

## ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

## Product Disclosure Statement (PDS)

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This PDS provides a summary of the key information you need to make a decision and is issued by Advance Asset Management Limited. This is important information you should read before making a decision to invest in the Fund.

The information in this document is general information only and doesn't take into account your personal objectives, financial situation or needs. You should consult a licensed financial adviser to obtain financial advice that's tailored to suit your personal circumstances.

Investments in the Fund can only be made by someone receiving this PDS (including an electronic version) in Australia. If you're in possession of this PDS outside Australia, you should seek advice about restrictions on investing. Failure to comply with relevant restrictions may violate laws.

An investment in the Fund doesn't represent an investment in, deposit with, or other liability of Westpac Banking Corporation or any other member of the Westpac Group. It is subject to investment risk, including possible delays in the payment of withdrawals and loss of income or capital invested. No member of the Westpac Group (including Advance) stands behind or otherwise guarantees the capital value or performance of the Fund.

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# 1. Fund overview

| ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND (FUND) OVERVIEW |  |   |
|--|--|---|
| Investment objective                                     | To provide returns of 2% pa after fees above the benchmark over the short to medium term   |   |
| Benchmark  | Bloomberg AusBond Bank Bill Index <sup>SM</sup>  |   |
| Minimum suggested investment timeframe                   | 2 years  |   |
| Investment strategy                                      | <p>The Fund invests in a diversified mix of fixed interest, cash and cash equivalent securities and instruments in both Australian and international markets, with an emphasis on liquidity and capital stability regardless of the overall direction of fixed interest and cash markets.</p> <p>The ability of the Fund's investment strategy to produce investment returns will be dependent on a number of factors including the asset allocation and investment selection skills of the investment managers, market conditions and specific risk factors and risk management strategies set out in section 6.1.</p> <p>The Fund does not have specific diversification guidelines or limits.</p> <p>Although there are no geographical restrictions on where assets may be located, they will typically be located in Australia, Europe and the United States. The base currency of the Fund is Australian dollars however the assets of the Fund may be denominated in a variety of currencies.</p> | For more information, go to section:<br>4.2 Investment strategy<br>6.1 Significant risks and risk management  |
| Risk level   | <p>3 Low – Medium</p> <p>Low to medium risk of short-term loss. Likely to produce low to medium returns over the minimum suggested timeframe.</p>  | For more information, go to section 7<br>Standard risk measure  |
| Fund structure   | <p>The Fund is an unlisted Australian registered managed investment scheme. The responsible entity of the Fund is Advance Asset Management Limited (Advance or Responsible Entity).</p> <p>A diagram showing the flow of investment money through the structure and the key service providers is provided at section 4.1.</p> <p>Advance monitors compliance of services providers with their service obligations on a regular or periodic basis.</p> <p>The risks of the structure, including the risks associated with holding assets overseas (such as international fixed interest securities and instruments), are outlined in section 6.</p>   | For more information, go to section:<br>4.1 Fund structure<br>6 Risks of investing in the Fund<br>9.9 Key service providers<br>9.10 Monitoring of key service providers |
| Underlying investment managers                           | <p>The underlying investment managers for the Fund are:</p> <ul style="list-style-type: none"> <li>&gt; Standish Mellon Asset Management Company LLC</li> <li>&gt; Kapstream Capital Pty Ltd</li> <li>&gt; BT Investment Management (Institutional) Limited (BTIM)</li> </ul> <p>BTIM is a wholly owned subsidiary of BT Investment Management Limited, and is approximately (10%) owned by the Westpac Group.</p> <p>Each investment manager has been allocated a proportion of Fund assets to manage, which may change from time to time. In addition, Advance may add or remove investment managers from time to time.</p> <p>For each investment manager, the individuals playing a key role in investment decisions and the proportion of their time devoted to executing the investment strategy is set out in section 4.2.</p> <p>Each investment manager's appointment is governed by an industry standard investment management agreement (IMA).</p>  | For more information, go to section 3<br>Investment management of the Fund  |
| Minimum initial investment                               | \$5,000  | For more information, go to section 9 How the Fund works  |
| Minimum additional investment                            | \$1,000  | For more information, go to section 9 How the Fund works  |
| Distribution   | Quarterly  | For more information, go to section 9 How the Fund works  |

## ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND (FUND) OVERVIEW

|   |   |   |
|---|---|---|
| Withdrawals                               | <p>Investors in the Fund can submit a request to withdraw part or all of their units or establish a regular withdrawal plan. There are various ways to submit a withdrawal request and the timeframes involved can vary.</p> <p>In certain circumstances, such as a freeze on withdrawals or where the Fund is illiquid (as defined in the Corporations Act), you may have to wait a longer period of time before you can redeem your investment.</p> <p>We will notify you of any material changes to your withdrawal rights in accordance with our obligations under the Corporations Act.</p>  | For more information, go to section 9.5 Withdrawals   |
| Valuation, location and custody of assets | <p>JP Morgan Chase Bank, N.A. (Sydney Branch) (JP Morgan) has been appointed as the custodian and administrator of the Fund.</p> <p>JP Morgan obtains prices for the Fund's investments from independent security pricing vendors (where available) and utilises these to value the Fund. Exchange traded assets are valued at their market value and non-exchange traded assets are typically valued using a valuation method that is independently verifiable. See section 9.2 for a summary of the Fund's valuation policy.</p>  | For more information, go to section:<br>4.2 Investment strategy<br>9.2 Valuing your investment<br>9.9 Key service providers |
| Derivatives                               | <p>The Fund invests in, and obtains exposure to derivatives, which are used to implement investment strategies with the aim of maximising returns, and as a risk management tool to manage the effects of interest rate or foreign currency movements.</p> <p>The derivative instruments that the Fund is exposed to include exchange traded and over the counter derivatives. See section 4.5 for the over the counter derivatives the Fund may invest in.</p> <p>Derivative counterparties are selected and approved by the investment managers and are subject to the investment managers' due diligence process.</p> <p>The key risks associated with derivatives are set out in section 6.1.</p> | For more information, go to section:<br>4.5 Derivatives<br>6.1 Significant risks and risk management                        |
| Leverage                                  | <p>The investment managers are not permitted to borrow money. The Fund however may be leveraged on a gross basis through the use of derivatives. See section 4.5 for more information on the Fund's use of derivatives.</p> <p>The investment managers may use cash, cash equivalents or approved securities as collateral to back derivative positions.</p> <p>The anticipated range of gross leverage in the Fund is 0 to 4 times the value of the Fund.</p> <p>A worked example showing the impact of leverage on investment returns and losses is provided in section 4.4.</p>  | For more information, go to section:<br>4.4 Leverage<br>4.5 Derivatives   |
| Liquidity                                 | <p>We expect to be able to realise at least 80% of the Fund's assets at the value ascribed to those assets when calculating the Fund's net asset value within 10 days.</p>  |   |
| Changes to Fund details                   | <p>We have the right to make changes to the Fund at any time, and in some cases without prior notice. This could include appointing or removing investment managers, closing or terminating the Fund, amending its investment parameters, including the investment objective and investment strategy, buy-sell spread and currency strategy (if applicable). We'll inform you about any material change to the Fund's details in your next regular communication or as otherwise required by law. Details of any change will be available on <a href="http://advance.com.au">advance.com.au</a>.</p>  |   |

## 2. Disclosure benchmarks

The disclosure benchmarks outlined below are two key areas that ASIC has identified as matters that investors should consider before making a decision to invest into the Fund.

The responsible entity is required to disclose whether these benchmarks are satisfied. Where a responsible entity does not meet a particular disclosure benchmark, the responsible entity is required to explain why the benchmark has not been met and what alternative measures have been initiated to address this issue or mitigate the risk.

|                            |  |   |  |
|----------------------------|--|---|--|
| <b>VALUATION OF ASSETS</b> | Are valuations of the Fund's non-exchange traded assets provided by an independent administrator or an independent valuation service provider? | The Fund meets this benchmark except in certain rare circumstances described below, as the Fund's non-exchange traded assets are typically valued by independent valuation service providers. In some rare instances, independent valuations may not be available and therefore, alternative price sources may be used.   | For more information, go to section 9.2 Valuing your investment        |
| <b>PERIODIC REPORTING</b>  | Do we provide periodic disclosure to our investors of certain key Fund information on an annual and monthly basis?                             | The Fund meets this benchmark except as disclosed below, as the Responsible Entity provides periodic disclosure on key information about the Fund on a monthly and an annual basis, with the exception of derivative counterparties engaged. Advance does not disclose the names of the Fund's derivative counterparties because this information is considered commercial-in-confidence. | For more information, go to section 12.2 Reporting on your investments |

## 3. Investment management of the Fund

### 3.1 Responsible Entity

Advance Asset Management Limited (Advance, we, us, our) is a specialist asset management business within the Westpac Group and the Responsible Entity for the Fund. Advance selects external investment managers to best execute on the strategies incorporated across different asset classes including shares, property, fixed interest, alternatives and cash. Advance is the issuer of units in the Fund offered in this PDS and has prepared this PDS.

Advance is responsible for establishing, implementing and monitoring the Fund's overall investment objective and strategy. This includes providing in-depth monitoring and analysis of the Fund and its investment managers. Advance determines the asset allocation, strategy objectives and selects and blends investment managers with the aim of consistently delivering outperformance across the business cycle within an actively managed risk management framework. Advance is also responsible for the day-to-day administration of the Fund, and for ensuring it complies with the constitution and legislation.

### 3.2 Investment managers

At the date of this PDS, Advance has appointed Standish, Kapstream and BTIM as investment managers for the Fund. Each investment manager has been allocated a proportion of Fund assets to manage. As part of the monitoring of the Fund and its investment managers, Advance may from time to time change the allocation between investment managers or may remove or add an investment manager.

Standish is an investment management firm headquartered in Boston, focused on fixed income investments. Their investment strategies span a wide range of fixed income disciplines and they aim to design innovative, effective solutions to satisfy client needs. Standish is a wholly-owned subsidiary of The Bank of New York Mellon Corporation, which is listed on the New York stock exchange.

Kapstream is a global fixed income manager providing absolute return investment strategies. Kapstream seeks to achieve superior results by stepping beyond the traditional core manager approach and targeting an absolute return, using a wide range of instruments to exploit market inefficiencies across the full spectrum of global fixed income markets.

BTIM combines a strong institutional platform with an investment-led culture to achieve strong risk-adjusted returns for its investors. BTIM offers investors a range of investment choices including Australian shares and property securities, fixed income and cash, absolute return investments, international shares and property securities. To complement its in-house expertise, BTIM also partners with leading global and domestic managers.

BTIM follows a 'multi-boutique' business model, where teams of investment professionals focus exclusively on asset management, while distribution, compliance, business and general management functions are delivered centrally. Boutiques also share information, giving each the benefit of expert views from other asset classes.

The model is designed to provide the best of both worlds. Fund managers operate in a boutique environment where they maintain full autonomy over their investment approaches and share in the economic value that they create for clients, combined with the strength of a significant institution with a strong operational platform (brand, distribution, compliance, sales and marketing, back office).

BT Investment Management is one of the largest ASX-listed pure investment managers (ASX:BTT), with a market capitalisation of around \$3.13 billion and funds under management of \$94.4 billion<sup>1</sup> as at 30 June 2017. BTIM is a wholly owned subsidiary of BT Investment Management Limited, and is approximately (10%) owned by the Westpac Group.

#### 3.2.1 Advance key personnel

##### Corrin Collocott

BSc.(Hons), FIAA – Chief Investment Officer and Head of Asset Allocation

Corrin joined BT Investment Solutions (BTIS) in November 2015 in the role of Head of Diversified Portfolio Management and was appointed Head of Asset Allocation in November 2016. Corrin is responsible for delivering on the investment objectives for all the BTIS diversified portfolios (multi-manager and Lifestage). In particular, he is responsible for the formulation and implementation of strategic asset allocations, along with overseeing the meeting of regulatory requirements, reporting and the preparation of the relevant Board papers containing investment recommendations.

1. Includes J O Hambro Capital Management assets under management

Prior to joining BTIS, Corrin was Manager - Investment Strategies at Sunsuper where he was responsible for the management of the strategy team, portfolio management of the multi asset portfolios, derivative overlay strategies, strategic partnerships, strategic asset allocation recommendations, asset and currency rebalancing and liquidity and stress testing.

Prior to this Corrin held a number of roles across a variety of industries including Russell Investment Group, InTech, MCA NZ Limited, Watson Wyatt Worldwide and previous to that, Rolls Royce, Koeberg Nuclear Power Station and Aegis Insurance Company.

Corrin has 20 years' industry experience, graduated from the University of Cape Town with a Bachelor of Science in Mechanical Engineering and is a Fellow of the Institute of Actuaries of Australia.

#### **Daniel Park**

B.Com, CFA – Head of Interest Rates

Daniel joined BTIS in November 2015 as Portfolio Manager, and in April 2017 was appointed to Head of Interest Rates. Daniel's responsibilities include leadership of the Interest Rates Team along with sector strategy, portfolio construction and manager research of the BTIS interest rate strategies.

Prior to joining BTIS, Daniel spent over 5 years as a senior analyst in the Perpetual multi-manager team as the lead on fixed interest and alternative credit portfolios and was responsible for manager research and selection, portfolio construction and researching new opportunities across various asset classes. Daniel also spent 5 years first as a senior analyst then as the Investment Director for FuturePlus Financial Services where he was responsible for advising on manager selection, portfolio construction and asset allocation to the Energy Industry super fund.

Daniel has also held a number of other roles within investment management and structured finance including Senior Investment Analyst at AUSCOAL Super and Maritime Super and as an analyst in the structured finance sector with Moodys Investor Service and AMP Ltd.

Daniel has over 14 years' investment experience and holds a Bachelor of Commerce from the University of New South Wales. He is also a CFA Charterholder and member of the CFA society of Sydney. He is in the final stages of a Master of Applied Finance degree with Macquarie University.

Daniel allocates approximately 25% of his time to the Fund.

### **3.2.2 Standish key personnel**

#### **David Leduc**

CFA

David is Chief Executive Officer and Chief Investment Officer responsible for overseeing all investment management activities at Standish. David has held a number of leadership positions during his tenure at Standish, including Chief Investment Officer of Active Fixed Income, Managing Director of Global Fixed Income and Senior Portfolio Manager for global credit strategies. David joined Standish in 1995 as a portfolio manager and analyst for US domestic fixed income, moving from structured finance to global strategies in 1999. Prior to joining Standish, David spent seven years as an Investment Officer at State Street. He has an M.B.A. from Boston University and a B.S. from the University of Rhode Island. David holds the CFA designation and has 30 years of investment experience.

#### **David Horsfall**

CFA

David is Deputy Chief Investment Officer and Managing Director of Opportunistic Fixed Income, having worked on this strategy since 1997. In conjunction with the CIO, David is responsible for overseeing the management of all single and multi-sector active fixed income portfolios. In addition, David is the chair of the Credit Committee. He also serves on Standish's Risk & Compliance Committee. Prior to being promoted to Deputy CIO in September 2008, he spent 11 years as the firm's Head of Active Fixed Income Trading. He has broad experience trading investment grade corporates, high yield corporates, emerging markets debt, liquid products (ie Treasuries, agencies, TIPS), structured products (ie ABS, CMBS), derivatives (ie swaps, futures, forwards, options), and global/non-US securities. He joined the firm in 1989 and has spent his entire 28-year career with Standish. David has an M.B.A. from Boston College, a B.A. from St. Lawrence University and holds the CFA designation.

#### **Brendan Murphy**

CFA

Brendan is the Director of Global Fixed Income and Senior Portfolio Manager responsible for managing non-US, global, and opportunistic bond portfolios. Before being promoted to Portfolio Manager in 2009, he was a Senior Trader responsible for trading developed and emerging market non-dollar securities as well as all foreign currencies. He joined Standish in 2005 from State Street Research, where he was a Senior Trader responsible for investment grade corporate bonds. Brendan holds a BA from Trinity College, holds the CFA designation, and has 21 years of industry experience.

Brendan Murphy spends approximately 80 – 90% of his time on Multi Sector Strategies including both Global and Opportunistic. David Horsfall spends approximately 20% of his time on Multi Sector Strategies including both Global and Opportunistic. David Leduc spends approximately 10% of his time on the strategy.

### 3.2.3 Kapstream key personnel

**Stephen Goldman** is a Managing Director, and Lead Portfolio Manager at Kapstream. He has 29 years of investment experience and joined Kapstream in 2010. Prior to joining Kapstream, Stephen was a Global Lead Portfolio Manager at Goldman Sachs Asset Management in New York for 4 years. Stephen's career includes positions at PIMCO as a Senior Vice President in London and Newport Beach from 1999 to 2006, as well as a period as a Financial Officer at The World Bank from 1988 to 1997. Stephen holds a Bachelor of Science in Management from Tulane University and a Master of Science in International Accounting & Finance from the London School of Economics.

**Kumar Palghat** is a Managing Director, and Portfolio Manager at Kapstream. He has over 30 years of fixed interest experience and co-founded Kapstream in 2007 after departing PIMCO Australia, where he was Head of Portfolio Management, Asia Pacific from 2001 to 2006. Kumar's experience also includes 10 years at the World Bank as a Senior Investment Officer. Kumar holds a Bachelor of Commerce in Business from Bangalore University, India, and an MBA in finance/marketing from Marymount University, USA. Kumar has guest lectured at the University of Virginia and the University of Chicago. Kumar is also a CFA charter holder.

**Nick Maroutsos** is a Managing Director, and a Portfolio Manager at Kapstream. Nick is a co-founder of Kapstream, and worked at PIMCO Australia prior to co-founding Kapstream in 2007, where he was responsible for client servicing and coordinating the launch of new strategies to the Australian market. He has a total of 18 years of investment experience. Nick holds a BA in Economics from the University of California in San Diego, and an MBA from the UCLA Anderson School of Management.

Stephen and Kumar spend approximately 75% of their time managing Kapstream's portfolios, including the Fund's allocation to Kapstream, while Nick spends approximately 50% of his time managing these portfolios.

### 3.2.4 BTIM key personnel

**Vimal Gor** joined BTIM in November 2009 with responsibility for global government fixed interest and in June 2010 was appointed the Head of the BTIM Income & Fixed Interest team. He is responsible for the overall team strategy and risk management. Vimal primarily spends his time on investment strategies applicable to the Portfolio.

Prior to BTIM, Vimal worked in London for over 10 years at a global asset manager where he was responsible for the management of the global bond portfolios within the government team. He was also the lead fund manager for the global aggregate bond funds and worked on the G7 and Fixed Income Macro hedge funds. He was co-chair of the global aggregate asset allocation process.

Vimal has over 23 years' experience in analysing and managing global fixed income and foreign exchange portfolios and strategies in both cash and derivatives. Vimal received his First Class BSc (Hons) Degree in Economics and Computer Science from the University of Salford, England in 1994.

**Peter Farac** joined the funds management business of BT Financial Group, now BTIM, in 2003 as part of the Performance & Attribution Team. He moved to the Exposure Management team in 2004 and transitioned to the Income & Fixed Interest Team in August 2007. Peter works predominantly on the government bond portfolio and is the assistant Portfolio Manager for BTIM's Pure Alpha Fixed Income strategy. Peter received a Bachelor of Commerce (Finance) and Bachelor of Science (Mathematics) from the University of New South Wales in 2002 and a Master of Applied Finance from Macquarie University in 2009.

**Amy Xie Patrick** joined BTIM in February 2017 to focus on emerging markets and global credit indices. Amy is a Multi-Asset Fixed Income Fund Manager with over 12 years of market experience and expertise in emerging markets, global high yield, and investment grade credit. Amy joined BTIM from F&C Asset Management in London where she managed the firm's High Income Bond Fund. Amy's prior experience includes roles at Thames River Capital and Citigroup Global Markets. Amy holds an honours degree in Economics from Cambridge University.

**Tim Hext** joined BTIM in February 2017 with responsibility for managing Australian Bond portfolios. Tim has over 25 years of banking, financial markets and funding experience. Tim joined BTIM from NSW Treasury Corporation (TCorp), where he was General Manager, Funding and Balance Sheet, with responsibility for defining and executing TCorp's funding programme and strategy. Tim's prior experience includes senior positions in Westpac Treasury, Commonwealth Bank of Australia, Deutsche Bank, Bain & Co and Swiss Bank Corporation. Tim holds a Masters of Economics from the Australian National University and a Bachelor of Commerce from the University of New South Wales.

Vimal, Peter, Amy and Tim each spend approximately 100% of their time managing over 45 income and fixed interest portfolios, including the Fund's allocation to BTIM.

### 3.3 Termination of investment managers

Each investment manager's appointment is governed by an industry standard IMA. Each IMA specifies the rights and obligations of the relevant parties, including the process of termination should the arrangement no longer be appropriate.

Advance has entered into an IMA directly with Kapstream and BTIM. Either party to each of these IMAs may terminate the IMA at any time by providing 5 Business Days notice.

With respect to Standish's appointment, Advance has entered into an IMA with a related body corporate of Standish, BNY Mellon Investment Management Australia Limited (BNY Mellon Australia). In accordance with the IMA, BNY Mellon Australia has sub-delegated its responsibilities to Standish. Either Advance or BNY Mellon Australia may terminate the IMA at any time by providing 20 Business Days notice.

In addition to the above, Advance may terminate an IMA immediately on written notice in certain circumstances (for example, if there is an insolvency event in relation to a manager or the manager fails to rectify a breach of the relevant IMA within a specified rectification period).

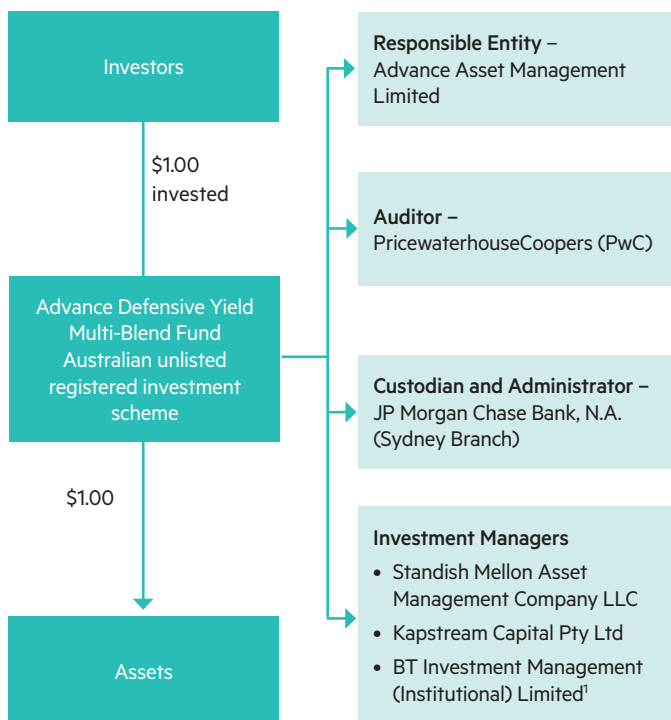
With the exception of accrued fees, there is no termination payment payable to any investment managers in the event of the termination of an IMA.



## **i** 4. About the Fund

### 4.1 Fund structure

The following diagram shows the structure of the Fund and the flow of investment money through the structure:



1. BTIM is a wholly owned subsidiary of BT Investment Management Limited, and is approximately (10%) owned by the Westpac Group.

Refer to Section 6 for information about the risks of investing in the Fund and how we manage these risks.

Further information on the service providers of the Fund can be found in section 9.9.

### 4.2 Investment strategy

The Fund invests in a diversified mix of fixed interest, cash and cash equivalent securities and instruments both in Australian and international markets, with an emphasis on liquidity and capital stability regardless of the overall direction of fixed interest and cash markets.

The Fund is constructed with the aim of providing investors with a balance between capital stability and delivery of income.

Each investment manager employs a different investment strategy which forms a component of the broader strategy of the Fund. Kapstream focuses on credit strategies, BTIM focuses on interest rate trading strategies and Standish has a focus on global core strategy. Advance regularly monitors these managers and allocations and adjusts them as it believes appropriate in light of market conditions.

The asset types the Fund may invest in include cash and cash equivalent securities, Australian government bonds, Australian corporate bonds, international government (including local and state) bonds, international corporate bonds, agency (mortgage) bonds, supranational bonds, exchange-traded derivatives, over-the-counter derivatives, asset backed securities. The Fund does not have formal diversification or asset allocation targets across these assets classes.

Derivatives may be used within the Fund as a means to reduce risk or gain exposure to investments, however, the Fund may also be leveraged on a gross basis through the use of derivatives.

The base currency of the Fund is Australian dollars however the assets of the Fund may be denominated in a variety of currencies. The investment managers actively manage the currency exposures of the Fund's investments which may be fully, partially or not hedged back to the Australian dollar.

The Fund's investment strategy will produce investment returns dependent on a number of factors including the asset allocation and investment selection skills of the investment managers, market conditions (such as interest rate movements and credit spreads) and specific risk factors and risk management strategies set out in section 6.1.

### 4.3 Labour standards or environmental, social or ethical considerations

We do not use labour standards, environmental concerns, or social or ethical considerations as the sole basis to make investment decisions, appoint investment managers or enter into investment strategies.

Our priority is to maximise returns with an acceptable level of risk as described by a Fund's objectives and characteristics. In pursuit of this priority, we may consider environmental, social and governance (ESG) factors where such factors have potential to affect the financial performance of investments.

As such, we take an integrated approach to the consideration of ESG factors and we believe this enhances our ability to meet the long-term investment objectives for the Fund and provides greater insight into investment risks across all time frames.

The level of ESG integration included in an investment manager's strategy and the individual investment manager capabilities is a factor we consider as part of our investment manager selection process. We have no predetermined view as to how far the level of ESG integration should be taken into account in the selection process.

Once appointed, to the extent an investment manager considers it appropriate and having regard to its investment strategy, we encourage an investment manager to include ESG factors in their investment processes (although we don't mandate that they're obliged to take such factors into account). We're committed to practicing active ownership and to working with managers to ensure voting rights are exercised appropriately.

### 4.4 Leverage

The investment managers are not permitted to borrow money. However, the Fund may be leveraged on a gross basis through the use of derivatives, as derivatives may be used to increase the Fund's exposure to an investment. The investment managers may use cash, cash equivalents or approved securities as collateral to back derivative positions. These are for long or short investment strategies, to limit the possibility of an outright leveraged position. The Fund's level of leverage will change regularly due to factors such as market movements and applications into, and withdrawals from, the Fund.

The anticipated range of gross leverage in the Fund is 0 to 4 times the value of the Fund.

While there is no set allocation range to investments in derivatives or a maximum allowable level of gross leverage for the Fund, the investment managers aim to ensure that any total unrealised net losses on derivative exposures are covered by cash and cash equivalents.

Please see section 4.5 for more information on the sources of derivatives, including the type, the amount and the providers of the derivatives.



## Example of leverage

The table below gives an example of how gross leverage is calculated and the impact on your investment amount of an adverse movement in the value of an underlying asset of a derivative. The example assumes that the Fund buys four futures contracts over an Australian 10 year bond worth \$1,000.

This example assumes no initial investment or margin is required to purchase the futures contracts.

| EXAMPLE – YOU MAKE A \$1000 INVESTMENT INTO THE FUND                      |  |
|---|--|
| Assets bought by the Fund   | 4 futures contracts over a 10 year bond              |
| Cost to purchase the future contracts                                     | Nil  |
| Cash (from your investment)   | \$1,000  |
| Exposure (measured as if the Portfolio has invested in the bond directly) | \$4,000  |
| Fund value  | \$1,000 (value of the cash)                          |
| Gross leverage (Exposure/Portfolio value)                                 | = \$4,000/\$1,000 = 4 times value                    |
| ASSUME THE 10 YEAR BOND DECLINES IN VALUE BY 1%                           |  |
| Loss in value of futures contracts  | 1% x -\$1,000 x 4 contracts held = -\$40             |
| Fund value  | \$960 (= \$1,000 original value of your cash – \$40) |
| Effective rate of loss (Loss in value on futures contract/Fund value)     | 4%   |

In comparison, if your investment amount of \$1,000 had been used to buy the bond directly, then a 1% drop in the value of the bond would have only resulted in a \$10 loss in Fund value or an effective rate of loss of 1% instead of a 4% loss as per the above example.

## 4.5 Derivatives

The Fund invests in, and obtains exposure to derivatives, which are used to gain exposure to investments and as a risk management tool to manage the effects of interest rate or foreign currency movements.

The derivative instruments that the Fund is exposed to include exchange traded and over the counter derivatives, and include the following:

- > Forward contracts
- > Futures
- > Options
- > Swaptions
- > Interest rate Swaps
- > Single name and index credit default Swaps
- > Total return index Swaps
- > Inflation Swaps
- > Currency Swaps, and
- > Foreign exchange contracts.

The use of derivatives may expose the Fund to certain risks, such as risks associated with collateral requirements of counterparties. Please refer to 'Derivative risk' in section 6.1.

### 4.5.1 Derivative counterparties

Derivative counterparties are selected and approved by the investment managers and are subject to the investment managers' due diligence process. Exchange traded and over the counter derivatives are typically restricted to counterparties with a minimum S&P credit rating of A-. The trading of over-the-counter (OTC) derivatives is governed by market standard ISDA agreements.

In order to minimise counterparty risk, where credit support agreements exist with a derivative counterparty, exposures to the derivative counterparty are also collateralised. The investment managers may use cash, cash equivalents or approved securities as collateral to back derivative positions.



## 5. Benefits of investing in the Fund

### 5.1 Key benefits

The Fund offers a number of important benefits.

- > Potential for an enhanced absolute return offering across a range of market conditions.
- > The Fund aims to deliver quarterly distributions to investors.
- > A team of experienced and dedicated professionals actively looking after your investment.
- > Advance has access to the best fund managers from around the world and for this Fund, we have appointed investment managers who have a shared commitment to provide the best outcome for investors. You also have access to their investment expertise, research and process through your investment in the Fund.
- > The Fund has the ability to invest in a broad range of suitable investments globally.
- > A high level of transparency through informative and regular reporting.
- > Access to information about your investment 24/7 on our secure client website *Investor Online* at [advance.com.au](http://advance.com.au), enabling you to keep track of your investments.

### 5.2 Investor Online

Staying informed is one of the most important parts of managing your investment and the best way to keep track of your investment is online through *InvestorOnline*. You can monitor your investment balance and transaction history, change your investment selection and update your contact details, at any time.

We'll send you a password for *InvestorOnline* when you make your initial investment. To get started, simply visit [advance.com.au](http://advance.com.au), select *InvestorOnline* and enter your investor number and password.

Alternatively, you can call Customer Relations on 1800 819 935 from 8.00am to 6.30pm Monday to Friday (Sydney time) or email us at [investorservices@advance.com.au](mailto:investorservices@advance.com.au) for the most up-to-date information about your investment.

The following conditions apply to this online system:

- > A confidential password will allow you to transact and you remain responsible for its confidentiality.
- > Your password may be issued to you electronically.
- > Access will be given to any person who uses your password or complies with any other of our security procedures, which we may put in place from time to time. Any action by that person will be taken to be by you.
- > Any action or request taken or given to Advance cannot be countermanded.
- > We may vary these conditions at any time after giving you notice in writing (or by email or other electronic communication).
- > We may suspend or cancel your ability to transact electronically where we consider it to be reasonably necessary or desirable (and where applicable, for such period as we reasonably consider to be necessary or desirable):
  - (a) having regard to:
    - (i) the law or
    - (ii) the quality, efficiency, integrity or security of our electronic facilities or
    - (iii) any reputational impact on us or
  - (b) otherwise on reasonable notice to you.

We must use best endeavours to ensure that any suspension for maintenance of our electronic facilities is carried out at times when in our reasonable opinion it would have least effect on you.

You must tell us immediately if you lose your password or think an unauthorised person has knowledge of it.

## 6. Risks of investing in the Fund

All investments carry risk.

The likely investment return and the risk of losing money is different for each managed investment scheme, as different strategies carry different levels of risk based on the underlying mix of assets. Generally, the higher the level of risk you're prepared to accept, the higher the potential returns or losses. Assets with the highest long-term returns may also carry the highest level of short-term risk. Growth assets, such as shares and property, are generally considered the most volatile assets, ie they're likely to experience greater fluctuations in value than defensive assets, such as fixed interest and cash.

### 6.1 Significant risks and risk management

The Advance investment philosophy incorporates risk management as a key focus. Risk management is fundamental to every decision we make – from top down asset allocation to monitoring security concentration risks. The table below outlines the significant risks associated with the Fund and the key aspects of our risk management approach.

| RISK                       | DESCRIPTION   | RISK MANAGEMENT   |
|----------------------------|---|---|
| Market risk                | The Fund's investment returns will be influenced by the performance of the financial markets. These are factors that can influence the direction and volatility of the overall market as opposed to stock specific risks. Macroeconomic, technological, geopolitical or regulatory conditions and even market sentiment changing can mean the value of investment markets change. These factors include shocks to the economy, such as a spike in the price of oil, terrorist threats, political elections, environmental catastrophes, or changes to monetary or fiscal policy.  | We closely monitor these factors to assess the potential impacts they can have on markets. We also manage market risk by diversifying across markets, investment managers and investment styles.  |
| Derivatives risk           | The Fund invests in and obtains exposure to derivatives, which are used to gain exposure to underlying assets and as a risk management tool to manage the effects of interest rate or foreign currency movements. Risks associated with derivatives include the value of the derivatives failing to move in line with the underlying asset, issues arising from the management of the collateral backing the derivative (including obligations to pay additional collateral, the segregation of collateral held and the potential to receive assets in lieu of cash in the event of default), and counter-party risk in the case of over-the-counter derivatives where no clearing house acts as an intermediary party (where the counter-party to the derivative contract cannot meet its obligations under the contract). | Futures transactions are generally conducted through appointed futures clearing houses, with listed futures regulated by exchanges typically used. For over-the-counter derivatives (OTC derivatives) monitoring and analysis is conducted to reduce any single counterparty risk to the Fund. Investment managers also mitigate this risk through the use of documents such as credit support agreements. Most OTC derivative activity is referable to published indices and in some cases specific securities and instruments. These allow for monitoring of risks to the Fund. |
| Currency risk              | The Fund may invest across many countries. If there's a change in the relative value of the Australian dollar to other currencies, the unhedged assets of the Fund can decrease or increase in value. For investments hedged back into Australian dollars this risk is largely removed. For currency strategies, there's the potential to add value through changes in exchange rates but this may also expose the Fund to more volatile returns.   | For investments in physical securities each investment manager manages currency risk by typically hedging the overall non-AUD positions in their allocated portfolio back to the AUD. A non-AUD aggregate exposure is generally hedged by the investment manager subject to a limit of up to 10% in non-AUD exposure. This will limit the impact of an adverse move in foreign exchange rates.  |
| Interest rate risk         | Changes in interest rates can have a positive or negative impact directly or indirectly on the investment value or returns of the assets held by the Fund. For example, capital returns on a fixed interest security can become more or less favourable.  | Each investment manager manages interest rate risk via the allowable overall Modified Duration or Value at Risk of their allocated portfolio within the Fund versus the Bloomberg AusBond Bank Bill Index <sup>1</sup> .  |
| Fixed income security risk | The value of a fixed income security is generally influenced by the performance of the issuer itself, and investing in a corporate issuer will expose an investor to many of the risks to which the individual company is itself exposed. These factors can include management changes, actions of competitors, regulators, changes in technology and market trends.  | The investment managers have controls that limit credit risk exposure and concentration exposure from any single issuer.  |

1. Bloomberg Finance L.P. and its affiliates (collectively, 'Bloomberg') do not approve or endorse this material and disclaim all liability for any loss or damage of any kind arising out of the use of all or any part of this material.

## 6.2 General risks

The table below highlights a number of additional potential risks you should consider before choosing to invest in the Fund.

| RISK                         | DESCRIPTION  |
|------------------------------|--|
| Liquidity/ transparency risk | This is the risk that a security or asset can't be traded quickly enough in the market without significantly affecting its price.  |
| Withdrawal risk              | If a situation occurs where the assets that the Fund invests in are no longer able to be readily bought and sold, or market events reduce the liquidity of a security or asset class, there is a risk that the generally applicable timeframe of 5 Business Days for meeting withdrawal requests may not be able to be met. This is because it may take longer to sell these types of investments at an acceptable price. In this case, withdrawals from the Fund may take significantly longer than the generally applicable timeframe. |
| Regulatory risk              | The Fund may be exposed to other jurisdictions through its investments. A government or regulator may affect the value of securities that the Fund invests in, by lack of regulatory oversight, or by introducing regulatory or taxation changes.  |

## 6.3 Asset classes risks

As well as the general risks associated with investing, there are potential risks associated with each asset class.

| ASSET CLASS                  | BENEFITS   | RISKS   |
|------------------------------|--|---|
| Australian Fixed Interest    | <p>Fixed interest securities and instruments provide a regular income stream. There's the potential for capital growth on the original capital invested in periods of declining interest rates. They provide a relatively secure investment, which is generally not as volatile as sharemarket investments.</p> <p>They can be used by the more conservative investor or those with shorter investment timeframes.</p> | <p>Fixed interest securities and instruments can generate a rise in capital value, or a loss, if interest rates fluctuate during their term. In general, a rise in interest rates causes the value of an existing security to fall, while a fall in interest rates causes the value of an existing security to rise.</p> <p>An investment in fixed interest securities and instruments also carries the risk that the issuer may default. Highly rated government and corporate bonds, which are unlikely to default, pay a lower rate of return than the relatively lower rated government and corporate bonds, which pay a higher rate of return.</p> |
| International Fixed Interest | <p>International fixed interest securities and instruments provide wider access to a variety of fixed interest securities backed by different cash flow streams, including government and corporate bonds from different countries and regions. This can provide opportunities to access higher interest rates than those offered domestically.</p>  | <p>In addition to the risks of fixed interest securities and instruments outlined above, international fixed interest securities can be affected by:</p> <ul style="list-style-type: none"> <li>&gt; Social, macroeconomic or geopolitical factors affecting a country or region</li> <li>&gt; Different tax requirements in the relevant country currency movements and/or</li> <li>&gt; Foreign central bank policy.</li> </ul>   |
| Cash                         | <p>Cash investments are held in cash securities such as term deposits, bank bills, promissory notes and other floating rate notes, as well as some shorter term fixed rate securities and instruments.</p> <p>Investing in cash provides a high level of security and the lowest level of risk. It can be used by the more conservative investor or those with shorter investment timeframes.</p>                      | <p>Cash can produce the most relatively stable investment returns when compared to other asset classes, but there's limited scope to generate higher long-term returns relative to other assets.</p> <p>There's also a risk that cash returns won't keep pace with inflation.</p>   |

## 7. Standard risk measure

The standard risk measure allows you to compare the risk of investing in the Fund with other like funds. It identifies how many negative annual returns you can expect the Fund to deliver over any 20 year period. This is not a complete assessment of all forms of investment risk and you should still ensure you are comfortable with the risks and potential losses associated with your chosen fund.

The standard risk measure for the Fund is 3 – Low to medium.

| RISK BAND | RISK LABEL     | ESTIMATED NUMBER OF NEGATIVE ANNUAL RETURNS OVER ANY 20 YEAR PERIOD |
|-----------|----------------|---|
| 1         | Very low       | Less than 0.5   |
| 2         | Low            | 0.5 to less than 1  |
| 3         | Low to medium  | 1 to less than 2  |
| 4         | Medium         | 2 to less than 3  |
| 5         | Medium to high | 3 to less than 4  |
| 6         | High           | 4 to less than 6  |
| 7         | Very high      | 6 or greater  |

Source: FSC/ASFA Standard Risk Measure Guidance Paper For Trustees.

## 8. 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.

This document shows fees and other costs that you may be charged. 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.

Unless otherwise stated, all fees are inclusive of GST and take into account reduced input tax credits (RITC), if applicable, in respect of the GST component of the fee.

Taxes are set out in Section 10 of this document.

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

| TYPE OF FEE OR COST <sup>12</sup>   | AMOUNT  | HOW AND WHEN PAID  |
|---|---|--|
| <b>Fees when your money moves in or out of the Fund</b>                           |   |  |
| Establishment fee<br><i>The fee to open your investment</i>                       | Not applicable  | Not applicable   |
| Establishment fee<br><i>The fee to open your investment</i>                       | Not applicable  | Not applicable   |
| Contribution fee<br><i>The fee on each amount contributed to your investment</i>  | Not applicable  | Not applicable   |
| Withdrawal fee<br><i>The fee on each amount you take out of your investment</i>   | Not applicable  | Not applicable   |
| Exit fee<br><i>The fee to close your investment</i>                               | Not applicable  | Not applicable   |
| <b>Management costs</b><br><i>The fees and costs for managing your investment</i> |   |  |
| Management fee <sup>3</sup>   | 0.55% pa of the value of your assets in the Fund.   | The management fee is deducted from the Fund's assets prior to a unit price being determined. It is accrued on a daily basis and paid from the Fund's assets on a monthly basis usually in arrears.  |
| Indirect cost <sup>4</sup>  | 0.04% pa of the value of your assets in the Fund. This comprises performance-related fees of 0.04% plus 0.00% other indirect costs. | Performance-related fees (where applicable) are accrued daily in the Fund's unit price and paid at least annually. The other indirect costs are not directly charged or retained by us and are reflected in the unit price of your investment. |
| <b>Service fees</b>   |   |  |
| Switching fees<br><i>The fee for changing Funds</i>                               | Not applicable  | Not applicable   |

1. Fees in this PDS can be individually negotiated if you're a wholesale client under the Corporations Act.
2. Adviser related fees may also apply. See section 8.2.4 of this PDS for more information about Advice related fees.
3. The management fee is directly paid from the assets of the Fund and is reflected in the unit price of your investment.
4. The amount of indirect costs is an estimate for the financial year ending 30 June 2017. Refer to Section 8.2.3 of this PDS for more information about performance-related fees and other indirect costs.

To see how fees and costs may affect your account balance, use the calculator on the ASIC website at [www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/managed-funds-fee-calculator](http://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/managed-funds-fee-calculator).

## 8.1 Example of annual fees and costs for the Fund

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

| EXAMPLE - BALANCE OF \$50,000 <sup>1</sup> WITH A CONTRIBUTION OF \$5,000 <sup>1</sup> DURING YEAR |       |   |
|--|-------|---|
| Contribution fees  | \$0   | For every additional \$5,000 you put in, you will be charge \$0.  |
| PLUS   |       |   |
| Management costs <sup>2</sup>  | 0.59% | And, for every \$50,000 you have in the Fund you will be charged \$295 each year.   |
| EQUALS   |       |   |
| Cost of Fund   |       | If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of:<br>\$295 <sup>2</sup><br>What it costs you will depend on the fees you negotiate. |

1. This amount is prescribed by legislation. The example above assumes that the \$50,000 is invested for the entire year, the value of the investment is constant over the year and the additional \$5,000 is invested at the end of the year. Therefore management costs are calculated using the \$50,000 balance only.
2. Additional fees may apply. Please note this example doesn't capture all the fees and costs that may apply to you, such as the buy-sell spread.

## 8.2 Additional explanation of fees and costs

### 8.2.1 Transaction costs (including buy-sell spreads)

In managing the assets of the Fund, the underlying investment managers may incur transaction costs when assets are bought and sold. These costs include brokerage, settlement, clearing, stamp duty and the difference between the actual price paid or received for acquiring or disposing of an asset and its actual value at that time. These transaction costs impact the return of the Fund when trading activity is undertaken to execute the Fund's investment strategy and may be recouped in part or whole through the buy-sell spreads when applications and redemptions are made. They are an additional cost to you.

An allowance for transaction costs arising from applications and redemptions made by investors into and out of the Fund is charged in the form of a buy-sell spread. Buy-sell spreads are not retained by us but rather paid to the Fund to ensure that other unit holders are not disadvantaged by the trading activity arising from applications or redemptions. Buy-sell spreads are determined after the daily unit price is calculated and are applied to the daily unit price for applications (ie the application price) and deducted from the daily unit price for redemptions (ie the redemption price).

Transaction costs which arise from trading activity to execute the Fund's investment strategy, and are not the result of applications into and redemptions from the Fund, are not covered by the buy-sell spread.

We estimate that the total transaction costs for the Fund during the year ended 30 June 2017 were 0.55% of the Fund's net asset value, of which 0.03% was recouped via the buy-sell spread when applications and redemptions took place. The difference of 0.52% is reflected in the net investment return of the Fund. These costs may vary in future.

The current buy-sell spread for the Fund is available in 'Additional Information – buy-sell spreads' at [advance.com.au/pds](http://advance.com.au/pds). We may vary the buy-sell spread from time-to-time and we won't ordinarily provide prior notice.

### 8.2.2 Contribution (or entry) fees

There is currently no intention for a contribution (or entry) fee to be charged for the Fund. If it was introduced, it would be charged as a percentage of each amount contributed into your investment.

The constitution for the Fund limits the maximum contribution (or entry) fee we can charge for the Fund to 6% of application monies (excluding GST).

### 8.2.3 Management costs

Management costs include the management fee and any indirect costs. A summary of these fees and costs are set out below.

#### Changes in fees and costs

We may change the amount of the fees and costs payable to us without your consent (up to any maximum that is allowed under the Fund's constitution). If we increase the fees or costs payable to us (such as the management fee), we will generally provide you with at least 30 days written advance notice.

#### Management fee

The management fee is the fee charged for managing the assets of the Fund and overseeing the operations of the Fund. This is charged as a percentage of the net asset value of the Fund. It's accrued daily and paid to Advance from the Fund monthly.

We're entitled to be reimbursed from the Fund for authorised expenses incurred in its management and administration. Currently routine Fund expenses, including trustee, registry, custodian, accounting, audit and legal expenses (excluding transaction costs), are paid out of our management fee. If extraordinary or unusual expenses are incurred, we may choose to recover costs from the Fund and this will be reflected in the unit price.

The constitution for the Fund allows us to charge a management fee of up to 4% (excluding GST) of the value of the assets of the Fund.

## Indirect costs

Indirect costs are determined as a percentage of the net asset value of the Fund. Indirect costs are an estimate of the costs incurred in managing the Fund's assets which directly or indirectly reduce the return on the Fund. These costs are not directly charged or retained by us. They may reduce the net income of the Fund directly or may be deducted through an underlying fund (where applicable) through which the Fund's assets are held and managed.

The amount included in the table of fees and costs constitutes an estimate of the indirect costs incurred in relation to the year ended 30 June 2017 in connection with managing the underlying assets of the Fund. These indirect costs reduce the return on your investment in the Fund and may vary from year to year.

They include:

- > **Performance-related fees:** Generally, performance-related fees will only apply and be charged when specific performance targets are met. There is no certainty that a performance-related fee will be paid, and the actual fees paid are likely to vary (please refer to the 'Performance-related fees' section below).
- > **Other indirect costs:** The Fund may incur other indirect costs via investments through the underlying funds. Typical indirect costs include costs incurred within an underlying fund which reduce the valuation of that underlying fund.

We have relied on the information provided by the underlying investment managers of the underlying funds and have made reasonable enquiries where necessary to determine the appropriateness of the other indirect costs provided.

### Performance-related fees

We generally do not charge performance fees directly for the Fund. Where an investment manager is appointed to manage a part of the Fund's assets directly or indirectly (for example through an underlying fund), and charges a performance fee, this is referred to as a performance-related fee and is included in indirect costs.

Generally, performance-related fees will only be charged by an investment manager when its investment return outperforms a specific performance hurdle return. A performance hurdle return is typically a specified percentage above a benchmark index. Usually, any prior underperformance must be made good before the investment manager qualifies for a performance-related fee. The amount of any performance-related fee is calculated as follows:

|                             |   |                |   |   |
|-----------------------------|---|----------------|---|---|
| Performance<br>-related fee | x | Outperformance | x | Average daily<br>value of the<br>investment<br>manager's<br>portfolio for the<br>period |
|-----------------------------|---|----------------|---|---|

The performance-related fee rate for an investment manager typically ranges from 0%–20% of outperformance over the relevant benchmark or its performance hurdle and are generally paid at least annually (performance period).

Performance-related fees affect the return on the Fund's investments and therefore the value of your investment.

A performance-related fee may still be payable where the Fund's overall performance has declined over the performance period. This is because one or more investment managers within the Fund may have outperformed the benchmark or their performance hurdle over that period.

Where an investment manager's cumulative performance for a period is less than the benchmark or its performance hurdle, this underperformance may be carried forward to the following period and no further performance-related fees will be either reflected in the unit price or paid in respect of an investment until the underperformance is recouped.

In rare circumstances, such as where there's a large withdrawal from the Fund or where an investment manager is replaced, any negative performance-related fee accrual (representing underperformance) may be reset to zero or a lower amount that we believe is appropriate. We don't expect a negative accrual to be reset solely due to a sustained period of poor performance or weak market conditions.

The estimated performance-related fees included in the management costs have been calculated by using the performance-related fees paid, or using performance-related fee information provided to us by an investment manager of an underlying fund. The more exposure a Fund has to an underlying investment that charges performance-related fees, the greater the potential impact that this will have on your investment in that Fund.

### 8.2.4 Advice related fees

You and your financial adviser may negotiate for them to receive an ongoing investor advice fee. You can choose for this amount to be deducted from your investment in one of two ways:

1. A flat percentage per annum of your total investment value; or
2. A flat dollar amount.

For retail investors only, the adviser remuneration fee can only be a flat dollar remuneration if borrowed monies have been invested.

We'll deduct this fee and pay it to your financial adviser on your behalf if you complete the relevant section of the application form.

If you want to terminate this fee at any time, all you need to do is send us written confirmation.

If the agreement between you and your adviser in relation to an ongoing investor advice fee terminates, it is your obligation to inform Advance. Unless we are notified that the agreement has been terminated, fee payments to your adviser will continue and Advance is not liable for any such amounts or loss incurred.

### 8.2.5 Payments to platforms

From the fees we receive, we may pay (at our discretion) amounts to any IDPS operators, master trusts or other investment administration services (platform) through which the Fund is made available. This may take the form of product access payments (as a flat dollar amount pa) for administration and investment related services.

The amount of these payments may change during the life of the PDS of the Fund. As these amounts are paid by us out of our own resources, they are not an additional cost to you.





## 9. How the Fund works

When you invest your money in the Fund, your money is pooled together with other investors' money. We use this pool to buy investments and manage them on behalf of all investors in the Fund.

So you know what your share of the Fund is worth, we divide the total value of the net assets in the Fund into 'units'. We'll issue a price for each unit and we'll keep a record of the number of units you've bought. If you invest in the Fund you'll be invested in wholesale units.

You can increase your units by reinvesting distributions or making an additional investment, or decrease your units by making a withdrawal.

### 9.1 Unit prices

Generally, unit prices are calculated each Business Day for the preceding Business Day. A Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for business in Sydney. The unit price will change as the market value of assets in the Fund rises or falls. Assets and liabilities of the Fund for the purposes described in this PDS are valued in accordance with the Fund's constitution.

Entry prices are generally higher than exit prices due to the costs of buying and selling the underlying assets in the Fund. The difference is called the 'buy-sell spread'. There is no buy-sell spread on distributions that are reinvested.

### 9.2 Valuing your investment

At any time, the value of your investment is calculated by multiplying the number of units you hold in the Fund by the Fund's current withdrawal unit price, as follows.

|                          |   |                      |   |                       |
|--------------------------|---|----------------------|---|-----------------------|
| Value of your investment | = | Number of units held | x | Withdrawal unit price |
|--------------------------|---|----------------------|---|-----------------------|

We determine the unit price for the Fund each Business Day by dividing the net asset value of the assets in the Fund by the number of units on issue (adjusted for any transaction costs if applicable).

Unit prices are calculated to four decimal places. The daily unit price reflects changes in the value of underlying investments held in the Fund (and therefore may rise and fall), plus investment income, less management costs and any taxes we're required to deduct.

Assets are valued in accordance with asset valuation policies and procedures. In order to enable their independent valuation, prices for securities are independently sourced. Recognised pricing providers are used to enable unbiased valuations of securities. If, for any reason, security prices are not readily available through primary sources, secondary sources of security prices may be sourced to verify certain security valuations.

Exchange traded assets are valued at their market value, ie the prices published on the relevant market exchanges on which the assets are bought and sold.

Non-exchange traded assets are typically valued using a valuation method that is independently verifiable. These valuations are typically sourced by JP Morgan from independent third party valuation providers. In some rare instances, independent valuations may not be available, such as when there is a disruption to the information necessary to value a security or when there is a lack of market information at the time to price the security such as when a new security is issued for the first time. In these instances, an alternative price source may be used. This may include sourcing the underlying manager's calculated security price. Where an underlying manager's calculated security price is used, the calculation is reviewed by

Advance to ensure that it is appropriate. This review process may include liaising with experts within the Westpac Group, ensuring the models used by the underlying manager is mathematically correct, and comparing the price with actual prices when released. Nil security prices may also be adopted until sufficient market information exists to value the security if the exposure to the security is low and is expected to have minimal impact to the unit price of the Fund.

Where the valuation of fund assets and liabilities cannot be reliably determined, unit prices are not calculated until the valuations can be obtained. The valuations are used to determine the value of the Fund's assets and unit price. Therefore, unit prices may change daily. Any discretion involved in applying the method for determining the unit price is exercised in line with a documented policy.

### 9.3 Minimum initial investment

The minimum initial investment in the Fund is \$5,000. If you're investing in multiple Advance Investment Funds, the combined minimum initial investment is \$5,000, subject to a minimum of \$1,000 in each Fund. If you're establishing a regular savings plan the minimum initial investment in the Fund is lowered to \$1,500.

### 9.4 Additional investments

You can add to your investment in several ways.

- > Use your financial institution's BPAY® facility. You can find the Fund's Biller Code and Reference Number on [advance.com.au](http://advance.com.au).
- > Use direct debit at Investor *Online*. Please refer to the direct debit and regular savings plan request form available on the forms page at [advance.com.au](http://advance.com.au) or by calling Customer Relations on 1800 819 935 for the terms and conditions.
- > Establish a regular savings plan.
- > Send a cheque made payable to 'Advance Asset Management Limited - a/c [Investor name(s)]' with a completed additional investment request form available on the forms page at [advance.com.au](http://advance.com.au) or by calling Customer Relations on 1800 819 935.

The PDS for the Fund may be updated or replaced from time-to-time. You can request a copy of the latest PDS free of charge at any time by calling Customer Relations on 1800 819 935 or by accessing it on [advance.com.au](http://advance.com.au).

### 9.5 Withdrawals

Investors in the Fund can submit a withdrawal request for part or all of their units at any time. There are various ways to submit the withdrawal request and the timeframes involved can vary.

#### 9.5.1 How to withdraw

You can submit a withdrawal request in several ways:

- > Use Investor *Online* via [advance.com.au](http://advance.com.au) (only if you've already supplied us with your bank account details in writing [not faxed]).
- > Fax<sup>1</sup> a letter or completed withdrawal request form, available at [advance.com.au](http://advance.com.au) or by calling our Customer Relations team on 1800 819 935, to the fax number on the front cover of this booklet.
- > Mail a letter (including full details of your bank account and BSB number) or completed withdrawal request form, available at [advance.com.au](http://advance.com.au) or by calling our Customer Relations team on 1800 819 935, to the postal address on the front cover of this booklet.

\* Registered to BPAY Pty Ltd ABN 69 079 137 518.

1. This option is available if you have not previously opted out of giving instructions by fax.

We'll generally pay withdrawals to your nominated bank account within five Business Days, or within 14 Business Days if you choose to receive a cheque. The constitution permits up to 21 Business Days for satisfying withdrawal requests and we do not have an obligation to satisfy withdrawal requests within a shorter withdrawal period.

In certain circumstances, such as a freeze on withdrawals or where the Fund is illiquid (as defined in the Corporations Act), you may have to wait a longer period of time before you can redeem your investment.

If the Fund becomes illiquid (as defined in the Corporations Act), investors will only be able to withdraw from the Fund if we make an offer of withdrawal. If we do make such an offer, investors may only be able to withdraw part of their investment. There is no obligation for us to make such an offer. Under the Corporations Act, the Fund is regarded as liquid if liquid assets account for at least 80% of the value of the assets of the Fund.

Please be aware of the following:

- > You may only request a withdrawal for less than \$1,500 if it's for the entire balance of your investment in the Fund
- > Cheques and bank accounts must be in the name(s) of the investor(s), and
- > Withdrawals are paid in Australian dollars.

We'll deduct any taxes, duties or other applicable costs from the amount we pay you as required or permitted by legislation.

We'll divide your dollar withdrawal amount by the current withdrawal unit price on the day your withdrawal is processed to determine the number of units to be redeemed.

### 9.5.2 Regular withdrawal plan

#### Regular withdrawal plan

If you prefer the certainty of regular income, and you maintain a minimum balance of \$5,000 in the Fund, you can use the regular withdrawal plan to nominate a fixed amount to be paid from your investment directly into your nominated bank account at the end of the Fund's distribution period.

To establish a regular withdrawal plan, simply nominate an amount and include your bank account details in the relevant sections of the application form. Alternatively you can complete a regular withdrawal plan request form available on the forms page at [advance.com.au](http://advance.com.au) or by calling Customer Relations on 1800 819 935.

If, for any distribution period:

- > your distribution exceeds your nominated payment, then the surplus is reinvested
- > your nominated payment exceeds your distribution, then the shortfall is withdrawn from your investment
- > no distribution is made, your nominated payment will still be made by withdrawing the relevant amount from your investment.

Payments are generally made within 10 Business Days after the end of the distribution period. Transactions to reinvest any surplus or withdraw any shortfall are effective the first day after each distribution period, using prices for the last Business Day of the relevant distribution period, adjusted to exclude the income to be distributed for the period.

Any withdrawals made under the regular withdrawal plan will decrease your capital and may have capital gains tax (CGT) implications. You can change or cancel this facility by contacting us at least seven Business Days before the end of the relevant Fund's distribution period, otherwise the change may not be effective until the following distribution period.

### 9.5.3 Restrictions on withdrawals

In some circumstances we may need to withdraw all your units and close your investment in the Fund. This can occur if a withdrawal reduces your balance below the minimum allowed. We have the right to withdraw all or part of your units from your investment at any time at our discretion, at the withdrawal unit price applicable on the day.

In unusual circumstances, such as significant withdrawals occurring in the Fund, we may, at our absolute discretion, make a special distribution other than the end of a distribution period to all investors. This is to ensure that the taxable income of the Fund is distributed equitably among the unit holders in the Fund who remain at the end of the distribution period and those who withdraw prior to the end of the distribution period.

Under the Fund's constitution, we may suspend withdrawals in unusual circumstances, such as where it's impractical to process withdrawals (for example where financial markets are closed or their operation is significantly impacted) or where we otherwise consider it to be in the best interests of unit holders. We will notify you in writing if this occurs.

For withdrawals lodged during a suspension period, we'll calculate and pay withdrawal values as if the withdrawal was lodged immediately after the end of the suspension.

### 9.6 How we process transactions

Generally, if we receive your correctly completed application and monies or a correctly completed withdrawal request before 4pm (Sydney time) on a Business Day, it will be processed with the unit price calculated for that day. Where we receive correctly completed documentation and monies (where applicable) after 4pm (Sydney time) on a Business Day, it will be processed using the unit price determined for the following Business Day.

### 9.7 Distributions

The Fund generally pays distributions quarterly and under certain circumstances may pay special distributions.

Distributions are generally calculated based on the Fund's net income at the end of the distribution period divided by the number of units on issue. Net realised capital gains are generally distributed in the final distribution of the financial year.

#### 9.7.1 Distribution payment details

Distribution payments are generally made within 10 Business Days after the end of the distribution period. However, where the timing of payments is expected to exceed 10 Business Days, information on the proposed date will generally be available on [advance.com.au](http://advance.com.au). Distributions are automatically reinvested unless you instruct us in the application form to pay distributions by direct credit into your nominated bank account.

The amount of income you receive is calculated according to the number of units you hold in the Fund as a proportion of the total number of units on issue in the Fund at the end of the distribution period, regardless of how long you've held them. There may be times when the Fund doesn't generate enough income in a distribution period to pay a distribution.

Any net realised capital gains are usually only distributed at the end of the financial year; however, we may use our discretion to distribute those amounts at the end of any distribution period.

### 9.7.2 Reinvesting distributions

Distributions are automatically reinvested unless you instruct us otherwise in the application form. Reinvesting your distributions is a way of compounding your investment returns and building your wealth. This means your distribution income is used to buy more units in the Fund, so your initial investment may grow more quickly by compounding. Distribution reinvestment is normally effective the first day following the end of the distribution period.

### 9.8 Indirect investors

We authorise the use of this PDS as disclosure to people who wish to access the Fund indirectly through an Investor Directed Portfolio Service (IDPS), IDPS-like scheme, or a nominee or custody service (collectively referred to as master trusts or wrap accounts).

An investment in the Fund offered under this PDS through a master trust or wrap account does not entitle you to a direct interest in the Fund. This means the rights that apply to someone who invests directly in the Fund are not available to you, but rather to the operator or custodian of the master trust or wrap account. The operator or custodian of the master trust or wrap account will be recorded in the register as the investor, and will be the person who exercises the rights and receives the benefits of an investor.

### 9.9 Key service providers

In addition to the investment managers, the key service providers to the Fund are set out in the table below.

|                                    |   |
|------------------------------------|---|
| <b>CUSTODIAN AND ADMINISTRATOR</b> | JP Morgan has been appointed as custodian and administrator for the Fund and is responsible for the safekeeping of the custodially held assets of the Fund, as well as providing certain accounting and administration services in accordance with service agreements entered into by it with the Responsible Entity. |
| <b>AUDITOR</b>                     | PwC of One International Towers, Sydney Barangaroo NSW 2000 has been appointed as the external auditor of the financial statements of the Fund. In addition, an individual partner of PwC acts as the auditor of the Fund's compliance plan.  |

The service providers listed in the table above have provided their consent to being named, and statements about them being included, in this document. They have not withdrawn this consent before the date of this document.

No service provider has authorised or caused the issue of this PDS or made any statement that is included in this PDS or any statement on which a statement in this PDS is based, except as stated above. Other than stated above, each service provider expressly disclaims and takes no responsibility for any statements in, or any omissions from, this PDS. This applies to the maximum extent permitted by law but doesn't apply to any material to which the consent given above relates.

### 9.10 Monitoring of key service providers

The Responsible Entity regularly monitors the performance of each investment manager and their obligations under the relevant IMA. This is typically monitored through various and regular written reports provided by the investment managers to Advance, compliance checks, and relationship and investment meetings undertaken via telephone conferences and on-site visits.

Advance also has procedures in place for monitoring the key service providers in the table above. A service level agreement is in place with the custodian and periodic reviews are typically conducted to ensure compliance with service level obligations. Other regular monitoring methods include performance assessments, review of compliance and audit reports and meetings.



## 10. How managed investment schemes are taxed

You should note that investing in the Fund is likely to have tax consequences. Investing in the Fund may also affect your entitlement to pension or other social security benefits. We strongly advise that you seek independent professional tax advice before investing in the Fund.

The following information is a general summary only and shouldn't be relied upon as a complete statement of all relevant laws. This information is provided as a general overview of how these tax laws apply to you. The application of these laws depends on your individual circumstances. This information applies to Australian resident investors unless otherwise specified.

### 10.1 Tax position of the Fund

The Fund attributes all of the taxable income, including realised net capital gains and tax credits (if any), to investors each year on a fair and reasonable basis, having regard to the members' rights under the constituent documents. As such, the Fund should not be subject to income tax.

If, for any reason, there is income within the Fund which has not been attributed to any investor, the Fund may be taxed at the highest marginal tax rate in respect of this income.

### 10.2 Taxation of unit holders

Income attributed to you may form part of your assessable income. This is the case regardless of whether the income is distributed to you in cash.

The components are provided annually in the tax statement issued by the Fund and is accompanied by a tax guide, which is designed to assist you and (if applicable) your taxation consultant in preparing your tax return.

The tax you pay will depend on the composition of the components. The components can be made up of:

- > Assessable income, such as dividends and interest
- > Net realised capital gains (including CGT concession amounts, if any)
- > Tax credits, such as franking credits attached to dividend income and foreign income tax offsets
- > Non-taxable distributions, such as a return of capital or tax-deferred amounts.

If franking credits or foreign income tax offsets are included in your components, you must determine your entitlement based on your individual circumstances. Income attributed to you that is not distributed to you in cash will generally increase the cost base of your units.

### 10.3 Capital gains tax (CGT)

Under the CGT provisions, you may realise capital gains or losses when you dispose of your investments. Individuals, trusts and complying superannuation entities may be entitled to the CGT discount when disposing of units that have been held longer than 12 months.

Any realised capital gains that you derive from the disposal of your investments and/or distribution from the Fund may be offset against realised capital losses to determine your net capital gain or loss for the year. Any 'discounted capital gains' must be grossed up prior to being offset against capital losses. To the extent there is a net capital loss for the year, this loss may be carried forward to future years and offset against any future capital gains.

Certain investors (eg share traders), may be liable to pay tax on any gains made on the disposal of units as ordinary income, in which case the CGT provisions may not apply.

### 10.4 Non-resident investors

If you're not an Australian resident for tax purposes, we may withhold tax on income attributed to you for the year, regardless of whether the income is distributed to you in cash. The applicable rate of tax will vary depending on a number of factors, including the type of the component and your country of residence for tax purposes.

### 10.5 Quoting your tax file number

In the application form we ask for your tax file number (TFN).

It isn't an offence if you don't provide a TFN, however it's important to be aware that if you don't provide us with a TFN, an Australian Business Number (ABN), or an exemption reason, we may be required to withhold tax from your distributions at the highest marginal tax rate, plus the Medicare levy, to meet Australian tax requirements.

If you're exempt from providing a TFN you should write the reason for your exemption on the application form.

Australian companies and other entities that invest in the course or furtherance of their registered business can supply their ABN to us instead of their TFN.



## 11. How to apply

You should follow these steps to invest in the Fund:

1. Before completing the application form you should read the entire PDS to ensure the Fund meets your needs.
2. Complete the application form and the relevant customer identification form available from the forms page at [advance.com.au](http://advance.com.au) or by calling our Customer Relations team on 1800 819 935. Payment details and methods are available with the application form. Cheques should be made payable to 'Advance Asset Management Limited – a/c Investor name(s)'.
3. You should mail your completed forms to:

Advance Asset Management Limited  
GPO Box B87  
Perth WA 6838.

We may decline to accept any application for units in our sole discretion, without giving reason.

If you're a retail investor (as defined in the Corporations Act) investing directly in the Fund, you have a 14 day cooling-off period to confirm the investment meets your needs. If you exercise your cooling-off rights, we'll return your money to you; however, the amount we return may be different to your original investment. The amount may be higher or lower to reflect market movements and this may have tax implications for you. The amount returned will also be impacted by the deduction of reasonable transaction and administrative costs incurred by us or any other amount that may be deducted by us under the legislation. The 14 day cooling-off period commences on the earlier of:

- > The end of the fifth Business Day after we issue the units to you; or
- > Within 14 days from the date you receive confirmation of your transaction.

If you're not satisfied with us, please contact us and we'll do our best to resolve the matter quickly and fairly. If we don't resolve your complaint to your satisfaction, you can refer the complaint to the independent Financial Ombudsman Service (FOS) by calling 1300 780 808, or write to FOS at: GPO Box 3, Melbourne VIC 3001.

### 11.1 Cooling-off period

Once you notify us that you wish to exercise your right to have your investment returned, we must pay the proceeds into a bank account in your name or send them to you by cheque. You can send your request in writing by mail or by fax (we can't accept new bank account details by fax).

If you do make a request for the return of your investment, the amount repayable to you under the cooling-off provisions may be less than the amount you paid for your investment. The amount may be higher or lower to reflect market movements and will be refunded after deduction of any taxes payable, reasonable transaction and administrative costs incurred by us or any other amount that may be deducted by us under the law.

Cooling-off rights will not apply to distribution reinvestments, switches or additional investments including those made under the regular savings plan, or where a right is exercised in relation to your investment during the cooling-off period.

## 12. Other information

### 12.1 Continuous disclosure obligations

The Fund is subject to regular reporting obligations. Copies of documents lodged with the Australian Securities and Investments Commission (ASIC) may be obtained from, or inspected at, an ASIC office. You can also call us to obtain copies of the following documents, free of charge:

- > The most recent annual financial report lodged with ASIC for the Fund;
- > Any half year financial reports for the Fund lodged with ASIC after the lodgement of the above annual financial report and before the date of the PDS (if applicable); and
- > If the Fund becomes a disclosing entity, any continuous disclosure notices we place online at [advance.com.au](http://advance.com.au) or have lodged with ASIC.

### 12.2 The constitution

The Fund is governed by the constitution which sets out rules covering the following:

- > Our powers, rights and duties as the Responsible Entity (including the right to fees, recovery of expenses and indemnification);
- > Our remuneration;
- > Unit holders' rights (see Section 12.3 below) and obligations;
- > Liability of unit holders and the Responsible Entity;
- > Issue and redemption of units;
- > Distributions and distribution reinvestment;
- > Authorised investments of the Fund;
- > How assets and liabilities of the Fund are valued;
- > How the net asset value of the Fund is determined;
- > How the Fund may be terminated;
- > How we may be removed or replaced as Responsible Entity; and
- > Our ability to set the minimum investment for the Fund.

We may vary the constitution without unit holders' consent if we, as the Responsible Entity, reasonably believe the variation will not adversely impact unit holders' rights. Otherwise we must obtain unit holders' approval in accordance with the legislation. You can view a copy of the constitution for the Fund at our registered office during business hours or you can request a copy free of charge from our Customer Relations team on 1800 819 935.

### 12.3 Unit holder rights

Your rights as a unit holder in the Fund are governed by the constitution for the Fund and the legislation.

This includes the right to:

- > Receive distributions (where applicable)
- > Receive copies of accounts and other information for the Fund
- > Attend and vote at unit holder meetings
- > Receive your share of distributions if the Fund is terminated
- > Transfer units to any other person, and
- > Pass units to a surviving joint holder by Will or otherwise to your estate.

You don't have the right to participate in the management or operation of the Fund.

Under the Fund's constitution, your liability is limited to the amount invested in the Fund.

### 12.4 Roles and responsibilities of an appointed representative

If you wish to appoint someone else (such as a financial adviser, relative or solicitor) to look after your investment on your behalf, the following conditions apply.

- > Generally, your appointed representative can do everything you can do with your investment except appoint another authorised representative. If your authorised representative is your financial adviser, their authority is limited, and they can't change any fees or alter payment/distribution bank account details.
- > To cancel your authorised representative you must give us seven Business Days written notice.
- > To the maximum extent permitted by law, you release and indemnify us and any other member of the Westpac Group from and against all liability which may be suffered by you or by us, or brought against us or any other member of the Westpac Group in respect of any acts or omission of your authorised representative, whether authorised by you or not (except to the extent directly arising from our own dishonesty, breach of trust, fraud or wilful default (as applicable)).

If you appoint a company as your agent, any director of that company, or any employee authorised by the board of directors, can act under your agent's authority. Similarly, if you appoint a partnership as your agent, any of the partners can act under the authority.

### 12.5 Related party transactions and conflicts of interest

The Fund may invest in other funds of which we, or a related entity, are trustee, Responsible Entity or manager (related funds). There's no limit on the level of investment in related funds.

Subject to the constitution of the Fund, we may appoint any of our related entities (including Westpac Banking Corporation) to provide services (including banking services) or perform functions in relation to the Fund, including acting as our delegate. We may also enter into financial or other transactions with related entities in relation to the assets of the Fund and may sell assets of the Fund to, or purchase assets from, a related entity. A related entity is entitled to earn fees, profits or other benefits in relation to any such appointment or transaction and to retain them for its own account. Such arrangements will be based on arm's length terms or as otherwise permissible under the law.

In the course of managing the Fund, we may face conflicts in respect of our duties in relation to the Fund, related funds and our own interests. We'll resolve such conflict fairly and reasonably, and in accordance with the law, ASIC policy and our own policies.

### 12.6 Our relationship with Westpac

When we refer to 'Westpac Group', we mean Westpac Banking Corporation and its related bodies corporate, including Advance. Entities within the Westpac Group may provide certain advisory and administrative services to us such as registry, investor reporting, the Investor Online service and the Advance website. Any fees we pay to these service providers are paid by us out of our management fee and are not an additional charge to you. We may also place the Fund's cash on deposit with the Westpac Group.

### 12.7 Consents

Standish, Kapstream, BTIM, JP Morgan and PwC have consented to being named in this PDS, to statements about them being included based on information they have provided, in the form and context in which they have been included, and they haven't withdrawn this consent before the date of these documents.



## 12.8 Protecting your privacy

### Why we collect your personal information

We collect personal information from you to process your application, provide you with your product or service, and manage your product or service. We may also use your information to comply with legislative or regulatory requirements in any jurisdiction, prevent fraud, crime or other activity that may cause harm in relation to our products or services, and help us run our business. We may also use your information to tell you about products or services we think may interest you.

If you don't provide all the information we request, we may need to reject your application, or we may no longer be able to provide a product or service to you.

### How we collect your personal information

We may collect your information from many places including correspondence with you, your adviser, our telephone calls with you or you using our website or emailing us. We may also collect your information from other members of the Westpac Group or from a service provider engaged to do something for us or another member of the Westpac Group. Our service providers typically include custodians, investment administrators, information technology advisers, mail-houses, auditors, legal advisers and consultants.

### Disclosing your personal information

We may disclose your personal information to other members of the Westpac Group, anyone we engage to do something on our behalf such as a service provider, and other organisations that assist us with our business. We may also disclose your personal information to any complaints body to which a complaint relating to this product or service is referred, or to any person who acts on your behalf in relation to your investment, such as your financial adviser, solicitor or accountant.

We may disclose your personal information to an entity which is located outside Australia. Details of the countries where the overseas recipients are likely to be located are in the Advance Privacy Policy.

As a provider of financial services, we have obligations to disclose some personal information to government agencies and regulators in Australia, and in some cases offshore. We are not able to ensure that foreign government agencies or regulators will comply with Australian privacy laws, although they may have their own privacy laws. By using our products or services, you consent to these disclosures.

### Other important information

We are required or authorised to collect personal information from you by certain laws. Details of these laws are in the Advance Privacy Policy.

The Advance Privacy Policy is available at [advance.com.au](http://advance.com.au) or by calling 1800 819 935 or by emailing [investorservices@advance.com.au](mailto:investorservices@advance.com.au). It covers:

- > how you can access the personal information we hold about you and ask for it to be corrected
- > how you may make a complaint about a breach of the *Privacy Act 1988* (Cth) or a registered privacy code, and
- > how we will deal with your complaint, and how we collect, hold, use and disclose your personal information in more detail.

The Advance Privacy Policy will be updated from time to time.

Where you have provided information about another individual, you must make them aware of that fact and the contents of this Privacy Statement.

We will use your personal information to contact you or send you information about other products and services offered by the Westpac Group or its preferred suppliers. Please call us on 1800 819 935 if you don't wish to receive marketing communications from us.

## 12.9 Our reporting obligations

We are required to identify tax residents of countries other than Australia in order to meet account information reporting requirements under local and international laws.

If at any time after account opening, information in our possession suggests that you, the entity and/or any individual who holds ownership and/or control in the entity of 25% or more (Controlling Person/Beneficial Owner) may be a tax resident of a country other than Australia, you may be contacted to provide further information on your foreign tax status and/or the foreign tax status of the entity and/or any Controlling Person/Beneficial Owner. Failure to respond may lead to certain reporting requirements applying to the account.

By completing the application you certify that if at any time there is a change to the foreign tax status details for you, the entity and/or any controlling persons/beneficial owner, you will inform us. You also certify that if at any time there is a change of a controlling person or beneficial owner in your entity, you will inform us.

A controlling person/beneficial owner refers to an individual that directly or indirectly owns a legal interest in the entity of 25% or more and/or exercises actual effective control over the entity, whether from an economic or other perspective such as through voting rights. In addition, in the case of a trust, a controlling person/beneficial owner includes any settlors, trustees, appointers, protectors, beneficiaries or classes of beneficiaries and in the case of an entity other than a trust, the term includes persons in equivalent or similar positions.

### 12.10 Anti-money laundering, counter-terrorism financing and sanctions obligations

We are bound by laws about the prevention of money laundering and the financing of terrorism as well as sanctions obligations, including the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF laws).

By investing in the Fund you agree that:

- > We are required to carry out procedures that verify your identity before providing services to you, and from time to time thereafter.
- > You are not investing in the Fund under an assumed name.
- > Any money you invest is not derived from or related to any criminal activities.
- > Any proceeds will not be used in relation to any criminal activities.
- > You will not initiate, engage in or effect a transaction that may be in breach of AML/CTF laws or sanctions (or the law or sanctions of any other country).
- > If we ask, you will provide us with any additional information we may reasonably require for the purposes of AML/CTF laws or sanctions. This could include information about you, your estate, about anyone acting on your behalf, or a holder of a beneficial interest in the investment, or the source of funds used in connection with the investment.
- > We may obtain information about you, your estate, anyone acting on your behalf, a holder of a beneficial interest in the investment or the source of funds used in connection with the investment from third parties if we believe this is necessary to comply with AML/CTF laws or sanctions.
- > In order to comply with AML/CTF laws and sanctions, we may be required to take action, including delaying or refusing the processing of any application or any transaction related to your investment if we believe or suspect that the application or transaction may breach any obligation of, or cause us to commit or participate in an offence under any AML/CTF laws or sanctions. We will not incur any liability in doing so.
- > Where legally obliged to do so, we may disclose the information gathered to regulatory and/or law enforcement agencies or other entities. We may share this information with other members of the Westpac Group.



We can close your investment without notice if we have reasonable grounds to suspect that there is a breach of any of the conditions set out above, such as:

- > unsatisfactory conduct by you, or
- > failure by you to provide required information and documentation as requested within a stipulated time period, or
- > any other reason in order to manage appropriately the risks which we are exposed to (including the risk of damage to our reputation).

## 12.11 Fax instruction service conditions

We offer a fax instruction service so you can send us instructions for your investment by fax.

To the maximum extent permitted by law, you agree that by using this service you release us and indemnify us against all claims, losses, damages and liabilities arising from or in connection with any payment we make, or action we take, based on any fax instruction (even if not genuine) that we receive which contains your name and a signature which appears to be yours, or that of an authorised signatory on your investment (except to the extent directly arising from our own dishonesty, breach of trust, fraud or wilful default (as applicable)).

As there's a risk of fraudulent fax withdrawal requests by someone who has access to your investor number and your signature, you need to exercise caution.

We reserve the right to add additional requirements to the fax conditions at any time. We may vary or introduce additional requirements to these conditions at any time:

- (a) without prior notice having regard to:
  - (i) the law or
  - (ii) the integrity or security of the fax instruction service or
- (b) with prior notice, where we otherwise reasonably consider the change to be necessary or desirable.

## 12.12 Appropriate use of our services

1. You agree that your use of the services we provide will not breach any law of Australia or any other country.
2. Where we reasonably consider it necessary to meet our regulatory and compliance obligations:
  - (a) you must promptly provide us with any information we reasonably request
  - (b) we'll disclose information we hold to regulatory and law enforcement agencies, other financial institutions, third parties and members of the Westpac Group and
  - (c) we may delay, block or refuse to provide any of our services.

We won't be liable to you or any other person for any loss or damage of any kind that may be suffered as a result of us exercising our rights under this clause (except to the extent directly arising from our own dishonesty, breach of trust, fraud or wilful default (as applicable)).

## 12.13 Reporting on your investments

For investors indirectly accessing the Fund through a master trust or wrap account, please contact your provider for information on reports you will receive.

The following key information is provided to investors who invest directly in the Fund, on at least an annual basis. The information will also be available at [advance.com.au](http://advance.com.au):

- > The actual allocation to each asset type;
- > The liquidity profile of Fund assets as at the end of the 12 month period;
- > The maturity profile of the liabilities as at the end of the 12 month period;
- > The leverage ratio as at the end of the 12 month period;
- > The annual investment returns of the Fund since its inception; and
- > Any changes to the key service providers since the previous report, including any change in their related party status.

The following key information is disclosed through the monthly fact sheet for the Fund, which is available at [advance.com.au](http://advance.com.au):

- > The current total net asset value of the Fund and the withdrawal unit price as at the date the net asset value was calculated;
- > Any changes to the key service providers since the latest report given to investors, including any change in their related party status; and
- > For each of the following matters since the last report on those matters:
  - The net return on the Fund's assets after fees, costs and taxes;
  - Any material change in the Fund's risk profile;
  - Any material change in the Fund's strategy; and
  - Any change in the individuals playing a key role in investment decisions for the Fund.

Below is a summary of the additional statements you will be provided with when you invest directly in the Fund.

### Confirmations

You will receive an investment confirmation each time you invest in or redeem from the Fund.

### Distributions

You will receive a distribution statement each time the Fund distributes.

### Quarterly statements

You will receive an investment statement at the end of each quarter with details of any transactions you made over the quarter.

### Annual investment statements and exit statements

If you are a retail investor, you will receive an annual investment statement setting out information in relation to your investment since the last annual statement, including details of the return on your investment in the Fund and any transactions affecting your investment in the Fund. If you are a retail investor, you will receive an exit statement within 6 months of exiting the Fund.

### Tax statement

We will provide you with an annual tax statement in relation to your investments in the Fund.

## 12.14 Disclosing entity

A fund is a disclosing entity, for the purposes of the Corporations Act 2001, if it has more than 100 investors. Where this is the case we will comply with our continuous disclosure obligations under the law by publishing material information about the Fund at [advance.com.au](http://advance.com.au), in accordance with ASIC's good practice guidance for website disclosure. We encourage you to regularly check our website for new information that may be relevant to your investment.

Where the Fund is a disclosing entity we will be subject to regular reporting and continuous disclosure obligations. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office. You can also call us to obtain copies of the following documents, free of charge:

- > The most recent annual financial report lodged with ASIC for the Fund.
- > Any half year financial reports for the Fund lodged with ASIC after the lodgement of the above annual financial report and before the date of the PDS (if applicable).
- > Any continuous disclosure notices we place online at [advance.com.au](http://advance.com.au) or have lodged with ASIC.

## 12.15 Updated information

Information in this PDS is subject to change from time-to-time. We can change matters which are the subject of representations made in the PDS (for example, about administrative matters or fees and charges). For information that is not materially adverse, such as change of investment managers or minor changes to asset allocations for a Fund, we may update such information by placing it on our website at [advance.com.au](http://advance.com.au). You may request a paper copy of any updated information at any time, free of charge by:

- > Contacting your master trust or wrap account operator (for indirect investors);
- > Contacting your financial adviser; or
- > Calling our Customer Relations team on 1800 819 935.

## Glossary

BNY Mellon Australia – BNY Mellon Investment Management Australia Ltd

BTIM – BT Investment Management (Institutional) Limited

Business Day – a day other than a Saturday, Sunday or public holiday, on which banks are open for business in Sydney

Derivative – a financial contract whose value is derived from the performance of underlying asset, reference rate or index. Examples include options contracts, futures contracts, options on futures contracts and swap agreements

Forward Contract – A forward contract is an agreement between two parties to buy or sell an asset at a specified future time at a price agreed upon today. Most forward contracts are non-exchange traded

Fund – Advance Defensive Yield Multi-Blend Fund

Futures – a contractual agreement to buy or sell a particular commodity or financial instrument at a pre-determined price in the future

Hedge Fund – an actively managed fund that can go short as well as long and typically uses derivatives and leverage to maximise alpha

ISDA – the ISDA master agreement is the most commonly used master contract for OTC derivative transactions internationally and is published by the International Swaps and Derivatives Association

JP Morgan – JP Morgan Chase Bank, N.A. (Sydney Branch) ABN 43 074 112 011

Kapstream – Kapstream Capital Pty Ltd

Leverage – the use of various financial instruments or borrowed capital to increase the potential return of an investment

Modified Duration – the approximate percentage sensitivity to changes in the value of the Fund relating to changes in interest rates

Options – An option contract offers the buyer the right, but not the obligation, to buy (call option) or sell (put option) a security (such as shares in company) or other financial asset at a specified price within a specified time period

Options can be either exchange-traded (standardised) contracts or over-the-counter (customised contracts) that are privately negotiated with a counterparty

PwC – PricewaterhouseCoopers

Responsible Entity – Advance Asset Management Limited

Standish – Standish Mellon Asset Management Company LLC

Swap – A swap is a derivative in which counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument. In the case of a swap involving two bonds, the cash flows in question can be the periodic interest (or coupon) payments associated with the bonds. Contrary to a future, a forward or an option, the notional amount of a swap is usually not-exchanged between counterparties (ie swaps are over-the-counter derivatives)

Swaption – A swaption gives the owner the right but not the obligation to enter into a swap

Westpac – Westpac Banking Corporation

Westpac Group – Westpac Banking Corporation and its subsidiaries

## Contact details

If you have any questions or would like more information about Advance Defensive Yield Multi-Blend Fund you can contact us in the following ways.

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