



**WALSH BAY PARTNERS  
DIVERSIFYING ALTERNATIVES  
FUND**

**INFORMATION MEMORANDUM  
31 AUGUST 2022**

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## IMPORTANT INFORMATION

### Issue of information memorandum

This Information Memorandum (**IM**) is dated 31 August 2022 and is issued by Evolution Trustees Limited ACN 611 839 519 (**Trustee**) AFS licence number 486217, which is the trustee for Walsh Bay Partners Diversifying Alternatives Fund ABN 69 827 532 218 (**Fund**). This IM contains general information for prospective investors about the Fund.

The Trustee has appointed Walsh Bay Partners Pty Ltd ACN 160 258 097 (**Manager**) AFS licence number 487878 as the manager of the Fund. The Manager's role includes the general management of the Fund and the investment management of the Fund.

### Guide only and limited availability

This IM is intended to provide potential investors with general information only as guide to investing in the Fund. The IM does not constitute a product disclosure statement or other disclosure document required by the *Corporations Act 2001* (Cth) (**Act**). This IM has not been lodged with the Australian Securities and Investments Commission (**ASIC**) or any other government body.

An investment in the Fund is only available for persons who qualify as wholesale clients (as defined in section 761G(7) of the Act) or sophisticated investors (as defined in section 761GA of the Act), (collectively, **Qualifying Investors**). The Trustee will not issue an interest in the Fund to a person unless it is satisfied the person is a Qualifying Investor.

Being a guide, neither the Trustee nor the Manager nor any of their officers, employees or representatives, make any representation that the IM is relevantly complete for any Investor. Investors are encouraged to read the IM and consider what further information might be relevant to their circumstances, including having regard to the date of the IM and the potential for circumstances to have changed since that date. To find out more information, Investors are encouraged to discuss the IM with their financial or other professional adviser so as consider what further information they might require. Alternatively, or in addition, they can seek further information from the Manager.

The IM must be read in conjunction with the Fund's Trust Deed, a copy of which is available (free of charge) by contacting the Manager. To the extent there are any inconsistencies between the Trust Deed and this IM, the Trust Deed will prevail.

The information in this IM may change over time. The Trustee and the Manager will endeavour to inform you about material changes when reasonably practicable to do so.

### Foreign jurisdictions

This IM does not constitute, and may not be used for the purpose of, an offer, invitation or solicitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer, invitation or solicitation. The Trustee and the Manager do not represent that this IM may be lawfully offered in compliance with any applicable legislation or other requirements in any jurisdiction outside Australia or assume any responsibility for facilitating any such distribution or offering.

In particular, this product has not been and will not be registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold, delivered or transferred in the United States or to, or for the account of, any "US Person" (as defined in Regulation S under the US Securities Act). Neither this IM nor any Application Form or other material relating to this product may be distributed in the United States.

An investment in the Fund may be made available to select persons in other jurisdictions as determined by the Trustee and the Manager (in their joint discretion) provided that it is made in accordance with applicable securities laws in those jurisdictions.

**Forward looking statements**

This IM includes forward looking statements that may contain the words “believe”, “intend”, “estimate”, “expect” and words of similar meaning. Forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. Accordingly, there can be no assurance that those statements, estimates or projections will be realised.

**Seek professional advice**

This IM does not constitute tax, legal or investment advice. An investment in the Fund may not be appropriate for all persons or entities. Each recipient of the IM is encouraged to seek advice from their financial or other professional adviser in relation to a prospective investment in the Fund.

**No guarantee**

An investment in the Fund is subject to investment risk, including the loss of income and capital invested. Neither the Trustee, nor the Manager nor any of their officers, employees or representatives, guarantee the rate of return or performance of the Fund, the meeting of the objectives of the Fund, nor the repayment of committed capital. Section 3.2 of this IM contains a summary of certain key risks of an investment in the Fund.

**Trustee limitation of liability**

Except in certain circumstances (including fraud, negligence or wilful default by the Trustee), the Trustee enters into transactions for the Fund in its capacity as trustee of the Fund only, not in its own capacity, and its liability in relation to those transactions is limited to the assets of the Fund.

**Disclosure of interests**

The Trustee, the Manager and their related entities may also acquire interests in the Fund on the same terms and with the same rights as other Investors in the Fund.

**Confidentiality**

This IM is confidential. Each recipient of this IM agrees to keep its contents confidential and not to copy, supply, disseminate or disclose any information in relation to its content without the Trustee’s prior written consent.

**Glossary**

Certain capitalised words and expressions used in this IM are defined in the Glossary. All references to dollar amounts in this IM are to Australian Dollars (AUD), unless otherwise stated.

# 1 ABOUT THE WALSH BAY PARTNERS DIVERSIFYING ALTERNATIVES FUND

The Walsh Bay Partners Diversifying Alternatives Fund (the **Fund**) is an unlisted, unregistered managed investment scheme established under the Fund's Trust Deed in the form of an Australian unit trust.

Evolution Trustees Limited ACN 611 839 519, AFSL No. 486217 is the trustee of the Fund (**Trustee**) and Walsh Bay Partners Pty Limited ACN 160 258 097, AFSL No. 487878 is the manager of the Fund (**Manager**).

The Fund is open-ended and will pool money it receives from Investors to invest in alternative managed funds. The Manager will source investment opportunities for the Fund in accordance with the Fund's investment objectives and strategy (as described in this section 2 below).

## 1.1 Investment Context

The Fund intends to invest in a number of managed investment vehicles selected on the basis of their potential to deliver returns well above the average cash rate prevailing over the medium (5+ years) term, *largely independent of the macroeconomic conditions that unfold over that period*. Because the return outcomes for most traditional assets are meaningfully impacted by the macroeconomic environment, the Fund's focus will be on niche assets within the broader market together with sophisticated strategies operating within traditional asset classes whose success does not rely upon the direction of the underlying markets. We refer to those assets and strategies as diversifying alternative investments.

At a fundamental level, the value of an asset depends on the size and timing of its expected future cash flows and the discount rate applied to those cash flows reflecting both the time value of money and investor confidence in the delivery of those cash flows. So, the level and trend in economic growth, inflation, interest rates and investor sentiment have significant impact on returns from various asset classes. The differences in asset class exposure to these fundamental drivers of return are the underlying source of diversification in long-term investment portfolios.

For example, share markets tend to prosper in economic regimes characterised by strong and above average growth, especially when accompanied by stable or declining inflation, due to the boost in corporate cash flow. Real assets such as property and infrastructure also tend to benefit from a strong growth environment, especially when coupled with above average inflation that feeds directly into higher cashflows. By contrast, long-term Government bonds are advantaged when growth is low or disappointing and inflation is stable or declining. Inflation-linked bonds, whose cash flows are contractually linked to inflation, represent one of the few asset classes that may deliver strong returns in a regime characterised by low growth and high inflation.

In the decade leading up to the onset of the COVID-19 pandemic, investors were operating in a favourable economic regime characterised by persistently low inflation, adequate and stable growth, and very low interest rates. While economic regimes can persist for extended periods, historical experience demonstrates that conditions may change unexpectedly in ways that are difficult to forecast. Consequently, it makes sense for all investors to seek diversification across assets with different sensitivities to macro-economic conditions.

Investors with a long-term investment horizon typically have a large proportion of their portfolios invested in equities and real assets because they have the risk capacity to ride out any medium-term disappointment in returns associated with rising interest rates or weakening sentiment. Nonetheless, even these investors need to consider how to sustain their position if, at the same time, they are faced with an extended period of weaker than expected underlying cash flows in their investment portfolios.

Historically Government bonds have played a stabilising role in long-term portfolios during an environment of weak economic growth. However, given the low prevailing level of interest rates, bonds have limited capacity to play their traditional role of providing stable cash flow and as a source of funds for spending or re-investment during a deflationary bust.

The Diversifying Alternatives Fund has been specifically designed to complement existing investments in long-term portfolios by generating an attractive medium-term return that is largely insensitive to the path for economic growth, inflation, and yields on Government bonds. In particular, the Fund's medium-term returns are expected to be resilient during periods that are challenging for both equities and real assets. In those circumstances the Fund can be a source of cash flow and relative stability. This makes it an important building block in the design of a robust investment strategy.

## **1.2 Assets and Strategies in the Diversifying Alternatives Fund**

The assets and strategies that may potentially qualify for inclusion in the Fund have two common characteristics. First, their expected returns are meaningfully above the cash rate. Second, their returns over the medium-term are driven by factors largely unrelated to the levels of growth and inflation, or to the direction of interest rates. This means that, over the medium-term, the returns of the Fund should exhibit a low correlation with those of the equity, property, infrastructure, and fixed income markets. Note that, over shorter periods, greater correlation between returns may be evident because shifts in investor sentiment are often the largest determinant of price moves over that horizon.

We distinguish between assets and strategies.

### **1. Diversifying Alternative Strategies:**

These strategies typically operate within, or across, the major public markets and are designed to restrict any permanent exposure to the direction of these markets. The key driver of return from these strategies is the skill of their manager to identify opportunities that offer excess returns and to implement transactions that capture the opportunity without creating exposure to undesired risks. These trades are often implemented using derivative instruments such as futures and swaps and can involve short positions in securities.

The strategies of relevance to the Fund are a subset of the investment vehicles widely referred to as "hedge funds". However, many hedge fund strategies exhibit a permanent exposure to some of the primary asset markets and therefore do not qualify for inclusion in the Fund. Strategies that may be considered for inclusion in the Fund include equity market neutral strategies, non-directional risk premia strategies, macro-trading strategies and trend-following strategies.

### **2. Diversifying Alternative Assets:**

These niche assets often sit at the periphery of traditional asset classes or between asset classes. For such assets to qualify for inclusion in the Fund there needs to be a robust underlying economic source of return which is different to those for traditional asset classes. In addition, the manager of the assets

must possess specialist skills to identify attractively priced assets and organise suitable transactions to capture the opportunity and deliver a superior return.

Potential niche areas for investment include insurance-linked securities, water rights, royalty investments, bank loans, and floating-rate private debt. Inclusion of these assets in the Fund requires attractive market pricing and the availability of highly skilled specialist managers with suitable fund vehicles.

### **1.3 Managing the Fund**

The Fund seeks to deliver a well-diversified portfolio of diversifying alternative assets and strategies. While the Fund has a broad investment mandate, the intention is to limit the extent of its exposure to investments that share major drivers of return with equities, real assets and Government bonds.

It is anticipated that the Fund will have a permanent exposure to alternative strategies while investment in specific alternative assets may vary over time depending on the availability of an attractive entry point. By their nature, alternative strategies and alternative assets have different drivers of return. This produces the first level of diversification in the Fund.

The second level of diversification is produced by allocating capital within the alternative categories to a variety of investment vehicles operated by a select group of specialist managers. The third level of diversification is delivered by the risk management approaches of each manager.

To support adequate diversification from the commencement of the Fund, its core allocation to alternative strategies will be implemented via a fund of hedge funds whose manager is responsible for delivering a portfolio of suitable alternative strategies in a single investment vehicle. The LGT Crown Systematic Trading Fund managed by LGT Capital Partners, which utilises a range of systematic hedge fund strategies, has been qualified as a suitable vehicle. Subsequent allocations of capital may be made to vehicles implementing specific alternative strategies, multi-strategy alternative funds, and a variety of alternative asset vehicles.

LGT CP is a global leader in managing alternative investments and multi-asset products with a track record spanning over 20 years. The platform is privately owned and is responsible for over US\$75bn in assets under management. The team is spread across the globe with over 600 staff in 12 offices which oversee the assets of more than 550 institutional investors including pension funds, insurance companies, sovereign wealth funds, banks, family offices and foundations.

The following table provides an outline of the expected capital allocation of the Fund when it reaches a mature state. Note that allocations may fall outside these ranges in the Fund's ramp-up period.



## Long Term Investment Targets and Ranges

	Target Range (%)	Lower & Upper Limit (%)
<b>Diversifying Alternative Strategies</b>	50 - 90	40 - 100
<b>Fund of funds and multi-strategy</b>	50 - 90	40 - 100
<b>Single Alternative Strategy fund</b>	5-10	0-15
<b>Single Alternative Asset fund</b>	5-15	0 - 25
<b>Foreign currency exposure</b>	30 – 50	0 - 100
<b>Cash</b>	5 – 15	0 - 25

Walsh Bay Partners investment approach is designed to suit investors with a long-term investment horizon. High quality investment research, extensive due diligence, thoughtful monitoring, and patience are all key to the Manager’s approach.

Walsh Bay Partners seeks to take advantage of evolving opportunities while managing the Fund’s overall risk by:

- Researching and investing with specialist managers who have substantial experience in identifying opportunities and managing alternative asset and strategy vehicles;
- Seeking to invest in a range of diversifying alternative assets and strategies;
- Avoiding strategies requiring excessive leverage or financial engineering to underwrite their investment case and ensuring that strategies employing leverage do so with prudence on a continuing basis;
- Limiting investment in funds with a material exposure to traditional markets in order to enhance the Fund’s potential to deliver diversifying returns;
- Performing due diligence on each manager’s fund documents, including (if appropriate) the negotiation of side letters, to be satisfied that the underlying vehicle’s approach to pricing and the provision of liquidity does not disadvantage the Fund’s return prospects; and
- Requiring sufficient transparency of each manager’s holdings to enable effective monitoring of their portfolios.

Investors should also be aware that:

- Many of the Fund’s underlying assets are denominated in foreign currencies. Where possible the Fund will gain its exposure through a manager’s currency-hedged investment vehicle. Where a suitable currency-hedged vehicle is not available, the Manager may use foreign exchange derivatives to hedge the currency exposure created by the offshore investments. However, the initial intention is not to hedge these foreign currency exposures.
- The Fund intends to invest through vehicles managed by select specialist managers. While direct security investment is not anticipated, should that occur it is likely to be a co-investment alongside a manager’s vehicle in order to increase liquidity, reduce fees or emphasise a particular position in the Fund.

Further information on the Fund's underlying investments can be obtained from the Manager.

Note that the investment guidelines provided above are valid as at the date of this document and may change. Investors should note that the Manager and the Trustee may change the guidelines from time to time (without notice) having regard to new investment opportunities and in response to changes in the investment environment.

#### **1.4 Walsh Bay Partners Institutional Investment Service**

The Fund is part of the Walsh Bay Partners Institutional Investment Service (**Service**). This Service aims to provide Qualifying Investors with access to investment opportunities that are not generally available to the public and are mainly limited to institutional, sophisticated, and wholesale investors.

Walsh Bay Partners believes the main benefits of the Service are:

- research of, and access to, institutional-quality investment opportunities;
- the ability to access institutional-quality investment opportunities which may have minimum investment amounts that are too high for any single investor to invest in without taking undue concentration risk;
- to provide the benefits of diversification through specialist investment managers delivering opportunities in Australia and overseas;
- to allow greater flexibility in the risk management of the diversified investment program;
- the ability to respond to new opportunities quickly, especially at times where there is potential for outsized returns; and
- the ability to benefit from economies of scale through pooling funds with other investors who share similar objectives.

## 2 KEY INVESTMENT FEATURES

The table below is only a summary of the key features of an investment in the Fund. It is not intended to be exhaustive. The information in this IM is qualified by reference to the Fund's Trust Deed.

<b>Feature</b>	<b>Overview</b>	<b>Section(s)</b>
<b>Fund</b>	Walsh Bay Partners Diversifying Alternatives Fund.	
<b>Trustee</b>	Evolution Trustees Limited ACN 611 839 519, AFS licence number 486217.	
<b>Manager</b>	Walsh Bay Partners Pty Ltd ACN 160 258 097, AFS licence number 487878.	
<b>Structure of the Fund</b>	The Fund is an unregistered Australian managed investment scheme in the form of a unit trust.	
<b>Term</b>	The Fund is open-ended. The Fund has an eighty-year term, unless terminated earlier in accordance with the terms of the Trust Deed.	
<b>Investment strategy</b>	The Fund will predominantly invest in a diversified portfolio of alternative investments either directly or through other funds. The investments will be a combination of diversified alternatives strategies, diversifying alternative assets and cash.  Diversified alternatives strategies typically operate within, or across, the major public markets but are managed to minimise any permanent exposure to the direction of these markets.	

Feature	Overview	Section(s)
<b>Specific investments</b>	<p>From time to time, the Manager may make available to prospective Investors, information about underlying investments which the Manager has identified for the Fund.</p> <p>At the date of issuing this IM, the Manager has identified specific investments for the Fund. Upon request, the Manager will provide Investors with information about any specific investment from time to time.</p>	
<b>Minimum investment amount</b>	<p>Applications must be for a minimum investment amount of A\$500,000.</p> <p>Lower investment amounts may be accepted at the Trustee's discretion, after taking advice from the Manager.</p>	
<b>Unit Price</b>	<p>At the commencement of the Fund, the unit price will be \$1.00.</p> <p>Thereafter, the unit price will be calculated in accordance with the formula in the Trust Deed. That is based on the net asset value of the Fund as at a valuation day and the number of units on issue at that time, together with allowing for transaction costs in relation to deploying capital invested and realising assets to meet redemptions. The Manager currently plans to value the Fund as at the end of each quarter but the Manager may decide to value the Fund more frequently or less frequently.</p>	5.5
<b>Applications for Units</b>	<p>Units in the Fund will be issued to a person for a particular quarter as designated by the Manager (Application Quarter), after the following items have occurred:</p> <ul style="list-style-type: none"> <li>a) lodgement with the Trustee of the person's application for their investment amount, subject to the minimum described above; and</li> <li>b) satisfactory completion of the application described in (a) above, together with provision of their Application Money by 2pm on the 10th of the month that is the last month in Application Quarter (or the last Business Day prior to the 10th if the 10th is not a Business Day) (subject to the Trustee's discretion to accept applications within an Application Quarter after this time). Applications received after this time will be processed in the following quarter (subject to the Trustee's discretion described above); and</li> <li>c) the Trustee's acceptance of the application and completion of satisfactory AML/CTF checks.</li> </ul> <p>The Applicant will acquire an interest in the Fund upon satisfactory completion of AML/CTF checks and acceptance of the application. Thereafter, Units will be issued. The number of Units issued will be based on the Application Money contributed to the Fund less the Access fee (including the impact of GST) and the unit price calculated as at the last Business Day of the Application Quarter (or as at such other valuation day determined by the Trustee).</p> <p>The Manager may decide to issue Units as at the close of the first or second months in a quarter, in which case the above descriptions will apply as if the references to a quarter were references to the relevant month.</p>	5

Feature	Overview	Section(s)
	<p>The Trustee or the Manager may decide whether to accept or reject, wholly or in part, a person’s application in its absolute discretion.</p> <p>Application Money will be held in a trust account for the Applicant pending satisfactory completion of items (a), (b) and (c) above or the return of the Application Money to the Applicant. Interest will not be paid to the Applicant in respect of Application Money held in the trust account, regardless of whether the Application Money is returned. Any interest earned in this respect will be credited to the Fund.</p>	
<b>Distributions</b>	<p>For so long as the Fund is not subject to the AMIT regime (which is not anticipated for some years), income distributions are based on Investors being presently entitled to income of the Fund for a financial year or any lesser period determined by the Trustee. The Trustee must make cash distributions of income to which Investors are presently entitled. However, the Trustee may decide whether to require Investors to reinvest their income entitlements. Any distributions for which reinvestment applies will be treated as Application Money in respect of which the Trustee has accepted the application.</p>	5.3
<b>Fees and expenses</b>	<p>There are fees and expenses payable in relation to the management of the Fund, including currently –</p> <ol style="list-style-type: none"> <li>1. Ongoing management fee of 1.0% per annum (excluding GST) of the Fund’s gross asset value. The Trustee pays itself and the Manager out of this fee.</li> <li>2. A one-off access fee of 1.0% (excluding GST) of the Application Money contributed to the Fund, payable to the Manager out of the Fund..</li> <li>3. Fees and costs are payable to the managers of the underlying related funds and assets in which the Fund may invest.</li> </ol> <p>Transaction costs may also be charged in respect of applications and redemptions from the Fund (see section 6.5).</p> <p>Ongoing costs will also be payable in relation to the management and administration of the Fund including, without limitation, fund administration, audit, legal and taxation services.</p> <p>If the Trustee or the Manager is removed by the unitholders by a resolution in accordance with the Trust Deed (for no cause) prior to the second anniversary of the commencement of the Fund, they will be entitled to be paid the removal fee in accordance with the terms of the Trust Deed.</p>	6.1 & 6.2

Feature	Overview	Section(s)
<b>Liquidity</b>	<p>The focus on alternative investments means that liquidity in the Fund will be restricted. An investment in the Fund should only be considered by persons with a long-term investment horizon. While redemption of Units is possible, it is not guaranteed.</p> <p>To assist the potential for quicker liquidation of Units, the Manager may maintain a register of persons interested in buying or selling Units in the Fund and may assist an Investor to facilitate a sale of their Units in the Fund.</p> <p>However, there is no facility for Units to be bought back or sold by the Trustee or the Manager and there is no obligation upon the Trustee or the Manager to buy-back or redeem units or arrange a sale of an Investor's Units.</p>	5.6
<b>Initial 3 Year Hard Lock</b>	<p>Each individual application is subject to an initial Hard Lock of 3 years. Reinvestment of distributions will be subject to their own 3-year lock.</p> <p>Withdrawals prior to the ending of the Hard Lock will not be permitted. The Manager has discretion to reduce the length of the Hard Lock.</p>	5.6
<b>Redemptions</b>	<p>Clients can apply to redeem some or all of their Units at any time on or after the 3-year anniversary of their investment. Redemption requests cannot be withdrawn. Assessment of opportunities to provide liquidity will be conducted on a quarterly basis, in line with the frequency of unit pricing. All valid unfulfilled redemption requests received in a quarter, and that have not been rejected, will be considered for redemption in the following quarter.</p> <p>The redemption requests considered for a quarter will be those received during the first two months of the quarter, together with those received during the last month of the preceding quarter.</p> <p>Redemption requests for a quarter will not be processed until redemption requests associated with earlier quarters have all been fulfilled.</p> <p>When Units are redeemed, the unit price will be based on the unit price as at the last Business Day of the quarter in respect of which the redemption application is being considered.</p> <p>The amount payable on redemption may include an amount of income, as determined by the Trustee, being income earned during the Distribution Period and attributable to the Investor and the Units being redeemed. The Trustee will inform the Investor of the amount of that income after the close of the Distribution Period.</p>	5.6
<b>Post Redemption Payment Timing</b>	<p>Redemption requests that satisfy the above requirements will be processed as soon as practicable.</p>	

Feature	Overview	Section(s)
<b>Key risks</b>	<p>There are risks associated with investing in the Fund. Distributions are not guaranteed, nor are any capital returns.</p> <p>The Manager will endeavour to manage and mitigate risks of the underlying investments of the Fund. If one or more risks eventuate, then this can have a negative impact on distributions and the value of an Investor's investment in the Fund.</p>	
<b>Who can invest?</b>	<p>An investment in the Fund is only available to persons who qualify as wholesale investors (as defined in section 761G (7) of the Act), professional investors (as defined in section 9 of the Act) or sophisticated investors (as defined in section 761GA of the Act), (collectively, <b>Qualifying Investors</b>). The Trustee will not issue interests in the Fund to a person unless it is satisfied that the person is a <b>Qualifying investor</b>.</p>	
<b>Unitholders' rights</b>	<p>Under the Fund terms, unitholders have the right to do the following things by passing a Special Resolution (that is a resolution at a meeting of unitholders passed by unitholders holding at least 75% of the Units in the Fund):</p> <ul style="list-style-type: none"> <li>• remove the Trustee;</li> <li>• remove the Manager.</li> </ul> <p>In addition, as beneficiaries of a trust, Investors have rights available to them under the general law.</p>	
<b>Financial, legal and tax matters</b>	<p>Before investing in the Fund, you should consider obtaining independent financial, legal and tax advice, taking into account your particular circumstances.</p>	
<b>SMSF &amp; superannuation funds</b>	<p>Self-managed superannuation funds and other complying superannuation funds are able to invest in the Fund, subject to their own investment criteria.</p>	
<b>Reporting</b>	<p>Investors will receive six-monthly updates on the Fund's strategy and the performance of the underlying assets. Annual audited financial statements will be available free of charge, on request.</p> <p>Each Investor will also receive an annual tax statement to assist in the preparation of their tax return.</p>	
<b>Term of the Fund and winding up</b>	<p>The Manager may, with the consent of the Trustee, terminate the Fund by issuing notice to Investors at least 30 days before the proposed termination notifying Investors that it will commence winding up the Fund.</p> <p>On winding up, the Trustee must:</p> <ol style="list-style-type: none"> <li>(a) realise the Fund's assets except to the extent that the Trustee determines to distribute the assets other than cash to Investors;</li> <li>(b) pay or provide for expenses and liabilities of the Fund, including those connected with winding up;</li> <li>(c) arrange for an independent review or audit of the Fund's final accounts; and</li> <li>(d) after giving effect to items (a) to (c), distribute the assets of the Fund to Investors pro rata according to their unit holdings.</li> </ol>	

## 3 RISKS

Like any investment, there are risks associated with investing in the Fund. By their very nature, the risks involved with investing in the Fund cannot be exhaustively categorised. There are a number of risk factors that could affect the performance of the Fund, the level of income distributions and the repayment of capital invested.

The summary below provides information about some of the main risks that Investors should be aware of when considering whether to invest in the Fund. It is not possible to list all investment risks and this section is therefore not intended to be exhaustive. Investors should consider the level of risk that they are comfortable with, taking into account factors such as their age, investment time frame, other assets and investments they have, and their overall tolerance for risk before investing in the Fund.

Investors should consider that many of the risks set out in this section are applicable both at the Fund level and at the level of the managed funds into which the Fund is invested.

### 3.1 Risk profile

An investment in the Fund should be considered to have a higher level of risk than an investment in cash or fixed interest securities, particularly given the complexity of the managers' strategies, their exposures, liquidity provisions, the underlying products used, and the potential use of leverage within those products. However, the Manager considers that the Fund's level of investment risk, as measured by the expected variability of returns, is lower than that of a diversified equity portfolio.

### 3.2 Summary of Risks

As for most investments, there is a wide range of risks that exist in relation to investing in the Fund. The following is a summary of risks of an investment in the Fund, being risks that the Manager considers to be material. Different investors will have different levels of acceptance of risk (called "risk appetite"), with risk needing to be considered by reference to both likelihood and consequences. Investors are encouraged to discuss the risks of investing in the Fund with their adviser, both as to the investor's risk appetite for each risk and whether there are other risks that the Investor wishes to consider. Investors may contact the Manager if they wish to obtain more information about and how the Trustee and the Manager manage risk.

#### (a) Market and economic risk

The value of securities held within the Fund may be affected by general economic sentiment and in the case of listed investments in particular, factors that influence stock markets generally. These can include business confidence and government and central bank policies including the level and direction of interest rates, natural disasters, man-made disasters, political developments, changes in government policies, changes in taxation, foreign exchange rate movements, and legal and regulatory changes in Australia and abroad. Diversification across different assets, managers and strategies are also important in managing market risk. Market and economic risk are material aspects of the general risk description in paragraph 3.1.

#### (b) Pandemic and epidemic risk

Health crises, such as pandemic and epidemic diseases and the public response to, or fear of, diseases of that kind, have and may in the future have an adverse effect on the economics of, and financial markets in, specific countries or



worldwide, and consequently may negatively impact the value of the Fund's investments. Further, in those circumstances, the operations of the Manager and other service providers (including functions such as trading and valuation) could be reduced, delayed, suspended or otherwise disrupted.

**(c) Environmental, Social and Governance (ESG) Risk**

Environmental, social and governance (ESG) risks can adversely affect the financial performance of a portfolio. In the selection of managers for the Fund, the Manager takes into account the policies that managers adopt and apply to address material ESG risks to the financial performance of the portfolios that they manage.

**(d) Specialist manager risk**

Using specialist managers is critical to success when investing in complex alternative assets. Nevertheless, specialist managers can and do make poor judgments in their research, development or implementation. Genuine poor judgments aside, managers can be adversely affected by the loss of key personnel, operational problems and their ability to manage growth in funds under management. We seek to mitigate this risk by focusing on managers with strong experience and track records as well as by diversifying across different managers.

**(e) Liquidity risk**

Liquidity relates to how quickly you can realise your investment for its market value. The Fund is expected to generally focus on illiquid assets. This means that Investors may not be able to redeem their investment in the Fund at a time of their choosing. Illiquid investments also involve more risk. There is less ability to adjust quickly to changing circumstances, be they general economic and market conditions, regulatory changes, new technologies and competitors, changes in consumer preferences or adverse changes affecting our specialist managers. We seek to mitigate this risk by broad diversification of projects and geography.

**(f) Limited operating history risk**

There can be no assurance the Fund will achieve its investment objective. The past investment performance of the Manager and its key persons is not a reliable indicator of future performance or results of an investment in the Fund.

**(g) Operational risk**

There is a risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology, or infrastructure changes, or through external events such as third-party failures or crisis events, natural disasters, war or civil disturbance, acts of terrorism and power outages. The Trustee and the Manager have procedures in place to manage these risks, and as much as reasonably practicable, monitor the controls within these procedures to support operational risks being adequately managed.

**(h) Leverage Risk**

Leverage risk refers to the risk that is created by borrowing funds to invest. Leverage magnifies returns both on the upside as well as on the downside. There is also the risk that borrowed funds may not be refinanced when the term of the loan expires. The Manager seeks to manage this risk by limiting the amount of leverage at the Fund level to 25% of the gross value of the assets of the Fund. This limit does not include leverage, if any, in underlying funds. Furthermore, borrowings are secured only against the assets of the Fund, with no recourse to Investors.

**(i) Interest rate risk**

Increases in interest rates can increase the cost of any debt in the Fund. It may also increase the discount rate at which the Fund's assets are valued, reducing their value.

**(j) Fund risk**

As with all managed funds, there are risks particular to the Fund, including that the Fund could terminate, the fees and expenses could change, the Manager could be replaced and the investment professionals could change. There is also a risk that investing in the Fund may give different results than investing directly because of income or capital gains accrued in the Fund and the consequences of investment and redemption by other Investors. We aim to keep Fund risk to a minimum by monitoring the Fund and acting in your best interests.

**(k) Key person risk**

The Manager is dependent to some extent upon the expertise of its existing investment team. Consequently, the Fund's performance could be adversely affected if key members of the investment team do not continue to provide their services to the Manager.

**(l) Compliance risk**

If the Trustee or the Manager fails to comply with its AFS licence conditions, the Trust Deed or the Corporations Act it may have an adverse impact on Investors and the value of their investment.

**(m) Regulatory risk**

Changes in laws, or their interpretation, including taxation and corporate regulatory laws, practice and policy could have a negative impact on the operation of the Fund and return to Investors. For example, any changes in relation to how income of the Fund is taxed or in relation to the deductibility of expenses, or changes to stamp duty law might adversely impact the Fund and Investors' returns.

**(n) Derivatives risk**

The exposure to exchange-traded and over the counter derivative instruments can expose the Fund to risks such as adverse movements in the asset underlying the derivative, or the possibility that certain positions may be difficult or costly to reverse.

**(o) Tax risk**

There is a risk that changes in the taxation rules, regulations and laws (or changes in the manner in which the relevant taxation commissioner or agency may interpret those rules, regulations or laws) in Australia or other countries in which the Fund may invest, may adversely affect the Fund or Investors.

**(p) Risk of lack of diversity**

The Fund may participate in a limited number of investments, especially in its early phase. This may result in the return of the Fund being substantially and adversely affected by the unfavourable performance of a single investment, a particular geography or a single specialist manager. Investors have no assurance as to the degree of diversification that the Fund may achieve, even though the objective is to diversify the Fund as it grows.

**(q) Non-Controlling Investments**

The Fund may have a non-controlling interest in certain of its investments and therefore may have a limited ability to influence the investment policies of these investments. In such cases, the Fund will be significantly reliant on the other sponsors of the transaction, if any, and on the existing management and board of directors of such companies, which may include representation of other financial investors and whose interests may conflict with the interests of the Fund.

**(r) Currency Risk**

As the Fund invests in overseas assets, it is exposed to currency risks. Changes in the exchange rate between the Australian dollar and the currencies of the assets held by the Fund may lead to a loss of value of the Fund's assets as expressed in Australian dollars. While the Trustee has the power to hedge this risk, it may not be possible or practical to hedge against exchange rate risks and generally it is not the policy of the Trustee or the Manager to do so.

**(s) Unit Pricing Risk**

As the Fund is open-ended and may accept new applications for investment in the Fund over time, there is a risk that in determining the unit price at any point in time, that the Trustee's estimate of transaction costs is inaccurate (including the impact from performance fees and underlying investment costs). Further, the factors upon which such transaction costs may be determined at the time of determining a unit price may change and may affect the accuracy of the unit price calculated.

**(t) Contingent Liabilities Risk of Underlying Investments**

Investments by the Fund may involve the Trustee being liable for compulsory reinvestment of distributions in accordance with the terms of the underlying investment. For example, sometimes when assets are sold from an underlying investment, a warranty may be given to the purchaser for a period of time after the sale. If there is a warranty claim after the sale proceeds have been distributed to Investors, there may be an obligation to clawback a portion of the distribution to meet the liability related to the warranty claim. The Trust Deed includes a provision which gives the Trustee the power to require Investors to compulsorily reinvest distributions where the Trustee is required to meet such an obligation. In that regard, Investors may be required to reinvest amounts distributed to them to fund these obligations of the Trustee.

**Investors in the Fund acknowledge that the above risks and other risks exist and while the Manager exercises its professional judgment to manage both the likelihood and impact of these risks, they cannot be eliminated. The performance of this investment, the repayment of capital, distributions and the rate of return for any investment or all of them are not guaranteed from the Fund or by the Trustee, the Manager or any of their directors, officers, employees or associates.**

## 4 MANAGEMENT OF THE FUND

### 4.1 Evolution Trustees Limited – the Trustee

#### *About the Trustee*

Evolution Trustees Limited (**ETL** or the **Trustee**) is a professional corporate trustee holding AFS Licence Number 486217.

Evolution Trustees Limited is the Fund's trustee and issuer of this IM. ETL is a business servicing Australian and offshore asset managers and institutions with a select range of fiduciary services including corporate trustee, MIT trustee and responsible entity services. ETL's approach is to tailor its service offering to specifically meet the needs of each structure in a manner which is consistent with Australian laws and regulations.

ETL's responsibilities and obligations as the Fund's trustee are governed by the Fund's Trust Deed, the Corporations Act and general trust law. ETL has delegated the investment management and general management functions to Walsh Bay Partners Pty Limited under a Management Agreement.

ETL reviews the Manager on an ongoing basis to ensure that it is managing the investments of the Fund within the terms of the Management Agreement.

### 4.2 Walsh Bay Partners Pty Ltd – the Manager

Walsh Bay Partners Pty Ltd (the **Manager**) is a company that provides strategy planning advice and wealth management services to families and endowments. Its founding director is Arun Abey, who has over 38 years' experience in economic research, investment management and financial advice. Arun is the main beneficial shareholder in Walsh Bay Partners.

Drawing on this experience, the Company was founded in 2012 to help provide private investors with access to sophisticated investment opportunities which historically have tended to be the preserve of large institutional investors. The Company believes that the economic environment that has emerged since the Global Financial Crisis of 2007-08 has created potentially valuable opportunities for private investors, particularly for those with a long-term horizon, not needing short term liquidity and with the ability to understand investment strategies that go beyond a focus on mainstream shares and interest-bearing investments.

#### *AFS Licence*

Walsh Bay Partners is the holder of AFS Licence 487878.

## *Directors of Walsh Bay Partners Pty Ltd*

### **ARUN ABEY AM Hon.D.Univ, BEc, BA (Hons ANU), FFin, FINSIA Executive Chairman**

Arun Abey has had over 38 years' experience as a financial adviser and wealth manager for individuals and institutions in Australia and internationally. He co-founded ipac securities limited (**ipac**) in 1983 which grew to be one of Australia's largest financial advice and wealth management firms. Following the sale of ipac to AXA Asia Pacific Holdings in 2002, Arun continued as Chairman of ipac, while also being appointed to the position of General Manager of Strategy and Corporate Social Responsibility for AXA. He continued in these roles until the sale of the AXA business to AMP Limited in 2011.

Arun has co-authored two international best sellers. The first *Fortune Strategy: Investment Management in the Information Age* was widely used as a text in investment courses. His most recent book, *How Much is Enough?: Making Financial Decisions that Create Wealth and Wellbeing*, draws on behavioural research to more deeply understand the behaviour of investment markets and how investors can apply this to making wiser decisions that improve both their financial and emotional wellbeing. Arun received an Order of Australia in 2019 for his services to the financial planning industry and the community. He also received an Honorary Doctorate from the Australian National University 'for exceptional contribution to the University and outstanding business and philanthropic endeavours.'

### **KRISTIN EDMONDS BA (Stanford), AFA Director**

Kristin has worked with Walsh Bay Partners since 2015 and is a Managing Principal. She was appointed to the Board of the Company in August 2020.

Prior to relocating to Melbourne in 2015, Kristin spent over a decade with Morgan Stanley Private Wealth Management in Los Angeles as a Senior Analyst and later as an Assistant Vice President working with family office clients. Kristin has dedicated most of her career to advising wealthy families and helping them to utilise wealth wisely to achieve enduring family wellbeing. She specialises in complex financial and asset allocation modelling for multi-generational families, foundations, endowments and charities. Kristin also enjoys working with her clients to understand and manage family dynamics, design bespoke governance frameworks, navigate the transfer of wealth and control to the next generation, create stewardship programs, and encourage family harmony and cohesion.

Kristin serves on the Australian Ballet Ambassadors Board, and has the privilege of serving on and chairing several private family advisory boards and investment committees for prominent families throughout Australia. Kristin also enjoys supporting the Stanford Alumni Network by interviewing prospective students in Australia who are interested in attending her alma mater.

### **JOHN EDSTEIN BEc, LLB, LLM (Hons) (USYD), CTA, MAICD Director and Special Counsel**

John has been the Company's part-time Special Counsel since November 2017 and joined the Board of the Company in August 2020.

John is currently a Director of Macquarie Investment Management Limited (appointed 1 July 2013) and Chairman of that Board (appointed 16 November 2017) and a Director of Perpetual Equity Investment Company Ltd (a listed investment company, appointed 26 September 2014).

John has more than 40 years of experience as a legal practitioner. His primary practice areas have been superannuation, life insurance, financial services and trusts and the tax aspects of those areas. John was a partner in the Tax and Superannuation Group of King & Wood Malletsons (formerly Malletsons Stephen Jaques) from 1990 to 2012 and was National Practice Team Leader of that group from 2006 to 2011. John is an Emeritus Member of the Law Council of Australia Superannuation Committee, a member of the Tax Institute of Australia and is a Chartered Tax Adviser.

## 5 OPERATING DETAILS OF THE FUND

### 5.1 Applications

An Investor in the Fund must be a Qualifying Investor, that is a person or entity which qualifies as a wholesale client (as defined in section 761G(7) of the Act), a professional investor (as defined in section 9 of the Act) or a sophisticated investor (as defined in section 761GA of the Act).

To invest in the Fund, please complete an Application Form and return it to:

**Walsh Bay Partners Diversifying Alternatives Fund**  
**C/o Apex Fund Services (Australia) Pty Ltd.**  
**PO Box 189 Flinders Lane VIC 8009**  
**E: [investorRegistry@apexfunds.com.au](mailto:investorRegistry@apexfunds.com.au)**

An Investor's contractual commitment to invest in the Fund for their investment commitment set out in an Application Form is irrevocable. If the Trustee accepts an Investor's application (as set out in the Application Form) in part or full, so much of the amount accepted will be an irrevocable contractual commitment.

The Trustee and the Manager reserve the right to accept or reject applications in whole or in part in their absolute discretion, including the right to accept a lesser amount.

#### *Additional Applications*

Additional applications can be made at any time the Fund is open for investment, as advised by the Trustee or the Manager.

#### *Issue of Units in the Fund*

Units in the Fund will be issued to a person for a particular quarter (Application Quarter), after the following items have occurred:

- a) lodgement with the Trustee of the person's application for their investment amount, subject to the minimum amount; and
- b) satisfactory completion of the application described in (a) above, together with provision of their Application Money by 2pm on the 10th of the month (or the last Business Day prior to the 10th if the 10th is not a Business Day) (Application Quarter) (subject to the Trustee's discretion to accept applications within an Application Quarter after this time). Applications received after this time will be processed in the following quarter (subject to the Trustee's discretion described above); and
- c) the Trustee's acceptance of the application and satisfactory completion of AML/CTF checks.

The Applicant will acquire an interest in the Fund upon satisfactory completion of AML/CTF checks and acceptance of the application. Thereafter, Units will be issued. The number of Units issued will be based on the Application Money less the Access fee (including the impact of GST) and the unit price calculated as at the last Business Day of the Application Quarter (or as at such other valuation day determined by the Trustee).

The Manager may decide to issue Units as at the close of the first or second months in a quarter, in which case the above descriptions will apply as if the references to a quarter were references to the relevant month.

### ***Applications account***

Application Money will be held in a trust account for the Applicant pending satisfactory completion of items (a), (b) and (c) in this section or the return of the Application Money to the Applicant. Interest will not be paid to the Applicant in respect of Application Money held in the trust account, regardless of whether the Application Money is returned. Any interest earned in this respect will be credited to the Fund.

## **5.2 Who else can operate my investment?**

An Investor may wish to appoint a person, partnership or company as their authorised representative by having them sign the relevant section of the Application Form (Authorised Representative). An Investor's Authorised Representative will be empowered to act on its behalf in all matters relating to the Investor's holdings in the Fund (including the receipt of payments). Conditions apply to the appointment of an Authorised Representative and are set out in the Application Form.

## **5.3 Distributions**

As an Investor and holder of Units you are entitled to participate in profits or income arising out of the purchase, management, disposal or general investment of the assets of the Fund. Income received in cash, after fees, will ordinarily be distributed each Distribution Period. The amount that is treated as a taxable distribution from the Fund may differ from the cash actually distributed. This can occur because the underlying investments in which the Fund invests may include investments for which a taxable amount is derived for the Fund, but no cash is received. Similarly, other distributions to which the Fund is entitled may be re-invested into further investments. Both of these instances are examples of when Investors may incur a tax liability in a year, while not receiving the cash from the Fund.

Alternatively, in some instances a distribution may be made from an investment for which the taxable income is less than the actual cash distributed. In these instances, the Fund may pass this cash on to Investors as "tax deferred" income.

An Investor's distribution entitlement for each Distribution Period will be calculated as of 30 June each year. Where a distribution entitlement is to be distributed in cash, the distribution will be made as soon as reasonably practicable after the end of the applicable Distribution Period. The Trustee has the power to declare and pay interim distributions at other times during the year.



Once an entitlement to a distribution has crystallised, Investors on that day are entitled to receive the distribution. The unit price usually falls to reflect the value of the amount set aside from the NAV to meet the distributions to Investors.

## **5.4 Distribution reinvestment**

Investors may select their preference whether to receive their distributions in cash or to have their distributions reinvested in the Fund for additional units by completing the relevant section of the Application Form or, for existing Investors, by advising the Trustee in writing. The Trustee will take that preference into account when considering reinvestment of distributions. Where no election is made, distributions will be reinvested unless the Trustee determines otherwise. If at the time of a distribution reinvestment there are no appropriate investment opportunities available to the Fund, then Investors will receive their distributions in cash.

The price of Units issued on reinvestment of distributions will be the issue price as at the next time that unit prices are determined by the Trustee.

The Trustee may notify Investors that the distribution reinvestment option has ceased for any particular Distribution Period and that the distribution for that period will be paid in cash and not reinvested. There may be circumstances in which the Trustee is required to reinvest a distribution which it has earned from an underlying investment in accordance with the terms of that investment. In those circumstances, the Trustee may require Investors to reinvest their pro-rata share of the distribution. These circumstances include if there is a contingent liability associated with an underlying investment. Reinvestment of distributions will be subject to the 3-year Hard Lock.

## **5.5 Asset valuations and unit pricing**

The general principle is to value the underlying assets of the Fund at their market value. The value of the Fund's assets and liabilities is calculated by the Trustee in accordance with the Trust Deed.

Unit prices will be calculated in accordance with the NAV formula in the Trust Deed (including taking into account the Trustee's reasonable estimate of transaction costs). Unit prices are calculated as at the last Business Day of each quarter, or such other valuation day determined by the Trustee, by:

- Calculating the gross value of the Fund's assets (excluding Application Monies for which Units have not yet been issued) and deducting the value of the Fund's liabilities (including provisions for liabilities) to determine the net asset value (NAV) of the Fund. Listed investments are generally valued at their most recent closing price. In the case of unlisted investments, valuations will generally be based on the latest valuation supplied by the manager of each investment. For assets valued in foreign currencies, the exchange rate used to convert the value to Australian dollars is based on the latest exchange rate for the relevant currency.
- For the application Unit price:
  - on establishment of the Fund, \$1.00; and thereafter
  - by dividing the NAV of the Fund as at the last Business Day of the quarter or such other valuation day determined by the Trustee (after adding the Trustee's estimate of the transaction costs) by the number of units on issue.

- For the redemption Unit price, by dividing the NAV of the Fund as at the last Business Day of the quarter (after subtracting the Trustee's estimate of transaction costs) by the number of units on issue.

## 5.6 Liquidity & Redemptions

The focus on complex alternative assets means that liquidity in the Fund will be limited. Investment should only be considered by Investors with a long-term investment horizon, without a need for quick or easy liquidity. A portion of the Fund's assets will be invested in closed ended vehicles which will liquidate over their term or in investments that have infrequent liquidation periods such as hard locks. Realisations of investments in the underlying funds, may not align with Investor's redemption requests.

The Manager may maintain a register of persons interested in buying or selling Units in the Fund and may assist an Investor to facilitate a sale of their Units in the Fund. There is no facility for Units to be bought back by the Trustee or the Manager and there is no obligation upon the Trustee or the Manager to register a transfer of Units or to buy-back Units.

Investors can apply to redeem some or all of their Units at any time on or after the 3-year anniversary of them acquiring those Units. Reinvested distributions represent new units at the time of reinvestment.

Redemption requests cannot be withdrawn. Assessment of opportunities to provide liquidity will be conducted on a quarterly basis, in line with the frequency of Unit pricing. All valid unfulfilled redemption requests received in a quarter and that have not been rejected, will be considered for redemption in the next quarter.

Redemption requests for a quarter will not be processed until redemption requests associated with earlier quarters have all been fulfilled. The Manager will seek to meet Investors' redemption requests as promptly as possible while maintaining the overall integrity of the fund's investment strategy.

The timing of the fulfilment of a redemption request is not guaranteed by the Manager or the Trustee. The overarching philosophy underpinning the management of the Fund is to provide an ongoing diversified exposure. Investors should be aware that this philosophy will help guide the Manager's approach to maintaining liquidity to meet redemption requests.

## 5.7 Borrowing

The Fund has the ability to leverage its assets but will limit borrowings at the Fund level to 25 per cent or less of the gross value of the Fund's assets. This limit does not include leverage, if any, in underlying funds. Leverage will generally only be utilised for smoothing cash flows, notably applications and redemptions.

## 5.8 Unitholders' rights by Special Resolution

Unitholders have rights to do the following things by passing a Special Resolution (that is a resolution at a meeting of unitholders passed by unitholders holding at least 75% of the Units in the Fund):

- approve or disapprove amendments to the Fund terms other than amendments that are permitted to be made by the Trustee, with the approval of the Manager. The Trustee is generally

permitted to amend the terms other than where the amendment is adverse to Investors as a whole or to the extent that the amendment would deprive Investors of a vested entitlement.

- remove the Trustee;
- appoint a new Trustee;
- remove the Manager;
- appoint a new Manager.

## **6 FEES AND COSTS**

### **6.1 Ongoing management fee**

There is an ongoing management fee of 1.0% per annum (excluding GST) of the gross value of the Fund's assets. This fee is payable monthly in arrears, from the assets of the Fund.

Under the Trust Deed, this fee is apportioned between the Trustee and the Manager in accordance with the terms of the Management Agreement.

### **6.2 Access fee**

A one-off Access fee, equal to 1.0% (excluding GST) of the Application Money contributed to the Fund by an Investor from time to time, is payable to the Manager out of the Fund. This fee is payable to the Manager as soon as practicable after an interest has been issued in respect of the Application Money. The number of Units issued is based on the amount of the Application Money less the Access fee after allowing for the impact of GST to the Fund in respect of the Access fee.

### **6.3 Underlying manager fees**

The Fund will incur the fees and costs associated with the Fund's investments in underlying funds managed by third party managers, including any performance fees. Such amounts are ordinarily deducted out of the relevant underlying funds' assets or vehicle which holds the relevant assets prior to the Fund receiving its distributions and return of capital from such investments.

### **6.4 Removal fee**

If the Trustee or Manager is removed by the unitholders by a resolution in accordance with the Trust Deed (for no cause) prior to the second anniversary of the commencement of the Fund, they will be entitled to be paid the removal fee equal to the ongoing management fee (excluding GST) that they would have been entitled to be paid from the time they are removed until the second anniversary of commencement.

## **6.5 Transaction costs**

Transaction costs are amounts, if any, determined by the Trustee as appropriate to factor into the unit price applied for the issue and redemption of Units. The transaction costs take into account the expenses in connection with investing application amounts as part of the Fund and in connection with disposing of Fund assets to meet any redemption. The transaction costs are not payable to the Trustee or the Manager but assist in maintaining equity between Investors as monies are invested in, or redeemed from, the Fund.

## **6.6 Other costs of the Fund**

The Trustee and the Manager are entitled to be reimbursed by the Fund for all expenses and liabilities properly incurred in establishing, managing and administering the Fund. These include but are not limited to costs and expenses incurred in connection with issuing Units, amending the Trust Deed, taxes, establishing and maintaining registers and accounting records, convening and holding meetings, marketing the Fund and preparing legal documentation.

## **6.7 GST**

Please refer to section 7 ('Taxation Information') for further information about the GST payable in respect of the fees and expenses.

## **7 TAXATION INFORMATION**

The commentary about taxation in this section is general guidance only and is directed to Australian resident taxpayers.

### **7.1 Tax treatment of Investors**

There are taxation implications when investing in, and redeeming from, the Fund and when receiving distributions from the Fund. Australian tax laws are complex and are subject to change. The taxation position of each Australian resident Investor may vary depending on the specific circumstances and/or tax profile of the Investor.

Non-residents of Australia should also consider the tax consequences of them acquiring, holding or disposing of Units, both from an Australian perspective and from the perspective of their local tax laws.

Neither the Trustee nor the Manager are authorised to give you tax advice on your investment in the Fund. We recommend that you consider seeking your own independent taxation advice before reaching conclusions as to the taxation consequences of acquiring, holding or disposing of units in the Fund.

### **7.2 Tax treatment of the Fund**

As at the date of this Information Memorandum, the Fund does not satisfy the criteria to qualify it being the subject of an election under the Attribution Managed Investment Trust (AMIT) regime and an election for its realisation of investments being on capital account.

The Trustee and Manager will regularly consider whether, and if so when, the Fund will qualify for the Trustee to make an election under the AMIT regime.

The Manager anticipates that there will be limited derivation of capital gains for which the CGT discount could apply. In particular, assets that produce recurring income are unlikely to generate material, if any, capital gains on the disposal of the assets. Other assets that do not distribute income, for which the gain accrues in the asset value, are likely to generate gains on revenue account.

The Fund will generally not be liable to pay income tax on the basis that unitholders are presently entitled to the Fund's distributable income. If the Fund were to become an AMIT, it should also generally not be liable to pay income tax on its taxable income on the basis that it will attribute all determined trust components (i.e., assessable income, exempt income and non-assessable non-exempt income) to Investors each year.

Depending on the circumstances each financial year, distributable income and taxable income of the Fund may differ. Generally, the Trustee will endeavour to have distributable income equal to or greater than taxable income. If, for a financial year, distributable income exceeds taxable income, the excess will likely reduce the cost base in respect of each Investor's Units and if their cost base is zero, the distributable income will likely result in an assessable capital gain to the Investor.

## 7.3 Other matters

### *Tax File Number or Australian Business Number declaration*

Investors are not required by law to provide a Tax File Number (**TFN**) to the Trustee. However, if a TFN is not quoted, or no appropriate TFN exemption is provided, then the Trustee is required to deduct tax from any income distribution entitlement at the highest marginal tax rate plus the Medicare Levy.

For an Investor that made the investment in the Units in the course of an enterprise carried on by it, it may quote their Australian Business Number (**ABN**) rather than their TFN.

### *Goods and Services Tax (GST)*

No GST should generally be payable in respect of the application, withdrawal or transfer of Units in the Fund. Distributions made by the Fund will also not be subject to GST. Each Investor who is registered for GST should consider the recoverability of any GST charged on costs related to their investment in the Fund.

Fees and expenses incurred by the Fund, such as management costs, will generally attract GST at the rate of 10%. Given the nature of the Fund's activities, the Fund will generally not be entitled to claim input tax credits for the full amount of the GST incurred. However, the Fund may be entitled to input tax credits and / or Reduced Input Tax Credits (**RITC**) in respect of the fees and expenses incurred by the Fund.

### *FATCA/CRS*

A number of countries have legislated for financial institutions to identify and report certain information about the financial accounts of persons subject to their laws. The regimes include the United States Foreign Account Tax Compliance Act (FATCA) and the OECD's Common Reporting Standard (CRS). To comply with those obligations under various reporting laws, the Trustee or the Manager may be required to provide to the ATO data in respect of your investment in the Fund. If the Trustee or the Manager have attempted to confirm your tax status with you but have been unable to do so, they may still be required to notify the ATO.

### *Taxation Statement*

To help you complete your tax return, you will be sent an annual distribution statement setting out your shares of both distributable income and taxable income.

## 8 ADDITIONAL INFORMATION

### 8.1 Related party transactions

The Trustee may from time-to-time face conflicts between its duties for the Fund as trustee, its duties to other funds for which it is trustee (if applicable) and its own interests. These conflicts may include entering into transactions with related parties from time to time. The Trustee will manage any conflicts in accordance with the Trust Deed, ASIC policy, its internal conflicts policy (as required as a condition of its Australian financial services license) and the law.

The Manager may also face similar conflicts and also manages any conflicts in accordance with ASIC policy, its internal conflicts policy (as required as a condition of its Australian financial services license) and the law. The Manager will manage the Fund so that any related party dealings of the Fund are made on an arm's length basis or better from the viewpoint of Investors in the Fund.

### 8.2 Reporting

The Trustee and the Manager will provide the following reporting to Investors:

- A confirmation on receipt of an Application Form.
- An investment confirmation upon issuing Units.
- A six-monthly periodic report outlining the implementation of the investment strategy, Fund performance and market commentary regarding the Fund.
- An annual income distribution statement detailing distributions paid to you, including an annual tax statement detailing information required for inclusion in your annual income tax return which will be provided as soon as practicable after the end of each financial year.

### 8.3 Important documents

#### *Trust Deed*

The Trust Deed is the primary document that governs the way the Fund operates and sets out many of the rights, liabilities and responsibilities of the Trustee, the Manager and Investors.

Each Unit in the Fund gives a unitholder an equal and undivided interest in the assets attributable to the Fund. However, a Unit does not give any unitholder an interest in any particular asset of the Fund. Subject to the Trust Deed, a unitholder has the following rights:

- The right to share in any distributions.
- The right to attend and vote at meetings of unitholders.
- The right to participate in the proceeds of winding up of the Fund.

The Trust Deed contains provisions about convening and conducting meetings of unitholders. It also contains provisions setting out Investors' rights.

Under the terms of the Trust Deed, the Trustee, with the consent of the Manager, may generally amend the Trust Deed without Investors' approval, where the amendment:



- in not materially adverse to Investors' interests; and
- is consistent with the Fund being a fixed trust under tax laws as applied by the Australian Taxation Office, which includes protecting the vested interests of Investors.

A copy of the Trust Deed is available free of charge by contacting the Manager.

### *Management agreement – Trustee and Manager*

There is a Management Agreement between the Trustee and the Manager under which the Manager provides investment management and general management services to the Trustee for the Fund which include –

- the identification and acquisition of assets consistent with the Fund's investment mandate;
- keeping all assets under review and monitoring their performance; and
- using reasonable endeavours to achieve the investment objectives for the Fund.

The Management Agreement contains provisions dealing with matters such as the Manager's obligations to report to the Trustee.

## **8.4 Privacy**

In applying to invest, you are providing the Trustee and the Manager with certain personal details (your name, address etc). The Trustee and the Manager use this information to establish and manage that investment for you.

Under the Privacy Act 1988 (Cth) you can access personal information about you held by us, except in limited circumstances. Please let the Trustee or the Manager know if you think the information is inaccurate, incomplete or out of date. You can also tell the Trustee or the Manager or both at any time not to pass on your personal information by advising them in writing, unless passing on the information is required by law or regulatory requirements.

If you do not provide your contact details and other information required in the Application Form, then the Trustee may not be able to process your application to invest.

Under various laws and regulatory requirements, the Trustee or the Manager may have to pass-on certain information to other organisations, such as the Australian Taxation Office (**ATO**) or the Australian Transaction Reports and Analysis Centre (**AUSTRAC**).

By applying to invest, you give the Trustee and the Manager permission to pass on information that they hold about you to other companies which are involved in helping the Trustee and the Manager administer the Fund, or where they require it for the purposes of compliance with any law or regulatory requirements including AML/CTF and tax laws (such as passing on the information to AUSTRAC and the ATO). The Manager may also use your information to provide you with details of future investment offers made by the Manager.

## **8.5 Anti-money laundering law**

The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* requires the Trustee to verify your identity prior to accepting your investment. You will be required to provide the identification information set out in the Application Form. The Trustee will not accept your application or issue you with Units unless satisfactory identification documents are provided and your identity is verified in accordance with AML/CTF rules and procedures to the satisfaction of the Trustee.

## 9 GLOSSARY

<b>AFS licence</b>	Australian financial services licence.
<b>AML/CTF</b>	Anti-money laundering and counter-terrorism financing.
<b>Applicant</b>	Someone who applies for an interest in the Fund by submitting an Application Form.
<b>Application Form</b>	The form to be completed to subscribe for Units.
<b>Application Money</b>	The money paid by an Applicant in respect of their investment to subscribe for an interest in the Fund, including upon reinvestment of a distribution.
<b>Application Quarter</b>	Has the meaning given to it in section 1, “Application for Units”.
<b>Authorised Representative</b>	Has the meaning given to it in section 5.2, “Who else can operate my investment?”.
<b>ASIC</b>	The Australian Securities and Investments Commission.
<b>ASX</b>	Australian Securities Exchange.
<b>Business Day</b>	A day on which banks are open for business in Sydney, except a Saturday, Sunday or public holiday.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Cth) for the time being in force together with the regulations.
<b>Distribution Period</b>	A period of twelve months, ending on 30 June each year. In the first year of the Fund this will be the period from establishment of the Fund to 30 June. In the final year of the Fund this will be the period from 1 July until the termination date of the Fund. The Trustee may amend this date at its discretion.
<b>Fund</b>	Walsh Bay Partners Diversifying Alternatives Fund.
<b>GST</b>	Goods and Services Tax as defined in <i>A New Tax System (Goods and Services Tax) Act 1999</i> , as amended.
<b>Hard Lock</b>	A period of time when the investors are not allowed to redeem their investment. For this Fund, this has been set at 3 years from the acceptance for the Application Quarter.
<b>Investor</b>	An Applicant whose application has been accepted by the Trustee and who holds an interest in the Fund.
<b>IM</b>	This information memorandum, including any supplementary information memorandum which we may issue.
<b>Manager/Walsh Bay Partners</b>	Walsh Bay Partners Pty Ltd ACN 160 258 097.
<b>Management Agreement</b>	The management agreement between the Trustee and the Manager in relation to the management of the Fund’s assets.

<b>NAV</b>	Net asset value.
<b>Qualifying Investor</b>	Wholesale clients (as defined in section 761G (7) of the Corporations Act) or professional investors (as defined in section 9 of the Act) or sophisticated investors (as defined in section 761GA of the Corporations Act).
<b>RITC</b>	Reduced input tax credits.
<b>Special Resolution</b>	A resolution passed at a meeting of unitholders, by unitholders holding at least 75% of the total issued units in the Fund.
<b>Trust Deed</b>	The trust deed of the Fund dated 13 May2022, as amended from time to time.
<b>Trustee</b>	Evolution Trustees Limited ACN 611 839 519.
<b>Units or units</b>	Units in the Fund.
<b>We, us and our</b>	When used, these words refer only to the Manager.
<b>You and your</b>	When used, these refer to an Applicant or an Investor, as appropriate.

## 10 HOW TO INVEST

**Before completing the Application Form you should consider the risks of investment and consider obtaining independent financial, legal, taxation or other professional advice**

Please pay particular attention to all of the risk factors in section 3 of this IM. The risks should be considered in light of your own investment situation.

### 10.1 Who can invest?

An investment in the Fund is only available for persons who qualify as wholesale clients (as defined in section 761G(7) of the Act), professional investors (as defined in section 9 of the Act) or sophisticated investors (as defined in section 761GA of the Act) (collectively, **Qualifying Investors**). The Trustee will not issue interests in the Fund to a person unless it is satisfied the person is a Qualifying Investor.

An investment in the Fund may be available to Australian individuals, corporations and other entities who are Qualifying Investors. The Fund is also suitable for investment by self-managed and complying superannuation funds who are Qualifying Investors. An offer to invest in the Fund is not available to Applicants receiving this IM outside of Australia, unless expressly authorised by the Trustee.

Applications must be for a minimum investment of \$500,000 (subject to Trustee discretion to accept lower amounts from a Qualifying Investor).

### 10.2 How to invest

For an application to be considered, you must return your Application Form by which you will be contractually committed to the investment amount stated in the Application Form and pay the Application Money at the time of your application (as advised in writing by the Manager or the Trustee). You can pay the Application Money by returning the Application Form and notifying the Trustee that the Application Money has been transferred by electronic funds transfer (see the Application Form for details).

You are requested to provide your Tax File Number (**TFN**), Australian Business Number (**ABN**) or exemption code to ensure tax is not deducted from the distributions paid. However, if a TFN is not quoted, or no appropriate TFN exemption is provided, then the Trustee is required to deduct tax from any income distribution entitlement at the highest marginal tax rate plus the Medicare Levy.

The Trustee has the sole discretion whether to accept or reject an application. If your application is rejected, wholly or in part, then the Trustee will notify you in writing and arrange for return of any relevant Application Monies to you.

By sending a completed Application Form, you are making an irrevocable offer to become an Investor in the Fund for the investment amount stated in the Application Form and you are agreeing to be

legally bound by the terms of the Application Form, the Trust Deed and the terms of the IM (as they apply to Investors). A brief summary of the Trust Deed is included at section 8.3 of this IM.

### 10.3 Application Form instructions

Only legal entities are allowed to invest in the Fund. Applications must be in the name(s) of natural person(s), companies or other legal entities acceptable to the Trustee. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title shown below.

The Application Form should be signed by the Applicant. If a joint holding, all Applicants should sign. If signed by the Applicant's attorney, a certified copy of the power of attorney must be attached to the Application Form. If executed by a company, the form must be executed in accordance with the Applicant's constitution and the Corporations Act.

Type of investor	Correct form	Incorrect form
Individual	John David Smith	J D Smith
Company	JDS Pty Ltd	JDS P/L or JDS Co
Trusts	John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased estates	Michael Peter Smith <Est Late John Smith A/C>	John Smith (deceased)
Partnerships	John David Smith & Ian Lee Smith	John Smith & Son
Clubs/unincorporated Bodies	John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation funds	John Smith Pty Limited <J Smith Super Trust A/C>	John Smith Superannuation Trust