accepted.

Sandford Capital consents to being named in the IM in the manner described above and, as at the date of the IM, has not withdrawn its consent to be named. Sandford Capital does not take any responsibility or accept any liability for the contents of this IM to the maximum extent permitted by law.

Neither Sandford Capital, AlignInvest or any other person guarantees the return of capital, the performance of the Fund or the payment of any Distribution.

This IM is for an offer of units in the Fund (the **'Offer'**) to investors who qualify as Wholesale Clients under s761G of the Corporations Act or to any other person who is not required to be given a regulated disclosure document under the Corporations Act. This IM will not be lodged with ASIC. It is not a product disclosure statement or other disclosure document within the meaning of the Corporations Act.

This IM is prepared for your general information only. It is not intended to be a recommendation by the Trustee, Sandford Capital or their respective associates, employees, agents or officers or any other person to invest in the Fund. This IM does not take into account the investment objectives, financial situation or needs of any particular investor. You should not base your decision to invest in the Fund solely on the information in this IM. You should consider the suitability of the Fund in view of your financial position and investment objectives and needs and you may want to seek professional advice before making an investment decision.

## Accuracy or completeness

This IM does not purport to be complete, accurate or contain all information recipients may require to make an informed assessment of whether to invest in the Fund.

To the extent permitted by law, the Trustee accepts no liability whatsoever for any loss or damage arising from any

person relying on any information contained or omitted from this IM when investing in the Fund.

## Opinions, estimates, financial objectives and forecasts

This IM may contain various opinions or financial objectives concerning the anticipated future performance of the Fund.

These opinions or financial objectives are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. As a result, actual outcomes may differ materially from what is expressed in these statements.

Whilst any opinions, estimates or financial objectives expressed in this IM are based on reasonable assumptions, these may not prove to be correct. The Trustee does not make any representations or warranties as to their validity, certainty or completeness. The Trustee will not update or revise forward-looking statements or publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this IM.

## Offer made to Australian Wholesale Clients

The Offer is available to Wholesale Clients receiving the IM within Australia. The Offer may be made available to select persons in other jurisdictions at the Trustee's discretion, provided the Offer is in accordance with applicable laws in those jurisdictions. Neither the Trustee or any of its officers, associates, employees or agents, represent that this IM may be lawfully offered, in compliance with any applicable legislation in any jurisdiction outside of Australia or assumes any responsibility for facilitating a distribution or offer outside of Australia.

## Updates

Except for this Important Information section, certain information in this IM concerning the Fund is subject to change. The IM including any updates is available on our website at [www.apexgroup.com](http://www.apexgroup.com).

Although there is no obligation to advise recipients of any error or change to the information contained in this IM, where we consider it appropriate, we will notify you in writing of any changes.

## Other information

Unless otherwise stated, all fees and expenses quoted in the IM are quoted exclusive of GST. All amounts are in Australian dollars unless otherwise specified and all references to legislation are to Australian law unless otherwise specified.

Definitions for important terms used in this IM can be found in the Dictionary on page 16.

# Fund at a Glance

About the Fund	
<b>Name of Fund</b>	Align Inception Fund
<b>Trustee and Investment Manager</b>	AlignInvest Pty Ltd (ACN 658 804 712)
<b>Investment philosophy</b>	The Fund offers broad exposure to shares across a range of industry sectors. Its primary focus is ASX-listed small and mid-capitalisation equity investments that offer strong future cashflows, managed by competent and aligned individuals and priced at a discount to our estimate of fair value. The Investment Manager's strategy for the Fund also includes investing in unlisted corporate bonds that are priced at a discount to our estimate of fair value. A small number of unlisted, pre-IPO or, international investments may be considered from time to time.
<b>Investment objective</b>	To provide investors with the potential for capital growth in excess of the Benchmark, whilst seeking to preserve investor capital and aiming to control risk. Income will also be generated by the portfolio.
<b>Benchmark</b>	ASX All Ordinaries Accumulation Index or RBA Cash Rate + 6%, whichever is greater. This investment objective is not a forecast and returns are not guaranteed.
<b>Investments</b> <sup>1</sup>	<p>The Fund will be invested in at least 30 and no more than 100 securities and will adhere to the following asset allocation ranges:</p> <ul style="list-style-type: none"> <li>• Australian equities: 50-100%</li> <li>• US equities: 0-10%</li> <li>• European equities: 0-10%</li> <li>• Asian equities: 0-10%</li> <li>• Cash and cash equivalents: 0-30%</li> <li>• Corporate Bonds: 0-20%</li> </ul> <p>The Fund may temporarily hold higher levels of cash due to establishing the portfolio, redemptions from, or deposits into, the Fund.</p>
<b>Minimum Investment (AUD)</b> <sup>2</sup>	\$50,000 (unless waived by the Trustee's discretion) with additional investments of \$25,000.
<b>Investing</b>	<p>For the first investment in the Fund, a correctly completed Application Form received by the Fund Administrator will receive the issue price of \$1.00.</p> <p>Subsequently, correctly completed Applications that are received before 2pm by the Fund Administrator on the last business day of a month receive the Issue Price calculated for that day.</p>
<b>Access to funds</b> <sup>2</sup>	<p>Investors may apply to redeem from the Fund monthly with a minimum redemption of \$25,000 and subject to the minimum \$50,000 balance by sending a Redemption Request to the Fund Administrator. Payment of redemptions is made by deposit to the investor's nominated bank account.</p> <p>Correctly completed Redemption Requests that are received before 2pm on the last business day of a month will receive the Redemption Price calculated for that day.</p>
<b>Income distribution</b>	<p>Distributions are paid once a year after financial year end at 30 June.</p> <p>Distributions may be reinvested or paid to the investor's nominated account.</p>
<b>Valuation</b>	The Fund will be valued monthly on the last business day of the month. Units will be issued and redeemed on a monthly basis, unless the Trustee decides to value the Fund more frequently.
<b>Management fee</b> <sup>3</sup>	The management fees are 0.5% p.a. of Fund GAV and are calculated and accrued monthly on the last business day of the month.
<b>Performance fee</b> <sup>3</sup>	<p>A performance fee of 10% of the Unit Returns exceeding the Benchmark in a period will apply when the Fund outperforms the Benchmark. Performance fee is calculated monthly on the last business day of the month and is paid quarterly in arrears.</p> <p>A high-water mark applies.</p>
<b>Fund expenses</b>	Expenses for the Fund such as custody, administration, legal, and audit fees and other ordinary expenses for the establishment and operation of the Fund may be reimbursed from the Fund up to a maximum of 0.5% p.a. of the GAV of the Fund.
<b>Buy/Sell Spread</b>	Buy 0.25% / Sell 0.25%
<b>Recommended minimum investment time frame</b>	Suggested minimum investment time frame is 3 - 5 years.

1. The actual allocation may vary from time to time whilst the Fund is being established or due to market conditions. The Trustee may alter the asset allocation at its discretion.
2. The Trustee may alter the minimum amounts specified at any time without prior notice to Unit Holders.
3. All fees and expenses quoted are exclusive of GST unless otherwise noted, and all dollar amounts are in AUD..

# About AlignInvest and the Main Service Providers

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## The Trustee

### AlignInvest

AlignInvest Pty Ltd (ACN 658 804 712) is the Fund's Trustee and is also the Fund's Investment Manager.

The responsibilities and obligations of AlignInvest as Trustee of the Fund are governed by the Fund's Trust Deed, as well as indirectly by general trust law.

AlignInvest is a specialist investment manager providing investors with access to ASX listed securities. The Investment Manager believes that by combining quantitative and fundamental analysis, the Fund will be able to deliver consistent out-performance over time.

The principal of AlignInvest, Adam Wechsler, completed an actuarial degree at Macquarie University then worked in several corporate roles for 8 years. He has invested professionally for the past 17 years. Adam manages private portfolios for family and friends which have strongly outperformed. This success has led to many requests to set up AlignInvest to allow friends, family and like-minded investors to invest alongside him.

Adam credits his investment success to his actuarial training, pragmatic approach, calm temperament and experience gained in a number of different businesses and investment pursuits.

## The Fund Administrator and Custodian

We have appointed Apex Fund Services Pty Ltd (ABN 81 118 902 891) as the Custodian and Fund Administrator for the Fund. Apex and its appointed sub-custodians hold the assets of the Fund for investors as an independent custodian and maintains investor records.

Apex's role is limited to holding the Fund's assets as agent of the Trustee (either directly or through its sub-custodians), and to administering the Fund's assets, including the provision of Fund accounting, unit registry services and unit pricing as an independent provider of these services.

Apex is a specialist fund administrator for the financial services industry, with over \$130 billion of assets under administration.

AlignInvest has entered into an Administration and Custodian Agreement with Apex which governs the services that will be provided to the Fund.

# About the Fund

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The Fund is a wholesale fund, or an unregistered managed investment scheme. In this structure, the investments of all investors in the scheme are pooled together and used to buy investments, which are managed on behalf of all the investors. The Investment Manager has day to day control over the operation of the Fund.

By investing in the Fund, investors can access securities from the broader ASX market and over-the-counter (OTC) corporate bonds utilising the local knowledge and skill of AlignInvest. Transaction and other costs incurred by the Fund in buying and selling securities are likely to be reduced due to the Investment Manager's expertise in operating in Australian markets, rather than investing on their own behalf.

## Fund Overview

The Fund's primary focus is to invest in a diversified (30-100 positions) or primarily ex-ASX100 listed equities offering value, cash-flow and growth as well as fixed and floating rate corporate bonds. A typical investment will meet the following criteria:

1. **Value.** Share or corporate bond price is trading at a discount to estimated fair value.
2. **Alignment.** Directors and key managers should have significant shareholdings in the company.
3. **Tailwinds.** The company or sector in which it operates is likely to be favoured by improved business conditions in the future. Potential tailwinds or headwinds could arise from many trends such as macroeconomic, demographic, clean energy transition, work from home, online shopping etc.

The Fund seeks to deliver excess returns over the long term by combining the three factors above.

The Fund has a long only strategy. There will be no short-selling and no options trading. The Fund considers investments in all sectors.

The Fund will primarily invest in ASX-listed equities. A small number of unlisted, pre-IPO, international investments, or OTC corporate bonds may be considered from time to time.

## Investment Objective

To provide investors with the potential for capital growth in excess of the Benchmark, whilst seeking to preserve investor capital. Income will also be generated by the portfolio.

The focus is stock selection, rather than market timing and stock market movement predictions.

We invest in companies that are cheap relative to their expected future cashflow and quality.

## Investment Process

### 1. Idea Generation

- A database will be maintained for companies and corporate bonds which could be considered for investment and the specific price it would become attractive. Alerts are set to trigger when this price becomes available.
- Themes and tailwinds are triggered by local and global events including careful observation of media, network and first-hand experience to generate ideas for sectors that may benefit in the future.
- Company announcements are monitored daily looking for opportunities when the market misprices new information.

### 2. Research Process

- Assess alignment of management with shareholders in company's remuneration report and on-market trades
- Read company's announcements and presentations  
Analyze Financial Statements, model future financials, and calculate fair price.

### 3. Position Sizing

The portfolio is quite diverse and individual positions would usually have a weighting of 5% or less. We will not impose specific restrictions so that a greater individual weighting is allowed on the rare occasions it is warranted. Investments will be given weightings according to our level of conviction about value, downside risk and the liquidity of the stock.

We monitor the portfolio's overall exposure to different sectors and will adjust investment weightings to address imbalance where necessary.

## Asset Allocation

- Australian equities: 50-100%
- US equities: 0-10%
- European equities: 0-10%
- Asian equities: 0-10%
- Cash and cash equivalents: 0-30%
- Corporate Bonds: 0-20%

Cash may be held in the Fund to allow liquidity for transactions and to take advantage of future opportunities.

## **Portfolio Construction**

The Fund will hold between 30-100 securities.

A cornerstone of our philosophy and process is successful risk management. The portfolio will hold stocks across a diverse range of industries to mitigate risk. The downside risk of each position is assessed against its potential upside and will be removed from the portfolio when this trade-off becomes unfavourable.

The stock selection process is based on a consistent and repeatable framework. The foundation for this common-sense approach is the considerable industry experience of the portfolio manager. The stock selection process is termed "bottom up investing", as we focus on the business first, ensuring that investments are selected based on their individual merit. The portfolio is built stock by stock as each business is subjected to our rigorous stock selection process.

Part of the investment strategy is also to invest in OTC corporate bonds issued by high credit quality issuer companies. The OTC corporate bonds will be bought and sold through an approved broker and marked to market.

## **Liquidity**

Trading illiquid stocks can be difficult as well as expensive, so that the Investment Manager generally intends to invest a portion of the portfolio in securities within the ASX 100 listed equities which have a daily liquidity of at least \$250,000.

The Fund will also maintain up to 30% in cash.

These two measures will allow for liquidity in transactions and to take advantage of any future opportunities.

## **Borrowing and cash policies**

It is not our intention to borrow money for the Fund other than to meet short-term liquidity requirements.

Cash will be held in bank-backed and similar deposit products held on behalf of the Fund with Australian ADI's.

The Investment Manager will not engage in short-selling.

## **Derivatives and Foreign Exchange Contracts**

The Fund does not invest in derivatives or foreign exchange contracts.

## **Changing the investment strategy**

The investment strategy and asset allocation parameters may be changed. If a material change is to be made, investors in the Fund will be notified.

# Managing Risk

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All investments carry risks. Different investment strategies may carry different levels of risk, depending on the assets acquired under the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk. The significant risks below should be considered in light of your risk profile when deciding whether to invest in the Fund. Your risk profile will vary depending on a range of factors, including your age, the investment time frame (how long you wish to invest for), your other investments or assets and your risk tolerance.

The Investment Manager does not guarantee the liquidity of the Fund's investments, repayment of capital or any rate of return or the Fund's investment performance. The value of the Fund's investments will vary. Returns are not guaranteed, and you may lose money by investing in the Fund. Future returns may differ from past returns. The structure and administration of the Fund is subject to change.

## Key Risks

Some of the things that may cause the Fund's value to move up and down are summarised below. These risks are not exhaustive:

### General Investment Risks

#### Investment return risk

Past performance is no guarantee of future performance. As AlignInvest is an active manager, there is a risk that the Fund may underperform compared with its investment objectives or with the market.

#### Market risk

Returns of the Fund will be affected by the performance of the investments chosen for the Fund, which may in turn, be affected by the performance of the investment markets generally. This risk, related to market performance, includes demand and supply in the market and economic and regulatory conditions, including market sentiment, inflation, interest rates, employment, political events, environmental and technological issues, and consumer demands.

#### Liquidity risk

Some investments may not be easily converted into cash with little or no loss of capital and minimum delay, because of insufficient availability of buyers, suspension of trading on request from the market regulator or the entity involved, fund outflows, or disruptions in the marketplace. Securities of small entities in particular may, and especially in falling markets, become less liquid.

#### Entity risk

The Fund's investment in a listed entity may be affected by unexpected changes in that entity's operations or business environment, including the risk that the entity may become insolvent. If this occurs the Fund may receive a smaller or no return from, or it may lose, its investment in the entity.

## Other General Risks

Outlined below are other general risks which we believe may affect the Fund.

### Service provider risk

You could be adversely affected if any of the various parties involved in the operation of the Fund, including us, or service providers fail to perform their obligations. This could impact your returns or the ability to withdraw your funds. We actively monitor and review the performance of all key service providers in performing their agreed contractual arrangements.

### Operational Risk

This is the risk of technological or process failure or impacts from the wider financial market in general. This could impact your returns or the ability to withdraw your funds.

### Regulatory and tax risk

Fund performance may be affected by regulatory changes and changes to tax legislation in Australia which could have an impact on the value of your investment.

### Fund liquidity and redemption risk

This is the risk that the Fund cannot make redemption payments on time. This is due to a mismatch between the maturity profile of the investments and the amounts required to meet redemptions. We have the right to defer redemptions, switches and transfers if we believe the realisation of assets to meet the redemption is not practicable, would be materially prejudicial to all investors, or is not desirable for the protection of the Fund. We aim to have the Fund primarily invest in liquid assets.

### Volatility risk

Changes in volatility can have a positive or negative effect on the Fund's investments.

### Pandemic and other unforeseen event risk

Health crises, such as pandemics such as the COVID 19 virus, or catastrophes such as natural disasters, war, or civil disturbance, acts of terrorism or other unforeseeable events, may have an adverse effect on economies or financial markets and on the Fund's investments. Fund operations could be disrupted or suspended in these cases.

The future of any economic impact caused directly or indirectly by COVID-19 is uncertain and may affect the ability of borrowers to repay debts, companies to pay dividends and the ability of the Fund to exit investments

### Speculation risk

Funds of this nature face inherent difficulties accurately valuing companies that fall within their mandate. Investment decisions based on potential undervaluation are subject to higher levels of uncertainty. IPO investments may involve higher degrees of speculation risk.

### Due diligence risk

Investors may be subject to higher levels of investment risk than the Investment Manager anticipates as due diligence processes may not uncover an exhaustive list of potential loss-incurring events.



# Investing in the Fund

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The minimum initial application is \$50,000. We may waive or increase the minimum application amounts at our discretion. Application money is deposited into a non-interest bearing account, pending processing.

## Making an Application

To invest, please complete and sign the Application Form accompanying this IM.

The duly completed Application Form, together with the relevant certified identification documents can be either:

Emailed to: [reigstry@mainstreamgroup.com](mailto:reigstry@mainstreamgroup.com)

Or mailed to:

Align Inception Fund  
Apex Fund Services  
GPO Box 4968 Sydney  
NSW 2001 AUSTRALIA

The first Units in the Fund will be issued after the receipt by the Fund Administrator of a correctly completed Application Form. After the first application, correctly completed Application Forms must be received by the Fund Administrator before 2pm on the last business day of a month to receive the Issue Price applying for that month.

## Investment Method

Your initial investment amount may be made by:

- Electronic Funds Transfer or Direct Deposit to the application account details provided in the Application Form.

Please note the application cannot be processed until cleared funds are received. Cash cannot be accepted.

Under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) applications made without providing all the information and supporting identification documentation requested on the Application Form cannot be processed until all the necessary information has been provided. As a result, delays in processing your application may occur.

The Investment Manager reserves the right to refuse any application without giving a reason. If for any reason the Investment Manager refuses or is unable to process your application to invest in the Fund, the Investment Manager will return your application money to you, subject to regulatory considerations, less any taxes or bank fees in connection with the application. You will not be entitled to any interest on your application money in this circumstance.

## Valuation of the Fund and application price of Units

The first Units in the Fund will be issued at \$1.00. From then on, the Issue Price will change from time to time as the market value of the Fund's assets rises or falls. Each Unit is a proportional interest in the Net Asset Value of the Fund, having regard to the total number of issued Units.

The value of Units is determined by dividing the Fund Net Asset Value for the Valuation Date applying to the issue of Units by the number of Units on issue, adjusted for transaction costs of 0.25% of application proceeds.

Securities usually are valued at the closing price on the securities exchange on which they are listed. Any income entitlement or cash held for the Fund and any amount of Goods and Services Tax ('GST') recoverable by the Fund from the Australian Taxation Office ('ATO') are also included in the value of Fund's assets and used to calculate the value of Units. Generally, the Fund's liabilities are valued at cost.

The Fund will be valued monthly on a Valuation Date being the last business day of the month. Units will generally be issued following the fifth business day after the Valuation Date using the value calculated for that Valuation Date, although the Trustee has the discretion to value the Units more frequently where it so decides.

Following acceptance of an application by the Trustee, application money will be held in an account maintained by the Fund Administrator pending its investment in the Fund after the next occurring Valuation Date.

# Redeeming from the Fund

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## Making a redemption

Unit Holders may redeem Units with the consent of the Trustee. Where the Trustee has provided its consent, a Unit Holder may withdraw their investment by written request either:

- Email to: [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com)  
Attn: Align Inception Fund

or

- Mail to:  
Align Inception Fund  
Apex Fund Services  
GPO Box 4968 Sydney  
NSW 2001 AUSTRALIA

## Redemption Price

The Redemption Price of a Unit in the Fund is based on the NAV of the Fund divided by the number of Units on issue as calculated for the Valuation Date applying to the redemption.

The NAV per Unit may be reduced by the Trustee to make an allowance for the transaction costs required for selling investments which is known as the Sell Spread. At the date of this IM, the Sell Spread is 0.25%. Refer to 'Fees and Costs' on page 10 for additional information on the Sell Spread.

For in specie transfers of assets out of the Fund, a nil or reduced Sell Spread may be applied to reflect the actual costs incurred by the Fund. The investments of in specie transfers will be valued on the date the Units are redeemed. All costs including any applicable duties and levies, incurred as a result of the transfer will be payable by the Unit Holder.

## Access to funds

Where the Trustee has provided its consent to the redemption of Units, correctly completed Redemption Requests that are received by us before 2pm on the last business day of the month will receive the Redemption Price applying for that month.

Units will generally be redeemed following the fifth business day after the Valuation Date using the value calculated for that Valuation Date, although the Trustee has the discretion to value the Units more frequently where it so decides.

Except where the Fund is not liquid, where the Trustee has consented to a redemption of Units the Trustee will generally allow Unit Holders of the Fund to access their investment at the end of each month. However, the Trust Deed allows the Trustee to delay making payments for a Redemption Request in unusual circumstances, such as when the Trustee is unable to satisfy a Redemption Request due to suspended trading in the market.

The Trustee will refuse to comply with any Redemption Request if the requesting party does not satisfactorily identify themselves as the Unit Holder. Redemption payments will not be made to third parties (including authorised representatives) and will only be paid directly to the Unit Holder's bank account held in the name of the Unit Holder at a branch of an Australian domiciled bank.

## Facsimile requests

By lodging a facsimile Redemption Request the Unit Holder releases, discharges and agrees to indemnify Trustee from and against any and all losses, liabilities, actions, proceedings, account claims and demands arising from any facsimile Redemption Request.

The Unit Holder also agrees that any payment made in accordance with a facsimile Redemption Request shall be a complete satisfaction of the obligations of Trustee, notwithstanding any fact or circumstance including that the payment was made without the Unit Holder's knowledge or authority.

The Unit Holder agrees that if the payment is made in accordance with a facsimile Redemption Request, the Unit Holder and any person claiming through or under them shall have no claim against the Trustee for the payment.

## Other Investor Information

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### Distributions

A Distribution comprises a Unit Holder's share of any distributable income earned by the Fund. A Unit Holder's share of any distributable income is generally based on the number of Units held by the Unit Holder at the end of the distribution period.

Generally, the income entitlements of Unit Holders of the Fund are distributed within 30 days after the date they are determined, although the distribution may take longer (for example, if there is a delay in completing an audit).

As a Unit Holder in the Fund, you can:

- have your distribution reinvested back into the Fund in which you have invested; or
- have your distribution directly credited to your nominated bank account.

If you do not make an election, your distribution will automatically be reinvested and will be taken to be received prior to the next Valuation Date after the relevant Distribution period.

### Appointment of Authorised Representative to operate account

Unit Holders may elect to appoint an authorised representative to operate their account. The relevant sections on the Application Form need to be completed, including the name and signature of the authorised representative, the signature of the Unit Holder and the date. Only Unit Holders can appoint authorised representatives. If you appoint an authorised representative, we suggest that you ensure that:

- they cannot appoint another nominee; and
- the appointment lasts until cancelled by you in writing or by the Trustee.

If the Trustee determines that the circumstances require, the Trustee may cancel an appointment by giving the Unit Holder 14 days' notice in writing. If an appointment is cancelled, the Trustee will not be obliged to act on the instructions of the authorised representative. If the instructions are varied, the Trustee will act only in accordance with the varied instructions.

By completing and lodging the relevant sections on authorised representatives on the Application Form you release, discharge and agree to indemnify the Trustee from and against any and all losses, liabilities, actions, proceedings, account claims and demands arising from the Trustee acting on the instructions of your authorised representative.

You also agree that any instructions of your authorised representative to the Trustee, which are followed by the Trustee, is a complete satisfaction of the obligations of the Trustee, notwithstanding any fact or circumstance, including that the instructions were made without your knowledge or authority.

You agree that if the authorised representative's instructions are followed by the Trustee, you and any person claiming through or under you shall have no claim against the Trustee for the instructions.

### Powers of an Authorised Representative

An authorised representative can, among other things:

- apply for additional investment Units;
- request that distribution instructions be altered;
- change bank account details,
- withdraw all or part of your investment; and
- enquire as to the status of your investment and obtain copies of statements.

Redemption Payments will not be made to third parties.

If a company is appointed as an authorised representative, the powers will extend to any director and authorised officer of the company. If a partnership, the powers will extend to all partners.

Regular reports are provided to Unit Holders in the Fund. These reports comprise:

- Annual Report including financial statements will be sent to investors after 30 September each year.
- Transaction Reports confirming all investments, redemptions and distributions (issued following transactions and on request).
- Distribution Statements - issued in line with distribution frequency, notifying you of the value of your investment, income from investments and confirming the reinvestment or payment to your nominated account.
- Tax Statements issued annually, providing Unit Holders with taxation information including a detailed summary of the components of any Distributions.

You can contact the Investment Manager for updated information on performance, Unit prices, Fund size and other general information about the Fund by emailing: [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com).

### Enquiries and Complaints

The Trustee seeks to resolve complaints over the management of the Fund to the satisfaction of Unit Holders. If a Unit Holder wishes to lodge a formal complaint, please contact us by emailing us at: [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com).

The Trustee will seek to resolve any complaint and will respond within 14 days of receiving the complaint.

# Fees and Costs

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## Management costs

The management costs are inclusive of investment management and Trustee fees.

The management costs are calculated and accrued monthly on the last business day of the month based on the GAV of the Fund and are reflected in the Unit price of the Fund. Management costs do not include the performance fee, expenses or transaction costs.

The management costs applicable to Units in the Fund are currently 0.5% p.a. of the GAV of the Fund.

## Performance Fee

If the Fund returns for a period are less than the Benchmark, the Investment Manager will not receive a Performance Fee. If the Fund outperforms the Benchmark in a period, the Manager will receive a Performance Fee equal to 10% of the Unit Returns exceeding the Benchmark. The performance fee is calculated monthly on the last business day of the month and is paid quarterly in arrears.

A high-water mark applies.

## Fund expenses

We have the right to recover all proper expenses incurred in managing the Fund and as such these expenses may increase or decrease accordingly.

Expenses relating to the Fund include custody fees, administration fees, audit fees and other ordinary expenses related to the establishment and operation of the Fund may be reimbursed from the Fund. The reimbursement of expenses will be capped at a maximum of 0.5% of the GAV of the Fund.

We may also recover abnormal expenses (such as the costs of Unit Holders' meetings, legal advice/proceedings and other irregular expenses). The Trust Deed does not place any limit on the amount of the abnormal expenses that can be paid from the Fund.

## GST and Taxes

All government taxes such as stamp duty and GST will be deducted from the Fund as appropriate. Relevant tax information is provided in the 'Taxation' section. RITCs will also be claimed by the Fund where appropriate to reduce the cost of GST to the Fund.

All fees and expenses quoted in the IM are quoted exclusive of GST, unless otherwise stated.

## Buy/Sell Spread

The Fund may incur transaction costs. These transaction costs include brokerage, settlement costs (including custody costs), clearing costs and stamp duty.

The Buy/Sell Spread reflects the estimated transaction costs associated with buying and selling the assets of the Fund when investors invest in, or redeem from, the Fund. The Buy/Sell Spread is an additional cost to the investor but is included in the Unit price and incurred when an investor invests in or withdraws from the Fund. The Buy/Sell Spread is paid into the Fund and not retained by the Trustee. At the date of this IM, the Buy/Sell Spread for the Fund is 0.25% (excluding GST) which equates to \$2.50 (excluding GST) for an investment or redemption of \$1,000.

The exact amount of transaction costs is dependent on a number of different variables, including the level of trading undertaken by the Fund.

## Can the fees change?

All fees can change without Unit Holder consent, subject to the maximum fee amounts specified in the Trust Deed of the Fund. Reasons might include changing economic conditions and changes in regulation.

We will generally provide Unit Holders with at least 30 days' notice of any proposed change to the Trustee fee. Expense recoveries and Buy/Sell Spreads may change without notice, for example, when it is necessary to protect the interests of existing Unit Holders and if permitted by law.

Expense recoveries and Buy/Sell Spreads may change without notice, for example, when it is necessary to protect the interests of existing Unit Holders.

# Taxation

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The taxation information in this IM is of a general nature and is current as at its date. This information provides a general overview of the tax implications for Australian tax resident Investors that hold their units on capital account. The application of these laws depends on the individual circumstances of the Investor. The following comments should not be regarded as tax advice and it is recommended that Investors should obtain independent professional tax advice about their specific circumstances. This section applies to Australian resident Unit Holders only.

## Taxation of the Fund

The Fund is an Australian resident trust estate for Australian tax purposes. Under the Constitution, where Unit Holders are entitled to all of the distributable income of the Fund for a Financial Year, the Fund itself should not be liable for income tax. The taxation liability for the taxable income of the Fund will rest with the Unit Holders. However, if for any reason there is taxable income to which no Unit Holder is presently entitled, the Fund will be taxed at the highest marginal tax rate for that income.

If the Fund makes a loss for Australian tax purposes, the Fund cannot distribute the loss to Unit Holders. However, subject to the Fund meeting certain conditions, the Fund may be able to take into account the losses (including to the extent the Fund has carried forward capital losses) to offset against income or capital gains (as appropriate) in subsequent years.

## Distributions

Where a Unit Holder is presently entitled to a share of the Fund's income for a Financial Year, the Unit Holder will be liable to tax on their proportional share of the taxable income of the Fund. Investors will be assessed on their proportionate share of the Fund's net taxable income in the Financial Year for which their entitlement to the distributable income arises, even though it may not have been received in that Financial Year.

Distributions from the Fund may comprise different components including interest, dividends, net capital gains, other income, franking credits, foreign income, foreign income tax offsets and tax-deferred amounts.

For Unit Holders who hold their units on capital account, the tax-deferred income should not form part of their assessable income in the year that the tax-deferred distribution is paid. Instead, the Investor's cost base in the units will be reduced by the tax-deferred amount and may affect the CGT position of the investment. However, for those Unit Holders who have a zero cost base in their units, or where the tax-deferred distribution exceeds the cost base of their investment, any tax-deferred amounts received should be treated as a capital gain of the Unit Holder. Investors should maintain records of their adjustments.

Distributions of income reinvested in further units are treated the same way as cash distributions.

## Franking Credits

Where the Fund receives franked dividends, the taxable net income of the Fund includes franked dividends and related franking credits. A credit for these amounts may be available in calculating Unit Holders' tax liabilities, depending on their specific circumstances and subject to various integrity rules, including the 45-day holding period rule. Excess franking credits may be refundable to certain resident individuals and complying superannuation entities and in certain cases may generate tax losses for corporate entities.

## Disposal or Redemption of Units

Unit Holders must include any realised capital gain or loss on disposal or redemption of their units (together with any capital gain distributed by the Fund) in calculating their net capital gain or loss for a Financial Year. The Fund may determine that part of the Redemption Price of a unit represents a distribution of income for tax purposes for the Financial Year.

Where the Redemption Price includes a distribution of income, any capital gain made is reduced by the taxable income amount included in the Investor's assessable income. A net capital gain will be included in a Unit Holder's assessable income. A net capital loss may be carried forward for offset against capital gains of the Unit Holder in subsequent years but may not be offset against ordinary income.

In calculating the taxable amount of a capital gain, a discount of one-half for individuals and trusts or one-third for superannuation entities may be allowed where the units have been held for 12 months or more.

## Other Matters

If the Fund qualifies as a MIT, it intends to make an irrevocable election to apply the AMIT tax legislation. The AMIT legislation applies an attribution model whereby the Trustee attributes amounts of trust components of a particular character to investors on a fair and reasonable basis consistent with the operation of the AMIT's constitution. At present, the Fund will not be widely held (i.e. more than 20 investors) and is unlikely to qualify as an AMIT, however, this may change.

The Goods and Services tax ('GST') is not applied to the application for or redemption of units. However, GST generally applies to Fund's management fees and expense costs. The Fund is entitled to claim Reduced Input Tax Credits at the prescribed percentage from the ATO for part of the GST paid.

An Investor is not required to quote their Tax File Number ('TFN') or Australian Business Number ('ABN'). However, if the Unit Holder is an Australian resident for taxation purposes and a TFN or ABN is not provided, or an exemption is not claimed, we are required to withhold tax at the highest marginal rate, plus the Medicare levy, from Fund distributions.

## Other Important Information

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### Cooling Off Period

No cooling off period applies to units offered under this IM as you must be a Wholesale Client to invest in the Fund.

### Unit Holder Liability

The Trust Deed for the Fund provides that unless there is a separate agreement with a Unit Holder, no Unit Holder can be called on to contribute to the assets of the Fund or to its creditors if the Fund is liquidated or becomes insolvent. As a result, it is expected that Unit Holders will not be under any obligation if a deficiency in the assets of the Fund was to occur. However, this view has not been fully tested in court.

The Trustee is permitted to deduct certain amounts owed to the Trustee from amounts payable to Unit Holders.

### Termination of the Fund

The Trustee may resolve at any time to terminate, liquidate and wind up the Fund in accordance with the Fund's Trust Deed. The Fund may otherwise terminate if required by law. A notice will be provided to Unit Holders advising of the Fund's termination. Upon termination and after conversion of Fund assets into cash and payment of, or provision for, all costs and liabilities (actual and anticipated), the net proceeds will be distributed pro-rata amongst all Unit Holders according to the number of Units each holds in the Fund.

### Our Legal Relationship with You

You will receive Units in the Fund when you invest. Subject to the rights, obligations and liabilities of any unit class, each Unit represents an equal proportionate beneficial interest in the assets of the Fund as a whole subject to liabilities, but does not give you an interest in any particular assets or property of the Fund.

Our responsibilities and obligations as the Trustee of the Fund are governed by the Trust Deed as well as under general trust law, which generally require that we:

- act in the best interests of Unit Holders and, if there is a conflict between Unit Holders' interests and our own, give priority to Unit Holders;
- ensure the property of the Fund is clearly identified, held separately from other funds and our assets, and is valued regularly; and
- ensure payments from the Fund's property are made in accordance with the Trust Deed.

Some of the provisions of the Trust Deed are discussed elsewhere in this IM. Other provisions relate to a Unit Holder's rights under the Trust Deed, and include:

- a Unit Holder's right to share in any Fund income, and how we calculate it;
- what you are entitled to receive when you withdraw or if the Fund is wound up;
- a Unit Holder's right to redeem from the Fund - subject to the times when we can cease processing redemptions - such as if the Fund becomes 'illiquid';
- the nature of the Units - identical rights attach to all Units within a class; and
- a Unit Holder's rights to attend and vote at meetings.

There are also provisions governing our powers and duties, including:

- how we calculate Unit prices, the maximum amount of fees we can charge and expenses we can recover;
- when we can amend the Trust Deed;
- when we can retire as the Trustee of the Fund;
- when we can be removed as the Trustee of the Fund; and
- our broad powers to invest, borrow money and generally manage the Fund - we do not currently intend to borrow funds to acquire assets for the Fund, although this is permitted under the Trust Deed of the Fund.

The Trust Deed also deals with our liabilities for the Fund and when we can be reimbursed out of the Fund's assets, for example:

- we are not liable for acting in reliance and good faith on professional advice;
- we are not liable for any loss unless we fail to act in good faith, or we act negligently; and
- we can be reimbursed for any liabilities we incur in connection with the proper performance of our powers and duties for the Fund.

Copies of the Trust Deed are available, free of charge, on request from the Trustee.

### Indemnity

AlignInvest, as the Trustee of the Fund, is indemnified out of the Fund against all liabilities incurred by it in properly performing or exercising any of its powers or duties for the Fund. To the extent permitted by the law, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Trustee. The Trustee may retain and pay out any monies in its hands all sums necessary to affect this indemnity.

### Related Party Transactions

The Trustee and its associates are entitled to enter into or be interested on their own account in any transactions entered into on behalf of the Fund or with any company or body in which the Fund is invested or who provides services to the Fund. Any such transactions will be on arms-length commercial terms. The Trustee and its associates are also permitted to hold Units in the Fund in any capacity.

## Other Important Information (*continued*)

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### Privacy Statement

The *Privacy Act 1988* ('Privacy Act') and the Australian Privacy Principles regulate the way organisations collect, use, disclose, keep, secure and give people access to their personal information. We may collect personal information about you and individuals associated with you in order to provide products and services to you, and to ensure compliance with legal and regulatory obligations (including under the Corporations Act, the AML/CTF Act and tax related legislation).

You must ensure that all personal information which you provide to us is true and correct in every detail, and should those personal details change it is your responsibility to ensure that you promptly advise us of the changes in writing. If you do not provide the information requested, we may not be able to process your application, administer, manage, invest, pay or transfer your investment(s). We may also obtain or confirm information about you from publicly available sources in order to meet regulatory obligations.

We may disclose your information to other members of our corporate group or to third parties, where it is necessary, in order to provide you with the products or services. Those third parties may be situated in Australia or offshore, and we take reasonable steps to ensure that all third parties with whom we have a contractual relationship or other influence comply with the Australian Privacy Principles. The third parties that we may disclose your information to include, but are not limited to:

- stockbrokers, financial advisers or adviser dealer groups, their service providers and/or any joint holder of an investment;
- those providing services for administering or managing the Fund, including the custodian, auditors, or those that provide mailing or printing services;
- those where you have consented to the disclosure and as required by law; and
- regulatory bodies such as ASIC, ATO, APRA, AUSTRAC.

Details of the Privacy Policies applying to the collection of data by our Fund Administrator is available by emailing them to request a copy at: [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com).

# FATCA & CRS

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## Foreign Account Tax Compliance Act ('FATCA')

In April 2014, the Australian Government signed an intergovernmental agreement ('IGA') with the United States of America ('U.S. '), which requires all Australian financial institutions to comply with the FATCA Act enacted by the U.S. in 2010.

Under FATCA, Australian financial institutions are required to collect and review their information to identify U.S. residents that invest in assets through non-U.S. entities. This information is reported to the Australian Taxation Office ('ATO'). The ATO may then pass that information onto the U.S. Internal Revenue Service.

In order to comply with the FATCA obligations, we may request certain information from you. Failure to comply with FATCA obligations may result in the Fund, to the extent relevant, being subject to a 30% withholding tax on payment of U.S. income or gross proceeds from the sale of certain U.S. investments. If the Fund suffers any amount of FATCA withholding and is unable to obtain a refund for the amounts withheld, we will not be required to compensate unitholders for any such withholding and the effect of the amounts withheld will be reflected in the returns of the Fund.

## Common Reporting Standard ('CRS')

The CRS is a standardised set of rules developed by the Organisation of Economic Co-operation and Development that requires certain financial institutions resident in a participating jurisdiction to document and identify reportable accounts and implement due diligence procedures. These financial institutions will also be required to report certain information on reportable accounts to their relevant local tax authorities.

Australia signed the CRS Multilateral Competent Authority Agreement and has enacted provisions within the domestic tax legislation to implement CRS in Australia. From 1 July 2017, Australian financial institutions need to document and identify reportable accounts, implement due diligence procedures and report certain information with respect to reportable accounts to the ATO. The ATO may then exchange this information with foreign tax authorities in the relevant signatory countries.

To comply with the CRS obligations, we may request certain information from you. Unlike FATCA, there is no withholding tax that is applicable under CRS. However, penalties may apply for failing to comply with the CRS obligations.



# Glossary

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**AlignInvest** - Align Invest Pty Ltd (ACN 658 804 712)

**Application Form** - The application form used by investors who wish to subscribe for Units in the Fund and accompanying this IM.

**ASIC** - Australian Securities and Investments Commission.

**ASX** - Australian Securities Exchange.

**Benchmark** – ASX All Ordinaries Accumulation Index or RBA Cash Rate + 6%, whichever is greater.

**business day** - A day other than a Saturday or Sunday on which banks are open for general banking business in Sydney and Melbourne.

**Buy/Sell Spread** - The buy spread is the difference between NAV price and the Issue Price. The sell spread is the difference between the NAV price and the Redemption Price of Units in the Fund. Collectively this is known as the Buy/Sell Spread. The Buy/Sell Spread for the Fund is 0.25% per application or redemption.

**Corporations Act** - the *Corporations Act 2001* (Cth) and *Corporations Regulations 2001* (Cth), as amended from time to time.

**Distribution** - The amount that is paid to Unit Holders after the end of a distribution period. This generally includes any income and realised capital gains. The distribution period for the Fund is a financial year.

**Fund** - Align Inception Fund.

**Fund Administrator and Custodian** – Apex Fund Services Pty Ltd (ABN 81 118 902 891)

**Funds under Management** or **FUM** - means funds under management in the Fund.

**Gross Asset Value** or **GAV** - the total value of assets of the Fund.

**GST** - Goods and Services Tax.

**Investment Manager** or **Trustee** - AlignInvest.

**Issue Price** - The NAV of the Fund as calculated, and divided by the number of Units on issue, on the Valuation Date plus the buy spread.

**Net Asset Value** or **NAV** - The value of assets of the Fund less the value of the liabilities of the Fund.

**portfolio** - All assets held by the Fund, including securities and cash.

**Redemption Price** - The NAV of the Fund as calculated, and divided by the number of Units on issue, on the Valuation Date less the sell spread.

**Redemption Request** - A written request by a Unit Holder for redemption of some or all of their Units.

**RITC** - Reduced Input Tax Credit. The Trustee will apply for reduced input tax credits on behalf of the Fund, where applicable, to reduce the GST cost to the Fund.

**Trust Deed** - The trust deed of the Fund which sets out the rights, responsibilities and beneficial interest of both Unit Holders and the Trustee for the Fund.

**Unit** - A beneficial interest in the Fund.

**Unit Holder or investor** - A holder of units in the Fund.

**Unit Returns** - means the change in the NAV per Unit less any distributions paid or payable to Unit Holders.

**Valuation Date** - The last business day of a month.

**Wholesale Client** - Persons or entities defined as such under the Corporations Act.