



LAUREOLA ADVISORS  
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# Laureola Australia Feeder Fund Information Memorandum

Trustee

Quay Fund Services Limited

ABN 84 616 465 671

AFSL No 494886

Investment Manager

Laureola Advisors Inc.

Issued

19 August 2020

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# 1. Notice to Potential Investors

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Thank you for expressing interest to invest in the Laureola Australia Feeder Fund (**Fund**), an unregistered and unlisted unit trust in Australia. Quay Fund Services Limited (ABN 84 616 465 671, AFSL No 494886) (**Trustee**) is the trustee of the Fund and the issuer of this Information Memorandum (**IM** or **Memorandum**). The terms of your investment in the Units of the Fund (**Units**) are set out in the following key documents:

- The trust deed of the Fund dated 11 August 2020 as amended from time to time (**Trust Deed**);
- This IM; and
- The application form accompanying this IM that is of the same date (**Application Form**).

The key documents outlined above (together, the **Transaction Documents**) must be read carefully before making a decision to invest in the Units of the Fund. Copies of the Transaction Documents will be provided to you upon request.

The Transaction Documents:

- Constitute your agreement with the Trustee to invest the amount specified in the Application Form;
- Describe the features, the associated risks and the costs of the Fund's investment strategy; and
- Set out some of the key terms of investing in the Fund and contains certain representations and warranties from you as an investor in the Fund.

Upon acceptance of your executed Application Form (including receipt of your cleared funds paid to our nominated account), monies will be held on deposit within the Fund in an account with an Australian Authorised Deposit-Taking Institution (**ADI**).

This IM is not a disclosure document under the *Corporations Act 2001* (Cth) (**Corporations Act**) and has been prepared for use by professional investors only. This document is not required to be and has not been lodged with the Australian Securities and Investments Commission (**ASIC**), and neither ASIC nor any of its officers taken any responsibility for the contents of the IM.

## Your Decision to Invest

This IM is an important document which you should read before making a decision to acquire the Units. A document of this kind cannot however take into account your investment objectives, financial situation or particular needs, and nothing in this IM should be regarded as a recommendation by the Trustee or by any other person concerning an investment in the Fund. Having considered the information in the IM, you should obtain independent financial and taxation advice as to the suitability of an investment in the Units for you, having regard to your investment objectives, financial situation and particular needs.

## **Applications**

This IM is available in paper form and in electronic form. If you wish to invest, you must complete the Application Form accompanying the IM and submit it as set out in accordance with the instructions set out in the Application Form.

## **Restrictions on Distribution of this IM**

The offer to which this IM relates is only available to persons:

- receiving the IM in Australia; and
- who qualify as wholesale investors under s 761G and s 761GA of the Corporations Act.

The IM does not constitute an offer of the Fund in any place in which, or to any person to whom, it should not be lawful to make an offer of the Fund. The distribution of the IM in jurisdictions outside Australia may be restricted by law, and any person who resides outside Australia and who comes into possession of the IM should seek advice about it and observe any restrictions.

## **Updated Information**

Updated information relating to this IM will be made available promptly. You can access this information at [www.quayfund.com.au](http://www.quayfund.com.au). Alternatively, you can request a paper copy of this information free by contacting the Trustee on 1300 114 980. The information that will be made available by way of updates is information which is subject to change from time to time and is not materially adverse to you. If a change in information is materially adverse to you, the Trustee will replace this IM or issue a supplementary IM.

## **Electronic IM**

Investors who receive this IM in electronic form are entitled to obtain a paper copy of the IM, including the Application Form, without charge. Please contact the Trustee on 1300 114 980.

## **Definitions**

Some expressions used in this IM are defined in the Glossary in section 10. Unless the context requires otherwise, words used in the IM have the meaning given in the Glossary.

## 2. Key Features and Dates

### Key Features

Feature	Overview	Refer to Section
<b>Fund</b>	Laureola Australia Feeder Fund	4
<b>Fund Type</b>	The Fund is an unlisted, unregistered Australian wholesale managed investment scheme.	4.1
<b>Trustee</b>	Quay Fund Services Limited (ABN 84 616 465 671, AFSL No 494886)	
<b>Investment Manager</b>	Laureola Advisors Inc.  Laureola Advisors Inc is also the Investment Advisor of the Underlying Fund.	
<b>Underlying Fund</b>	Laureola Investment Master Fund, a segregated account constituted as a distinct class of shares in Emerging Manager Platform (2) Ltd.	
<b>Investment Objective</b>	The investment objective of the Fund is to achieve consistent capital appreciation in the Net Asset Value of the Fund through its investment in the Underlying Fund.	4.2
<b>Investment Strategy</b>	The principal objective of the Underlying Fund is to earn consistent above average returns non-correlated to the general markets by using the assets to acquire, manage and resell a portfolio of life insurance assets including policies in the life settlement secondary and tertiary markets.	4.3
<b>Eligible Investors</b>	Wholesale clients as defined in the Corporations Act.	5.1
<b>Minimum initial investment and balance</b>	The minimum initial investment amount for new investors in the AUD Class is AUD\$100,000 and the minimum additional investment amount is AUD\$25,000. The Trustee, in its sole and absolute discretion, may accept or reject all or any portion of any investment and reduce, increase or waive the minimum investment.  The minimum initial investment amount for new investors in the USD Class is US\$100,000 and the minimum additional investment amount is US\$25,000. The Trustee, in its sole and absolute discretion, may accept or reject all or any portion of any investment and reduce, increase or waive the minimum investment.	5.5

<b>Unit Prices</b>	The Unit prices will be calculated by Net Asset Value for the relevant Assets corresponding Class of Units by the number of Units on issue in the Class.	5.3
<b>Class of Units</b>	<p>There are two classes of Units.</p> <p>AUD Units - denominated in Australian dollars.</p> <p>USD Units - denominated in US dollars.</p> <p>Both classes will invest into the USD Shares of the Underlying Fund. The Investment Manager will manage the required currency conversion of AUD into USD and the ongoing currency hedge for the AUD Units.</p> <p>The Investment Strategy in the Underlying Fund is identical for both Classes. The rights of unitholders in each class are otherwise identical.</p>	5.2
<b>Investment Timeframe</b>	Suggested minimum investment timeframe is at least 3 years. The Trustee and the Investment Manager recommend that you consider, with your financial adviser, the suggested investment period for the Fund for your own investment timeframe. You should review this regularly to ensure that the Fund continues to meet your investment needs.	5.4
<b>How to invest in the Fund</b>	<p>Investors should complete the Application Form accompanying this Memorandum and send the completed Application Form, together with any supporting documents to the Administrator's Agent or complete the online Application Form which can be accessed <a href="#">here</a> by no later than 5:00pm (AEST) on the Business Day which is 5 Business Days before the applicable Subscription Day.</p> <p>The Trustee has the right to reject any application or to accept only part of an application. Once lodged, an application may be cancelled only with the Trustee's approval.</p> <p>No cooling off period applies to wholesale clients as defined in the Corporations Act.</p>	5.10
<b>Redemptions</b>	Units may be redeemed at the option of the Unitholder on any Redemption Date by sending a completed Redemption Request to the Administrator's Agent at <a href="mailto:AU-Lauerola@apexfunds.com.au">AU-Lauerola@apexfunds.com.au</a> , and then immediately via post/courier. Please note Redemptions are subject to a notice period and	5.6

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maybe charged a Redemption Spread. Please refer to section 5 for details.

<b>Distributions</b>	The Fund does not intend to pay distributions.	5.7
<b>Risks</b>	Like an investment of this type, there are risks associated with investing in the Fund. For information about the specific risks associated with the Fund, see section 6.	6
<b>Fees and Costs</b>	The Fund will pay all the costs of its operation and management, including the organisational expenses, the fees and expenses payable to service providers and all expenses related to its investment program.	7

## 3. Fund Management

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### Trustee

The Trustee of the Fund is Quay Fund Services Limited (ABN 84 616 465 671, AFSL No 494886) (**Quay**). Quay has been established as an independent provider of trustee and administration services to wholesale funds. This leaves the investment decisions to an expert that can focus on deciding what investments are made on behalf of the Fund, whilst Quay takes care of the operational aspects of the Fund.

Quay's responsibilities and obligations as the Fund's trustee are governed by the Trust Deed, the Corporations Act and general trust law. As trustee of the Fund, Quay is solely responsible for the management of the Fund.

Quay has delegated the investment management functions to Laureola Advisors Inc (**Laureola**) under an Investment Management Agreement (**IMA**). Quay reviews the Investment Manager on an ongoing basis to ensure that it is managing the investments of the Fund within the terms of the IMA. Under the IMA, Laureola may notify the Trustee that it wishes to terminate the IMA. The termination will take effect 3 months after the notice or immediately if the Trustee ceases to be the trustee of the Fund or certain other events occur.

### Investment Manager

The Investment Manager of the Fund is Laureola Advisors Inc.

Laureola Advisors, Inc. is a British Virgin Islands' Financial Services Commission approved investment manager, (Approved Investment Manager number IBR/AIM/15/0124). Laureola Advisors offers specialist asset management services with a specific focus on Life Settlements. The Laureola Advisors team has transacted over \$1 billion (US dollars) in face value of life insurance policies.

Laureola Advisors was founded in 2012 by Tony Bremness to take advantage of the opportunities in this asset class.

Laureola Advisors is the Investment Advisor to the Underlying Fund.

### Key Executives

**Mr. Tony Bremness** founded Laureola Advisors in 2012 and is the Managing Director and Chief Investment Officer of the firm with 35+ years' experience in investment management. Tony has experience across the industry including investment analysis, portfolio design and management and risk control. He has a broad background across multiple asset classes - both traditional and alternative - including more than 12 years in the Life Settlements. He has an MBA from McGill University and has been awarded the Chartered Financial Analyst designation by the Association for Investment Management Research. Tony is based in Europe. Tony leads a team of 12, four on the investment team which is supported by a medical and scientific panel.

## 4. The Fund

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### 4.1 Fund Structure

The Fund is an Australian unit trust and structured as an unregistered, unlisted management investment scheme under the Corporations Act.

### 4.2 Investment Objective

The investment objective of the Fund is to achieve consistent capital appreciation in the Net Asset Value of the Fund through its investment in the Underlying Fund.

The Underlying Fund is the Laureola Investment Master Fund, a sub-fund of Emerging Manager Platform (2) Ltd. (**EMP 2**), a Bermuda exempted company incorporated with limited liability and registered as a segregated accounts company under the Segregated Accounts Companies Act 2000 of Bermuda. EMP 2 is a mutual fund company of an unlimited duration classified as a Standard Fund under the Investment Funds Act 2006 and was incorporated on 8 January 2013. Currently, the only eligible investors into the Underlying Fund are the Laureola Investment Feeder Fund, the Laureola U.S. Feeder Fund and the Laureola Australia Feeder Fund

The Fund will act as the 'feeder' fund in what is commonly referred to as a 'master-feeder' structure. In turn, the Fund will invest substantially all of its assets in the Underlying Fund by subscribing for participating shares in the Underlying Fund.

There can be no assurance that the investment objective of the Fund will be achieved.

### 4.3 Investment Strategy

The Fund will seek to achieve the investment objective by investing in the Underlying Fund. The investment strategy of the Underlying Fund is as follows.

The Underlying Fund has been formed to purchase and actively manage a diversified portfolio of life insurance assets. These include policies issued by U.S. life insurance companies that will be acquired from policy owners in the life settlement secondary market or from other life settlement investors on the tertiary market. Generally, the Underlying Fund seeks to purchase life insurance policies primarily on individuals of sixty-five years or older. The Investment Manager will manage the various risks through diversification of policies and by employing multiple investment strategies across the asset class.

The Underlying Fund may also invest and trade in a variety of securities and financial instruments, domestic and foreign, including but not limited to common and preferred stocks, bonds and other debt securities, mutual fund shares, options, warrants, commodities, futures, derivative instruments (including swaps, forward contracts and structured instruments), currencies, monetary instruments and cash and cash equivalents.

The principal objective of the Underlying Fund is to earn consistent above average returns non-correlated to the general markets by using the assets to acquire and actively manage a portfolio of life settlement assets including life insurance policies in the life settlement secondary and tertiary markets. In general, the Underlying Fund seeks to purchase life insurance policies primarily on individuals of sixty- five (65) years of age or older.

### **Selection of Policies**

The Investment Advisor will identify and the Underlying Fund shall purchase life insurance policies on the life settlement markets, primarily through the use of Life Settlement or L/S Providers, who act as acquisition agents. The L/S Provider may provide the Underlying Fund with additional services and reports with regards to the policies including, relevant medical diagnostic data, life expectancy estimations and other related analytical services. The brokerage costs of the L/S Provider and other third party costs shall be built into the price of each life insurance policy that the Underlying Fund purchases through the L/S Provider

### **Portfolio Distributions**

The Underlying Fund's revenues, if any, are expected to be derived primarily from the death benefit on maturity of a policy and on occasion from the gains on the resale of policies. There are no plans for distributions of gains and any future distributions will be at the sole discretion of the Investment Manager.

### **Life Settlement Investments**

A life settlement transaction occurs when the owner of a life insurance policy sells the policy to a third-party (investor) in the life settlement market. In most instances, the life settlement market offers policy owners an opportunity to sell their policies for more than the "cash value" amount offered by life insurance companies.

### **Policy Acquisition and Investment Criteria**

The Underlying Fund will assemble the investment portfolio with the purpose of maximizing the risk-adjusted return to Shareholders by investing in a wide range of life settlement policies. The Underlying Fund intends to acquire policies using the investment criteria below:

- Longevity risk mitigation
- The face amount (death benefit) of the policies
- Premium levels of the portfolio policy assets
- Ratings of companies that issue the policies
- The age of the insured
- The health of the insured
- Portfolio diversification

**Other features of the Underlying Fund's Investment Strategy may include:**

- **Use of Leverage:** The Underlying Fund may borrow funds from banks and other lenders and cause the Underlying Fund to pledge its assets, including the policies, as collateral for these loans. The Underlying Fund may use the proceeds of such loans to pay insurance premiums due for acquired life insurance policies, to invest in additional policies, and/or to establish premium reserves for the additional policies acquired. Such loans will also include terms, conditions, covenants, representations and warranties customary to loans from senior credit lenders. The use of leverage may substantially increase the risk of this investment.
- **Other investments:** During times when the Underlying Fund is not fully invested, the Underlying Fund may invest in short-term government obligations, certificates of deposit, commercial paper and other money market instruments.

The investment strategies summarised above represent the current intentions of the Fund and the Underlying Fund. Depending on conditions and trends in the securities markets and the economy in general, different strategies or investment techniques may be pursued or employed, whether or not described in this IM, subject to any applicable law or regulation. The discussion above includes and is based upon assumptions and opinions concerning financial markets and other matters, the accuracy of which cannot be assured. There can be no assurance that the investment strategies will achieve the investment objective.

#### **4.4 Investment Restrictions**

The Underlying Fund will not:

- A. lend to or invest more than 20% of its gross assets in the securities of any one issuer;
- B. expose more than 20% of its gross assets to the creditworthiness or solvency of any one counterparty;
- C. take or seek to take legal or management control of any issuer in which it invests; or
- D. leverage the assets of the Underlying Fund above the level of 35%.

Restrictions A and B will only come into effect when the assets of the Underlying Fund exceed \$10 million USD. With the exception of C above which applies at all times, the investment restrictions apply to any investment at the time that investment is made. Where restriction A, B, or D are breached, immediate corrective action will be taken except where the breach is due to appreciations or depreciations, changes in exchange rates, or by reason of the receipt of rights, bonuses, benefits in the nature of capital or by reason of any other action affecting every holder of that investment. The Investment Manager must have regard to the investment restrictions when considering changes to the investment portfolio of the Underlying Fund.

## 5. Investing in the Fund

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### 5.1 Eligible Investors

The Fund is only available to wholesale clients, as defined in s 761G and s 761GA of the Corporations Act.

### 5.2 Class of Units

There are two Classes of Units in the Fund. AUD Class which is denominated in Australian dollars and USD Class which is denominated in US dollars. Both Classes will invest into the USD Shares of the Underlying Fund.

The Investment Manager will manage the required currency conversion of AUD into USD and the ongoing currency hedge for the AUD Units. The cost of the currency hedging will be passed through to the AUD Units.

The Fund will not enter into any separate hedging arrangements with respect to the investments in the Underlying Fund.

The Investment Strategy in the Underlying Fund is identical for both Classes. The rights of unitholders in each class are otherwise identical.

### 5.3 Unit Price

The Unit price for each Class of Unit will be calculated by dividing the Net Asset Value for the relevant Assets in the corresponding Class of Units by the number of Units on issue in the Class.

The Trustee in its absolute discretion may issue new classes of units with different terms attached.

### 5.4 Investment Timeframe

The minimum investment timeframe is at least 3 years. The Trustee and the Investment Manager recommend that you consider, with your financial adviser, the suggested investment period for the Fund for your own investment timeframe. You should review this regularly to ensure that the Fund continues to meet your investment needs.

### 5.5 Minimum Initial Investment and Balance

The minimum initial investment amount is AUD\$100,000 for the AUD Class and US\$100,000 for the USD Class. Following the initial investment, investors may invest additional funds at the Trustee's discretion.

Investors must maintain a minimum balance of AUD\$100,000 and US\$100,000 as applicable.

## 5.6 Redemptions

Subject to the Lock-Up Period and payment of the Redemption Spread (as applicable and as described below) Units may be redeemed at the option of the Unitholder on the first day of any calendar month and any other day as designated by the Trustees in their sole and absolute discretion (each, a “Redemption Date”) provided the Administrator’s Agent is in receipt of a duly completed redemption request not less than one hundred and twenty (120) calendar days prior to the applicable Redemption Date.

After the applicable Lock-Up Period, Units may be redeemed on a Redemption Date with no Redemption Spread payable, subject to one hundred and twenty (120) calendar days’ notice, as above. All requests for redemption shall be irrevocable unless otherwise determined by the Trustees in their discretion.

Units are redeemed at Net Asset Value as at the applicable Redemption Date.

A Unit holder wishing to redeem their Units should send a completed Redemption Request to the Administrator’s Agent by email. The completed Redemption Request must be received by no later than 5.00pm (Sydney time) on a Business Day falling at least one hundred and twenty days (or such shorter period as the Trustee may permit, either generally or in any particular case) prior to the relevant Redemption Date. Unless the Trustee agrees otherwise, any Redemption Request received after this time will be held over and dealt with on the next relevant Redemption Date.

A Redemption Request may be sent by facsimile, but redemption proceeds will not be paid until the Administrator’s Agent has received the original Redemption Request and any outstanding due diligence matters have been resolved. None of the Trustee, the Fund, the Administrator or the Administrator’s Agent will accept any responsibility for any loss arising from the non-receipt or illegibility of any Redemption Request sent by facsimile, or for any loss caused by or as a result of any action taken in connection with facsimile instructions believed in good faith to have originated from properly authorised persons.

If the number and value of Units to be redeemed is not specified, a redemption notice will be assumed to apply to all Units held by the redeeming Unitholder.

Subject to certain restrictions and unless redemptions have been suspended, net redemption proceeds will be paid by Electronic Funds Transfer (at the expense of the redeeming Unitholder) of the redemption amount to the account designated by the Unitholder in the Redemption Request. Redemption proceeds will generally be paid within 30 calendar days of the relevant Redemption Date. Prospective Unitholders should be aware that the relevant redemption price will be based on unaudited accounts.

The Trustee may suspend or defer redemptions and may delay redemption payments under certain circumstances including when the receipt of redemption proceeds from the Underlying Fund is delayed. The Trustee may find it necessary upon the request for redemption by a Unitholder to set up a reserve for determined contingent liabilities and withhold all or a certain portion of the Unitholder’s

redemption proceeds. The right of a Unitholder to redeem Units is contingent upon the Trustee and the Fund having assets sufficient in the view of the Trustee to discharge its liabilities on the relevant Redemption Date.

### **Limitation on Redemptions**

#### *Trustee Discretion on Market Conditions*

The Trustee may, in its discretion, suspend or postpone the payment of any redemptions of Units or the calculation of the Fund's Net Asset Value: (a) during any period of extreme market conditions or absence of liquidity; (b) during any period in which there exists any state of affairs which constitutes a state of emergency as a result of which (i) disposal of a part of the investments would not be reasonably practicable and might seriously prejudice the Fund and its Unitholders or (ii) it is not reasonably practicable for the Fund and might seriously prejudice the Fund's ability to determine the Net Asset Value of a Unitholder's Units; (c) if payments due on a redemption cannot, in the opinion of the Investment Manager, be affected at normal rates of exchange and without undue delay or adverse consequences to the Unit or the Unitholders; or (d) when a breakdown occurs in any of the means normally employed in ascertaining the prices of a substantial portion of the Fund's investments or when for any other reason the value of a substantial portion of the investments cannot reasonably or fairly be ascertained.

#### *20% Gate in the Underlying Fund*

The Underlying Fund has a 20% 'gate' provision. This permits the Underlying Fund to defer redemption requests in excess of 20% of the outstanding shares on any Redemption Date. If the Underlying Fund receives redemption requests representing more than 20% of the outstanding Units as of any Redemption Date, then the Underlying Fund is entitled to reduce such redemption requests on a pro rata basis to comply with such 20% limit and to defer any excess redemptions until the next Redemption Date.

Following any gating of redemptions in the Underlying Fund, if a Unitholder redemption request cannot be satisfied, the Unitholder redemption request shall be effected as of the first Redemption Date following the recommencement of redemptions in the Underlying Fund (subject to further deferral if the deferred requests themselves exceed 20% of the outstanding Units) in priority to any other redemption requests which have been received.

#### *Lock-Up Period*

The shares in the Underlying Fund are subject to a lock up such that they will not be redeemed until the Redemption Date which occurs on or after the end of the 36 months after purchase (the "Lock-Up Period"). For investors in the Fund, these limitations will therefore apply to the Fund units. Investors looking to redeem their investment in the Fund (and ultimately the Underlying Fund) prior to the 36 month investment period can make a request for early redemption, however, if the Underlying Fund agrees to redeem the shares, an Early Redemption Spread will be charged as follows:

- 20% of the net proceeds of redemption if redeemed on or before the first annual anniversary of investment;
- 15% of the net proceeds of redemption if redeemed after the first annual anniversary of investment and up to and including the second annual anniversary of investment; and

- 10% of the net proceeds of redemption if redeemed after the second annual anniversary of investment and up to and including the third annual anniversary of investment.

The Directors of the Underlying Fund may waive the requirement to pay a Redemption Spread.

The Early Redemption Spread becomes an asset of the Underlying Fund and therefore also the Fund.

The Lock-Up Period limitation applies to any investment in the Underlying Fund, whether as a new investor or any subsequent investments by an existing Shareholder.

## **5.7 Distributions**

The Underlying Fund does not intend to pay distributions.

## **5.8 Leverage**

While the Trust Deed of the Fund allows borrowing, it is intended that no borrowing arrangements will be entered into by the Fund.

The Fund through its investment in the Underlying Fund may, however, be exposed to leverage. When deemed appropriate, the Underlying Fund may employ leverage including, without limitation, through borrowing cash, securities and other instruments and entering into derivative transactions and repurchase agreements. The Underlying Fund may pledge assets as security for borrowings. The use of leverage by the Underlying Fund will indirectly increase the risk of an investment in the Fund. The total leverage employed in the Underlying Fund will not exceed 35% of the net asset value of the Underlying Fund.

The Fund may borrow for the purposes of satisfying Redemption Requests or paying expenses, if required.

## **5.9 Currency hedging and trading**

The investment manager of the Underlying Fund will hedge the currency exposure of the Underlying Fund into Australian dollars and currencies other than the base currency of the Underlying Fund. The Trustee cannot guarantee that the Underlying Fund will at all times have access to adequate hedging facilities to be able to hedge the AUD currency exposure completely. There is a risk that part or all of the AUD Class Units' indirect currency exposure to US dollars may remain unhedged or over-hedged from time to time.

The investment manager of the Underlying Fund may also take speculative positions in currencies for the benefit of the Fund as a whole.

## **5.10 How to Invest in the Fund**

Investors should complete the Application Form accompanying this Memorandum and send the completed Application Form, together with any supporting documents to the Administrator's Agent

or complete the online Application Form which can be accessed [here](#) by no later than 5.00pm (AEST) on the Business Day which is 5 Business Days before the applicable Subscription Day. If you need any help in considering whether the Fund is appropriate for you, or in completing the Application Form, please consult with professional financial advisors for your benefit.

To invest, simply forward your completed Application Form, together with your Investment Amount to Apex Fund Services (Australia) Pty Ltd.

Payment methods and details are available with the Application Form.

Alternatively, an online application form can be completed by going to:

<https://www.olivia123.com/laureola-advisors-inc/laureola-australia-feeder-fund.php>

Application money for the AUD Class of Units must be paid in Australian dollars into the Australian dollar denominated bank account on the Application Form.

Application money for the USD Class of Units must be paid in US dollars into the US dollar denominated bank account on the Application Form.

All application money will be paid into an interest bearing accounts upon receipt. Any interest earned on these accounts may be retained by the Fund.

Initial Units are issued at \$1 and later as per the previous NAV price.

If we are unable to process an application because it is invalid (e.g. the Application Form is not signed), the transaction will not be processed and the application money will remain in the account until the correct documentation is received.

No third party payments are accepted and funds has to be received in the name of the Investor.

If correct documentation is not received within one month, the application money will be returned to by Electronic Fund Transfer with no interest payable.

The Trustee has the right to reject any application or to accept only part of an application. Once lodged, an application may be cancelled only with the Trustee's approval.

No cooling off period applies to wholesale clients as defined in the Corporations Act.

#### **5.11 Requests received by facsimile or email**

The Administrator's Agent will acknowledge receipt of any application or redemption request on behalf of the Fund, and in the event no acknowledgement is received from the Administrator's Agent within 5 days of submitting the request, the applicant should assume that the application or redemption request has not been received and they should contact the Administrator's Agent via email on

InvestorRegistry@apexfunds.com.au or telephone on +61 3 9020 3000 to confirm the status of their request.

None of the Fund, the Administrator and/or the Administrator's Agent accepts any responsibility for any loss arising from the non-receipt or illegibility of any Application Form or additional Application Form (as the case may be) sent by facsimile or email or for any loss caused in respect of any action taken as a consequence of such facsimile or email believed in good faith to have originated from properly authorised persons.

## 6. Risks

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An investment in the Fund entails substantial risk, stemming from the underlying risk profile of Underlying Fund. The nature of the investments in the Underlying Fund involves certain risks including, but not limited to, those listed below and the investment manager of the Underlying Fund may utilise investment techniques which carry additional risks. Potential investors should carefully consider the following factors, among others, in determining whether an investment in the Fund is suitable for them.

The following list of risk factors does not purport to be a complete enumeration or explanation of all the risks involved in an investment in the Fund. Prospective investors are urged to consult their advisors before deciding to invest in the Fund.

### 6.1 Risks associated with the Fund Structure

**No right to control.** The Trustee of the Fund does not control the day-to-day operations, including investment and disposition decisions, of the Underlying Fund. The Fund must rely on the Investment Manager, who is also the investment advisor of the Underlying Fund to conduct and manage the affairs of the Underlying Fund. The Trustee will not be able to evaluate the relevant economic, financial and other information regarding future investments to be made by the Underlying Fund and, accordingly, will be dependent upon the judgement and ability of the Investment Manager in investing and managing the capital of the Fund invested into the Underlying Fund.

**Leverage.** It is intended that the Fund will not be borrowing to fund investments. However, the Underlying Fund which the Fund will invest in may employ leverage including, without limitation, through borrowing cash, securities and other instruments and entering into derivative transactions and repurchase agreements. The Underlying Fund may pledge assets as security for borrowings. The extent to which the Underlying Fund uses leverage may have the following consequences including but not limited to: (a) greater fluctuations in the net assets of the Underlying Fund; (b) use of cash flow for debt service purposes; and (c) in certain circumstances the Underlying Fund may be required to prematurely harvest investments to service its debt obligations. There can also be no assurance that the Underlying Fund will have sufficient cash flow to meet its debt service obligations. As a result, the Fund's exposure to losses may be increased due to the illiquidity of its investments in the Underlying Fund generally.

**Absence of regulatory oversight.** The Fund is an unlisted and unregistered management investment scheme. Therefore, the Fund is not held to the stringent compliance standards imposed by the Corporations Act and ASIC which normally apply to registered management investment schemes. Furthermore, the Underlying Fund (although it is a regulated mutual fund under the Mutual Funds Law), is not required to, nor does it intend to, register under the laws of any other jurisdiction. As a consequence, the securities laws of other jurisdictions (which may provide certain regulatory safeguards to investors) generally will not apply. Accordingly, Shareholders of the Underlying Fund such as the Fund may not have the benefit of all the protections afforded to them by the securities laws of their home jurisdiction or other relevant jurisdictions.

**Business and regulatory risks of investment funds.** Legal, tax and regulatory changes during the term of the Fund may adversely affect it. The regulatory environment for alternative asset funds is evolving. Changes in the regulation may adversely affect the value of the Underlying Fund's investments and consequently the value of the Fund. They may also adversely affect the Underlying Fund's ability to obtain the leverage it might otherwise have obtained or to pursue its trading strategies. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulating organisations and exchanges are authorised to take extraordinary actions in cases of market emergencies. The regulation of derivative transactions and funds that engage in those transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory change on the Fund and the Underlying Fund could be substantial and adverse.

**FATCA.** Sections 1471-1474 of the United States Internal Revenue Code of 1986, as amended (commonly known as the Foreign Account Tax Compliance Act or "FATCA") provides that a 30% withholding tax will be imposed on certain payments to foreign financial institutions, such as the Underlying Fund, including interests and dividends from securities of U.S. issuers and gross proceeds from the sale of such securities, unless the Underlying Fund complies with FATCA. Although the Underlying Fund will attempt to satisfy any obligations imposed on it and to avoid the imposition of any FATCA withholding, no assurance can be given that the Underlying Fund will be able to achieve this and/or satisfy such FATCA obligations. If the Underlying Fund becomes subject to a 30% FATCA penalty withholding on most types of income from U.S. investments as a result of the FATCA regime, the value of the shares held by Shareholders (including the Fund) in the Underlying Fund may suffer material losses. The Underlying Fund's ability to comply with FATCA will depend on each Shareholder providing the Underlying Fund with information that the Underlying Fund requests concerning the Shareholder or its direct and indirect owners. If a Shareholder fails to provide the Underlying Fund with any information the Underlying Fund requests, and, in the opinion of the directors of the investment manager of the Underlying Fund, as the case may be, holding of shares by such person (whether directly or beneficially) will result in the Underlying Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Underlying Fund might not otherwise have incurred or suffered, or the Underlying Fund being exposed to any liability, penalty or regulatory action, then the directors, may exercise its right to request a transfer of shares to another person or to compulsorily redeem the shares held by such Shareholder. Any such transfer or compulsory redemption will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Investment Manager acting in good faith and on reasonable grounds.

**Dependence on key personnel.** Given the nature and objective of the Fund is to gain exposure into the Underlying Fund, the investment performance of the Fund will be substantially dependent on the expertise of the investment manager of the Underlying Fund, its principals and employees. Thus, the departure for any reason of the key individuals who will be primarily responsible for managing the investment of the assets of the Underlying Fund may consequently have a materially adverse effect on the performance of the Fund.

**Illiquidity of Shares in the Underlying Fund.** It is not anticipated that there will be an active secondary market for the shares in the Underlying Fund and it is not expected that such a market will develop. Shares are not transferable without the approval of the directors of the Underlying Fund.

Consequently, the Fund may not be able to dispose of its shares except by means of redemption. Redemptions may be subject to an overall limit by reference to the Net Asset Value of the Underlying Fund and may be suspended in certain circumstances. The Underlying Fund may effect redemptions in specie or may establish a liquidating trust, account or entity to hold the relevant investments until they are liquidated at a later date. As such, the Fund may not receive cash proceeds on redemption or in the event that the Underlying Fund is terminated or may not receive cash proceeds in a timely manner.

**Operating history.** The Fund has no operating history that a prospective investor can evaluate before making an investment in the Fund. The Underlying Fund has been in existence since April 2013 and the Trustee is reliant upon the success of the Investment Manager. Past performance is no guarantee of future returns and no guarantee or representation is made in this regard. There can be no assurance that the Fund will achieve its investment objective.

**Possible effect of substantial redemptions in the Underlying Fund.** Substantial redemptions by one or more investors in the Underlying Fund at any one time could require the Underlying Fund to liquidate its positions more rapidly than otherwise desired in order to raise the cash necessary to fund those redemptions. The Underlying Fund may find it difficult to liquidate its positions on favourable terms in such a situation, possibly reducing the value of the Underlying Fund's assets and/or disrupting the investment strategies. The Underlying Fund is permitted to borrow for the purposes of redeeming shares and may pledge assets as collateral security for the repayment of that borrowing. In such circumstances, the continuing Shareholders including the Fund will bear the cost and risk of any such borrowing.

**Valuation of the investments.** Valuation of the securities and other investments of the Underlying Fund may involve uncertainties and judgmental determinations. If a valuation is incorrect, the Net Asset Value per Share of the Underlying Fund may be adversely affected. Independent pricing information about some of the securities and other investments of the Underlying Fund may not always be available.

If the value assigned to an investment differs from its liquidation value, the Net Asset Value per Share of the Underlying Fund may be either understated or overstated to the extent of that difference. Consequently, if the actual value of some of the securities and other investments of the Underlying Fund is higher than the value assigned to them, a Shareholder (such as the Fund) who redeems all or part of its shares while they are so undervalued may be paid less than if they were correctly valued. Conversely, if the actual value of some of the securities and other investments of the Fund is lower than the value assigned to them, the Shareholder may, in effect, be overpaid.

Furthermore, an investment in the Underlying Fund by a new Shareholder (or an additional investment by an existing Shareholder) may dilute the value of the Fund's investment in the Underlying Fund if those investments are undervalued. Conversely, a new Shareholder (or an existing Shareholder who makes an additional investment) could pay too much if the Underlying Fund's investments are overvalued by the Underlying Fund. If either of these scenarios happens, the Underlying Fund does not intend to adjust its Net Asset Value per Share retroactively.

Additionally, as the fees of a number of the service providers to the Underlying Fund are tied to its Net Asset Value, any discrepancy in valuation may result in overpayment or underpayment to those service providers.

None of the Underlying Fund, the directors or administrator of the Underlying Fund will be liable if a price or valuation used in good faith in connection with any of the above procedures later proves to be incorrect or inaccurate.

## **6.2 Risks associated with the Investment Strategies undertaken by the Underlying Fund**

**Investment Risks.** The Underlying Fund invests substantially all of its available capital in life settlements that can be deemed speculative investments. While there is a market for buying and selling these settled policies, the market for such policies in general is subject to fluctuations that are at times substantial. In addition, the value of an investment in policies is dependent in part upon the quality of the insurance company carrier. While the Underlying Fund intends in most circumstances to purchase policies issued by carriers having an A.M. Best rating of A- or better, there can be no assurance that such rating for a carrier will not be downgraded under certain economic conditions after the Underlying Fund has purchased one or more policies from such a carrier. No assurance can be given that the Underlying Fund's investment portfolio will appreciate in value.

**Risks of Interim Investments and Reserve Management Strategy.** The Fund and the Underlying Fund intends to retain reserves in order to have sufficient funds for contingencies, expenses and policy premium payments. The Underlying Fund is authorised to invest in any type of obligation or financial instrument that has a maturity of less than one year. Accordingly, the Unitholders are dependent upon the judgment of the Investment Manager in selecting appropriate interim investments in cash awaiting investment in additional policies and are exposed to credit risk, interest rate changes, market risk and other risks with regard to those interim investments. There can be no assurance that the Underlying Fund's reserve management strategy will be successful or that the Fund may not incur losses in effecting such strategy. Such losses could have a material adverse effect on the Underlying Fund's profitability.

**Economic Conditions.** Changes in economic conditions, including interest rates, inflation rates, government regulations, overall industry conditions, competition, political conditions and legislation can have a substantial effect on the investments that the Fund undertakes. While life insurance policies, as an asset class, are not directly correlated with traditional economic indicators such as interest rates, commodity prices, securities values, and general economic conditions, a global financial crisis, and/or extreme volatility in global markets, could significantly impact the Fund.

**Concentration of Investments.** While the Investment Manager intends to allocate the capital of the Underlying Fund and among life insurance policies of a number of different individuals, at times it is possible that a large portion of the Underlying Fund's capital may be invested in only a few insurance policies, particularly when the Underlying Fund is small.

**General Risks Associated with Life Settlements.** The value of policies that the Underlying Fund owns could be adversely affected by a number of factors, including (a) lowered ratings of insurance

companies that had previously issued policies held by the Underlying Fund, (b) flaws in the calculation of, or increases in, life expectancies of the individuals insured as determined by third-party life expectancy providers, (c) the fact that calculations of life expectancies of the individuals insured are necessarily imprecise and measured by average life expectancies of the general demographic population. Such risks would adversely affect the prices at which policies could be resold in the life settlement markets.

**Risk of Funding Premiums on Acquired Life Settlement Policies.** An investor who purchases a life settlement is required to pay the premiums over the remaining life of the policy acquired. Failure to pay premiums when due could result in termination of the policy, and the loss of the Underlying Fund's investment in that policy. The Underlying Fund will be relying on the Investment Manager, to advise the Underlying Fund of premium requirements, and the Underlying Fund must account for such premium payment and make sure such payments are made in a timely manner. The Investment Manager will be responsible for tracking premium requirements and assuring that premiums are paid on schedule.

**Competition.** A number of investment funds and other financial institutions are investing in life settlement policies similar to the policies that will be purchased by the Underlying Fund. Because of this competition, the Underlying Fund may not be able to participate in certain investments that competitors seek to participate in.

**Industry Regulation.** The Underlying Fund anticipates that most policies purchased will be policies issued by U.S. insurance companies. Such companies and the policies issued may be impacted by U.S. federal and/or state regulations, both current and future, and such regulations may affect policies owned by the Underlying Fund.

**Insurance Industry Lobby.** The collective of U.S. life insurance companies, whose policies the Underlying Fund intends principally to purchase, has a powerful lobbying organization, operating at both the federal and state levels in the United States. Industry lobbyists have had some success in influencing legislation in some U.S. states which prohibit the original policy owners from selling their policies for as long as five years after a policy is first issued. While the Underlying Fund and the Investment Manager believe that these efforts do not pose a material risk to the Underlying Fund's investors, there can be no guarantee that efforts of the insurance companies to restrict the transfer of policies by the original owner will not negatively impact the Underlying Fund's investment strategy.

**Counterparty and Settlement Risk.** Due to the nature of some of the investments which the investment manager of the Underlying Fund may make, reliance is placed on the ability of the counterparty to a transaction to perform its obligations. In the event that any such party fails to complete its obligations for any reason, the Underlying Fund may suffer losses. The Underlying Fund will therefore be exposed to a credit risk on the counterparties with whom it trades. Any default by a counterparty or on settlement could have a material adverse effect on the Net Asset Value of the Underlying Fund. In recent history, several prominent financial market participants (including counterparties to over-the-counter and inter-dealer transactions) have failed or nearly failed to perform their contractual obligations when due – heightening the uncertainty observed in financial markets and leading to unprecedented government interventions, credit and liquidity contractions,

early termination of transactions and financing arrangements, and suspended and failed payments and deliveries.

Although the investment manager of the Underlying Fund intends to enter into transactions only with counterparties that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Underlying Fund will not sustain a loss on a transaction as a result. In addition, concentration of transactions with a limited number of counterparties could increase the potential for losses by the Underlying Fund.

**Distributions:** Ordinarily, the Underlying Fund will not make distributions by way of dividends to the Shareholders holding shares (including the Fund) and, consequently, all earnings of the Underlying Fund are expected to be retained for reinvestment.

### **6.3 Conflicts of interest**

The Trustee, the Investment Manager, the Administrator, the Administrator's Agent may, from time to time, act as director, promoter, manager, investment manager, investment adviser, registrar, administrator, transfer agent, trustee, custodian, broker, distributor or placing agent to, or be otherwise involved in, other collective investment schemes which have similar investment objectives to those of the Fund. Similarly, one or more of them may provide discretionary fund management or ancillary administration, custodian or brokerage services to investors with similar investment objectives to those of the Fund. Consequently, any of them may, in the course of their business, have potential conflicts of interests with the Fund.

Each will at all times have regard to its obligations to the Fund and will endeavour to resolve such conflicts fairly.

The following list of risk factors does not purport to be a complete enumeration or explanation of all the risks involved in an investment in the Fund. Prospective investors are urged to consult their advisors before deciding to invest in the Fund.

**Investment Manager.** The Investment Manager is engaged in the business of discretionary investment management and advising clients, which may include other investment vehicles, in the purchase and sale of securities and financial instruments. In managing other clients assets or advising other clients, the Investment Manager may use the information and trading strategies which it obtains, produces or utilises in the performance of services for the Underlying Fund.

The Investment Manager may have conflicts of interest in managing the portfolio of the Underlying Fund because its compensation for managing and/or advising other investment vehicles or accounts may exceed its compensation for managing the portfolio of the Underlying Fund, thus providing an incentive to prefer such other investment vehicles or accounts. The Investment Manager will endeavour to allocate all investment opportunities on a fair and equitable basis between the Underlying Fund and those other investment vehicles and accounts.

The Investment Manager and/or any of its associates may invest, directly or indirectly, in assets which may also be purchased or sold by the Underlying Fund. Neither the Investment Manager nor any of its

associates shall be under any obligation to account to the Underlying Fund in respect of (or share with the Underlying Fund or inform the Underlying Fund of) any such transaction or any benefit received by any of them from any such transaction.

The Fund has been established and promoted at the request of the Investment Manager. Accordingly, the selection of the Investment Manager and the terms of its appointment, including the fees and compensation payable under the Investment Management Agreement, are not the result of arms-length negotiations. However, the Trustee believes that such fees and compensation are consistent with normal market rates for investment funds of a similar type to the Fund.

**Trustee.** At all times so far as practicable the Trustee will have regard to their obligations to act in the best interests of the Fund and will seek to ensure that any conflict of interest is resolved fairly.

The Trustee may be a party to, or otherwise interested in, any transaction or arrangement with the Fund or in which the Fund is otherwise interested. The Trustee will not be liable to account to the Fund for any profit derived from such a transaction or arrangement provided the nature and extent of any material interest has been disclosed.

Save as disclosed in this Memorandum, the Trustee has no interest, direct or indirect, in the promotion of, or in any assets which are proposed to be acquired, disposed of by or leased to, the Fund. Save as disclosed in this Memorandum, the Trustee has no material interest in any contract or arrangement entered into by the Fund which is unusual in nature or conditions or significant in relation to the business of the Fund, nor has the Trustee had any such interest since the Fund was incorporated.

*This list of risk factors does not purport to be complete. Nor does it purport to be an entire explanation of the risks involved in an investment in the Fund. A potential investor should read this Memorandum in its entirety as well as consult with its own legal, tax and financial advisers before deciding to invest in the Fund.*

## 7. Fees and Expenses

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### 7.1 Fees payable to the Investment Manager

#### **Service Fee**

There will be no service fee payable to the Investment Manager by the Fund. The Investment Manager receives an investment advisory fee for acting as the investment advisor to the Underlying Fund equal to 1/12<sup>th</sup> of 2% p.a. of the Net Asset Value of the Underlying Fund payable monthly. The Investment Manager also receives a performance fee of 20% of realised profit from each policy subject to the High Water Mark (HWM) and 6% Hurdle Rate provisions. The Performance fee is accrued monthly and paid annually if the HWM and Hurdle Rate conditions are met, otherwise it is credited back into the Underlying Fund. The Underlying Fund also pays fund administration, platform manager, and custody fees to independent service providers.

### 7.2 Fees payable to the Trustee

The Trustee is entitled to a Trustee Fee of \$30,000 for the first year of operation, \$33,000 for second year of operation and \$36,000 for each operating year thereafter. If at anytime after 3 years the Net Asset Value of the Fund reaches \$25m or \$50m the minimum annual fee will increase to \$38,000 and \$40,000 respectively.

### 7.3 Expenses

#### **Preliminary Expenses**

The preliminary expenses and the operating expenses are being paid by the Investment Manager.

#### **Operating Expenses**

The Fund will bear all operating expenses related to the operation of the Fund where those expenses are incurred and are recoverable under the Trust Deed. These include (i) fees and expenses of advisers and consultants; (ii) indemnification expenses and the cost of insurance against potential indemnification liabilities; (iii) legal, administrative, accounting, tax, audit and insurance expenses; (iv) all taxes and corporate fees payable to governments or agencies (v) communication expenses with respect to investor services, including all expenses of meetings of unitholders and of preparing, printing and distributing financial statements and other reports, proxy forms, offering memoranda and similar documents; and (vi) litigation or other extraordinary expenses.

#### **Expense Recovery**

The Investment Manager will be entitled to recover all preliminary and operating expenses through an expense recovery up to 0.5% of the Net Asset Value of the Fund annually.

## 8. Taxation Information

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Investors are strongly advised to seek professional tax advice prior to investing into the Fund. Investors must take sole responsibility for their investments in regards to any tax implications that may arise during the course of their investment.

The following information summarises some of the taxation and stamp duty issues you should consider before making an investment. The information is intended for use by Investors who hold Units in the Fund on capital account and who are not considered to be carrying on a business of investing, trading in investments or investing for the purpose of profit making by sale. It should be used as a guide only and does not constitute professional tax advice as individual circumstances may differ. The taxation of a unit trust investment such as Units in the Fund can be complex and may change over time. The comments below are current as at the date of preparation of this IM. Investors should be aware that the ultimate interpretation of taxation and stamp duty law rests with the Courts and that the law, and the way that the Federal Commissioner of Taxation or a Commission of State Revenue administers the law, may change at any time. Please consult your tax adviser about the specific implications relevant to your situation before making any investment decision.

This summary only deals with the Australian and New Zealand tax and stamp duty considerations of potential investors and does not deal with tax consequences in relation to other jurisdictions.

### 8.1 Tax position of the Fund

#### General

The Fund is an Australian resident trust for Australian tax purposes. Although the Fund holds authorised investments, it is intended that the Trustee will limit its activities to undertaking or controlling entities that undertake 'eligible investment businesses as described in section 102M of the Australian Income Tax Assessment Act 1936, as amended. On this basis, the Fund should not be a 'trading trust', and so should not be taxed as a company.

Generally, no Australian income tax will be payable by the Trustee on behalf of the Fund on the basis that the Investors in the Fund are presently entitled to all of the distributable income of the Fund for each income year or where the Fund is an Attribution Managed Investment Trust ('AMIT') (refer to "AMIT Regime" on page 35), Investors are attributed with all net taxable income each year (as relevant). In the case where the Fund makes a loss for Australian tax purposes, the Fund cannot distribute the loss to Investors in the Fund. However, subject to the Fund meeting certain conditions, the Fund may be able to recoup such losses against assessable income of the Fund in subsequent income years.

#### Deemed Capital Gains Tax ('CGT') election

Eligible managed investment trusts ('MITs') may make an irrevocable election to apply a deemed capital account treatment to gains and losses on the disposal of eligible investments (including

equities and units in other trusts, but generally not derivatives and foreign exchange contracts). The election must be made in respect of the first year a trust qualifies as a MIT, otherwise if a trust qualifies as a MIT and no election is made, deemed revenue account treatment applies. If the Fund makes the election for deemed capital account treatment, where the eligible investments of the Fund have been realised, the Fund income should generally be capital gains (unless the tax law provides otherwise). Capital losses must be offset against the 'grossed up' amount of discount capital gain.

## **Tax reform**

Reforms to the taxation of trusts are generally ongoing. The Trustee will continue to monitor the progress of such developments and the impact on the Fund. However, given these developments may impact on the tax positions of the Fund and its Investors, it is strongly recommended that investors seek their own professional advice in relation to the potential impact of any reforms on their tax position.

## **Tax File Number (TFN) and Australian Business Number (ABN) withholding**

It is not compulsory for an Investor to quote their TFN or ABN to the Trustee when acquiring units. If an Investor is making this investment in the course of a business or enterprise, the Investor may quote an ABN instead of a TFN. Failure by an Investor to quote an ABN or TFN or claim an exemption may cause the Trustee to withhold tax at the top marginal rate, which is currently 47% on distributions of income to the Investor. The Investor may be able to claim a credit in their tax return for any TFN or ABN tax withheld.

## **8.2 Tax position of Australian resident Investors**

Investors should include in their assessable income their share of the Fund's net taxable income, calculated by reference to the portion of the Fund's trust income to which they are presently entitled to it. Alternatively, where the Fund is an AMIT you include the net taxable income attributed to you for a particular year in your tax return.

An Investor receives an entitlement to the Fund's distributable income for a financial year if they hold Units at the end of a distribution period, or if they redeem any Units during the financial year in which case their withdrawal proceeds may include a component of distributable income.

## **Distributions**

Investors in the Fund will be provided with an annual distribution and taxation statement (generally in July each year) indicating the components of their distribution (or reinvestment), and any taxes withheld or deducted. Where the Fund is an AMIT, Investors will be provided with an AMIT Member Annual Statement ('AMMA Statement') indicating the components attributed.

Distributions, reinvestments (or attributed amounts) from the Fund may include various components, the taxation treatment of which may differ. For example, in addition to investment income such as foreign income, distributions from the Fund may include dividends, a tax deferred component, a CGT

concession component, as well as net capital gains (of which some part may be discount capital gains).

Given the investment objectives of the Fund, it is anticipated that the majority of the Fund's income will be foreign income. You may be entitled to a foreign income tax offset for foreign tax already paid by the Fund in respect of this income. Both the foreign income and any related foreign income tax offsets should be included in your tax return.

Any capital gains distributed (or attributed) by the Fund should be included in the calculation of your net capital gain or loss. In performing this calculation, any discounted capital gains distributed (or attributed) by the Fund should be 'grossed up' for the CGT concession component (i.e. the amount of discounted capital gains should be doubled). You may apply again the capital gain any current or prior year capital losses. You should then determine whether you are eligible to apply a CGT discount in respect of the remaining net capital gain (refer below under "Withdrawal and disposal of units").

Tax deferred distributions are generally distributions in excess of net taxable income (other than any CGT concession component). For CGT purposes, amounts of tax deferred distributions received from the Fund reduce the cost base of your Units in the Fund and therefore increases your capital gain or reduces your capital loss on disposal of those Units. Tax deferred distributions are generally not assessable to you unless the total tax deferred amount received from the Fund exceeds the cost base of your Units, at which point the excess is treated as a capital gain.

The Government has passed legislation to apply from the 2017 – 2018 income year providing that where discount capital gains are offset by capital losses of a trust, a distribution of a CGT concession component can result in a reduction in the cost base of Units held by Investors. The distribution of tax deferred amount or a CGT concession component may be treated differently under AMIT (refer to "AMIT Regime" on page 35).

### **Withdrawals and disposal of units**

If you withdraw or transfer Units in the Fund, this may constitute a disposal for tax purposes. Investors should include any realised capital gain or loss on disposal of their Units in the Fund (together with any capital gains distributed or attributed by the Fund) in the calculation of their net capital gain or loss. A net capital gain will be included in assessable income. A net capital loss may only be offset against capital gains. If Investors do not have any capital gains, the capital loss may be carried forward for offset against capital gains of subsequent years but may not be offset against ordinary income. Any gain made on the redemption of eligible investments in the Underlying Fund by the Fund in order to satisfy a withdrawal request may be a revenue (not capital) gain. Therefore it is likely that proceeds on redemption may include a component of distributable income of the Fund arising from the redemption of the investments in the Underlying Fund.

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

The calculation of an Investor's capital gain or loss may also be affected by any tax deferred distributions made by the Fund (refer above). In addition, where the Fund is an Attribution Managed Investment Trust, the Investor's cost base of units can also be increased in certain circumstances for the purposes of calculating a capital gain or loss (refer to "AMIT Regime" on page 24).

Where Units are held as part of a business of investing or for the purpose of profit making by sale, gains realised may constitute ordinary income and losses realised may constitute allowable deductions.

### **Controlled Foreign Company ("CFC") Provisions**

The net income of the Fund may also include an amount of income that is calculated under the controlled foreign company (CFC) rules. From an Australian tax perspective, very broadly a foreign company that has an Australian shareholder with at least 40% of the shares, voting rights or right to capital or profits of the foreign company, has a majority of its shares, voting rights or rights to capital or profits owned by Australians, or that is controlled by Australians, is regarded as a CFC. For example, where Fund holds an interest of at least 40% in the Underlying Fund, the CFC rules may apply because the Underlying Fund will be a CFC of the Fund for Australian income tax purposes. The CFC rules require the Fund to include in its net income for an income year, certain income and gains derived by the Underlying fund ("attributable income") even if such income or gains are not distributed by the Underlying Fund in that year.

### **8.3 Tax position of non-resident Investors**

Appropriate deductions of Australian withholding tax will be made from distributions (or amounts attributed) of certain Australian sourced income and gains to non-resident Investors. Non-resident investors may also be subject to tax on distributions in their country of residence (for tax purposes) and may be entitled to foreign tax credits under the tax laws of the relevant country.

It is expected that non-residents should generally not be subject to Australian income tax on any capital gains made on the disposal of Units in the Fund.

Broadly, a non-resident Investor in the Fund will be subject to income tax on any capital gains made on the disposal or withdrawal of Units if they, together with any associates, hold or had an option or right to hold 10% or more of the Units in the Fund at the time of disposal/withdrawal or throughout a period of 12 months during the two years prior to disposal/withdrawal, and the majority of the Fund's assets comprise taxable Australian real property.

In this regard, it is not expected that the Fund will hold taxable Australian real property.

A non-resident may also be subject to income tax on any capital gains made where the Units in the Fund have been held as part of the carrying on of a business through a permanent establishment in Australia.

However, if the non-resident holds their Units as part of a business of investing or for the purpose of profit making by sale, gains may be subject to Australian tax as ordinary income, subject to any treaty relief.

We recommend that non-resident investors consult their tax adviser regarding their tax implications, including the tax implications in the country in which they are resident for tax purposes.

#### **8.4 Taxation of Financial Arrangements**

The taxation of financial arrangements ('TOFA') regime broadly contain rules that cover tax timing treatments for financial arrangements. There are a number of exclusions from TOFA. Investors should seek their own advice as to the possible application of the TOFA regime to their investment in the Fund.

#### **8.5 AMIT Regime**

The Government introduced into taxation law the new Attribution Managed Investment Trust (AMIT) regime effective for income year starting on or after 1 July 2016 (unless an election has been made to apply the regime earlier). An AMIT, in broad terms, is a managed investment trust (MIT) whose unitholders have clearly defined interests in relation to the income and capital of the trust and the trustee or Trustee of the MIT has made an irrevocable election to apply the regime.

The AMIT rules contain several provisions that will impact on the taxation treatment of the Fund. The key features of the new tax system will include:

- an attribution model for determining member tax liabilities, which also allows amounts to retain their tax character as they flow through a MIT to its unitholders;
- the ability to carry forward understatements and overstatements of taxable income, instead of re-issuing investor statements;
- deemed fixed trust treatment under the income tax law;
- upwards cost base adjustments to units to address double taxation; and
- legislative certainty about the treatment of tax deferred distributions.

Reforms to the taxation of trusts are generally ongoing. Investors should seek their own advice and monitor the progress of announcements and proposed legislative changes on the potential impact.

#### **New Zealand Investors**

New Zealand Investors, who hold units in the Fund, will generally be deemed to hold an interest in a Foreign Investment Fund ('FIF') unless the interest falls within the very limited FIF exemption for certain Australian unit trusts. This exemption will not apply to the Fund.

New Zealand Investors will need to calculate their FIF income each year under one of five calculation methods, being:

- fair dividend rate method ('FDR');
- comparative value method ('CV');

- attributable FIF income method;
- deemed rate of return method; or,
- cost method.

The default method is the FDR method. Under this method, most New Zealand Investors will be taxable each year on 5% of the opening market value of their investment in the Fund. Special calculation rules apply to unit trusts or other investors who value their units on a regular basis.

Under the FDR method, dividends or any gain on the sale or withdrawal of Units in the Fund are not separately taxed in New Zealand. However, quick sale rules will apply to Units bought and sold during the income year which result in the Investor being taxable generally on the lesser of any gain on the quick sale and 5% of the cost of the Units (determined on an average cost basis). No deduction is available for any losses under the FDR method.

Individuals and eligible family trusts have a “safety net” option, which allows these investors to calculate FIF income under the CV method based on their actual economic return where this is less than the amount calculated under FDR. Where the choice of FDR or CV methods is available, investors may choose the method that produces the lower taxable income each income year, but the method must be applied consistently to all FIF interests for that income year.

A de minimis concession from the FIF rules applies to individual investors who hold offshore shares (excluding certain Australian listed shares) with an aggregate cost of up to NZ\$50,000. Individual Investors may choose whether to apply the NZ\$50,000 de minimus threshold or apply the FIF rules. Individual Investors who apply the de minimis exemption will be taxed on distributions from the Fund. They can also be taxable on an exit from the Fund in certain circumstances.

NZ Investors are generally not entitled to claim a tax credit in NZ for overseas withholding tax deducted with respect to the Fund’s underlying investments.

While the above reflects our understanding of New Zealand tax treatment in respect of investments in the Fund as at the date of preparation of this IM, New Zealand tax treatment of investments in FIFs is subject to change and may differ in individual circumstances. We recommend New Zealand investors seek their own professional tax advice regarding their tax implications.

## **8.6 Goods and Services Tax**

Goods and Services Tax (‘GST’) should not be payable on your investment(s) in the Fund. GST will apply to the fees and costs charged to the Fund. However, in respect of some of these fees, the Fund will usually be entitled to reduced input tax credits. The costs and fees payable in relation to your investment(s) in any of the Fund as stated in this IM are inclusive of GST. GST will not be applicable to the buy sell spread payable (if applicable) in relation to the Fund.

## **8.7 Stamp Duty**

Stamp duty should not be payable on your investment(s) in the Fund.

## 9. Additional Information

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### 9.1 Updated Information

Information in this IM may be subject to change from time to time. We may, at our discretion, inform you of changes. However, we do not undertake to keep you informed of any changes or additional information that may arise after you receive this IM.

You may request a paper copy of any updated information at any time, free of charge.

If you subscribe for Units in the Fund, updated information that arises after the commencement of the Fund (such as changes in the Classes and performance information) will be provided to you from time to time.

### 9.2 Reporting

Reports to investors will be provided on an annual basis. We will provide you with:

- Confirmation of all transactions in Units (including applications and redemptions); and
- An annual statement providing your account balance, transaction summary and net earnings.

We may also provide you with an annual tax statement if the Fund has paid a distribution during the financial year.

### 9.3 Privacy

We use personal information about you to administer your investment. If you do not give the Trustee such information we may reject your application. We will not tell anyone information that the Fund has about you unless:

- The law requires; or
- We consider that your financial adviser needs the information.

If you think our records are wrong or out of date (particularly address, e-mail or financial adviser) it is important that you contact us to ensure prompt correction.

Contact the Trustee in order to access the personal information we hold about you.

### 9.4 Anti-Money Laundering

In accordance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (AMLCTFA), we are required to identify and verify the identity of new Investors (and in certain circumstances, existing Investors).

In order to do this, and as required by the AMLCTFA, we must collect certain information from you and verify this information by citing certain verifying documentation. If any information is required from you above that requested via the Application Form, we will contact you.

If you do not provide us with all information requested, we will not be able to process your application or issue Units to you.

We are obliged under the AMLCTFA to take and maintain copies of any information collected from you and, in certain circumstances, may be required to disclose your information to the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) or other government bodies and we may not be permitted to inform you of any such disclosure.

The AMLCTFA also required us to submit certain reports to AUSTRAC. Your information may be required under the AMLCTFA to be included in such reports. In addition to this disclosure, the AMLCTFA permits us to provide your information to related entities and persons. Aside from disclosures permitted or required under the AMLCTFA, we will ensure that your information is kept confidential in accordance with any relevant legislation.

By applying for Units, you are acknowledging that we may, in our absolute discretion, not issue Units to you, cancel any Units previously issued to you, delay, block or freeze any transactions or redeem any Units issued to you if we believe it necessary in order to comply with our obligations under the AMLCTFA. In the above circumstances, we will not be liable to you for any resulting loss.

## 10. Glossary

Defined Term or other terms used in this IM	Definition
\$ or dollar	Refers to the Australian currency.
AFSL	Australian Financial Services license.
Auditor	Grant Thornton Audit Pty Ltd.
ASIC	Australian Securities and Investments Commission.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Fund	Laureola Australia Feeder Fund.
FATCA and CRS	Foreign Account Tax Compliance Act and Common Reporting Standards
Administrator	Apex Fund Services Ltd
Administrator's Agent	Apex Fund Services (Australia) Pty Ltd or such other person as may be appointed Administrator's Agent of the Fund from time to time.
GST	Goods and Services Tax.
IM	This Information Memorandum issued by Quay Fund Services Limited dated 19 August 2020.
Initial Offer	The offer for Units contained in this IM.
Investment Manager	Laureola Advisors Inc. BVI Financial Services Commission approved investment manager (Approved Investment Manager number IBR/AIM/15/0124).
NAV	Net Asset Value.
Subscription Day	The first Business Day of each calendar month and/or such other day or days as the Trustee may determine, either generally or in any particular case.
Redemption Date	The first Business Day of each calendar month and/or such other day or days as the Trustee may determine, either generally or in any particular case.
Redemption Request	A request for the redemption of Units which shall be in such form as the Trustee may determine from time to time.
Shareholder	A person or entity that holds shares in the Underlying Fund.
Trust Deed	The trust deed of the Fund dated 11 August 2020 as amended from time to time.
Trustee	Quay Funds Services Limited (ABN 84 616 465 671).
Underlying Fund	Laureola Investment Master Fund, a segregated account constituted as a distinct class of shares in Emerging Manager Platform (2) Ltd.
Unit or Units	The securities on offer through this IM.
Unitholder	A person registered as a holder of Units on the unit register maintained by the Unit Registry.
Unit Registry	Apex Fund Services (Australia) Pty Ltd.

# 11. Directory

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## **Trustee**

Quay Fund Services Limited  
Suite 3701, Lvl 37  
1 Macquarie Place  
Sydney NSW 2000  
Phone: 1300 114 980  
Email: [enquiries@quayfund.com.au](mailto:enquiries@quayfund.com.au)  
Web: <https://www.quayfund.com.au>

## **Investment Manager**

Laureola Advisors Inc.  
30 de Castro Street, Wickhams Cay 1  
P.O. Box 4519, Road Town,  
Tortola, British Virgin Islands  
Email: [info@laureoladvisors.com](mailto:info@laureoladvisors.com)  
Web: <http://www.laureoladvisors.com>

## **Administrator**

Apex Fund Services Ltd  
58 Par-la-Ville Road  
4th Floor Vallis Building  
Hamilton HM11  
Bermuda

## **Administrator's Agent and Registrar**

Apex Fund Services (Australia) Pty Ltd  
PO Box 189 Flinders Lane  
Melbourne VIC 3000  
Phone: + 61 3 9020 3000  
Email: [InvestorRegistry@apexfunds.com.au](mailto:InvestorRegistry@apexfunds.com.au)  
Email: [AU-Laureola@apexfunds.com.au](mailto:AU-Laureola@apexfunds.com.au)  
Web: <http://www.theapexgroup.com>

## **Auditor**

Grant Thornton Audit Pty Ltd  
Level 17, 383 Kent Street  
Sydney NSW 2000  
Phone: +61 2 8297 2400  
Web: <https://www.grantthornton.com.au>

## **Lawyers**

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Tower One - International Towers Sydney  
Level 46  
100 Barangaroo Avenue  
Sydney NSW 2000