



## Retail Product Disclosure Statement

5 April 2023

**Federation Asset Management Pty Ltd** (ABN 39 628 789 220)

**APIR Code:** FSM7521AU

**ISIN:** AU60FSM75211

**ARSN:** 653 190 339

## Important notices for all investors

This Product Disclosure Statement ("PDS") is for retail units in Federation Alternative Investments II (ARSN: 653 190 339) (the "Fund" or "F2") and was issued on 5 April 2023. The Fund may issue different Classes of units. This PDS has been prepared and issued by Equity Trustees Limited (ABN 46 004 031 298, Australian Financial Services Licence ("AFSL") No. 240975) in its capacity as the responsible entity of the Fund (referred to throughout this PDS as the "Responsible Entity", "Equity Trustees", "us" or "we"). The investment manager is Federation Asset Management Pty Ltd (ABN 39 628 789 220 AFSL No 516560) and is referred to throughout this PDS as the "Investment Manager" or "Federation". The administrator is Apex Fund Services Ltd and is referred to throughout this PDS as the "Administrator". The Responsible Entity acts as the custodian of assets of the Fund, however reserves the right to appoint an external custodian in respect of some assets (including any cash or liquid securities or assets held in subsidiary vehicles) subject to complying with applicable laws.

This PDS is prepared for your general information only. It is not intended to be a recommendation by the Responsible Entity, the Investment Manager, any associate, employee, agent or officer of the Responsible Entity, the Investment Manager or any other person to invest in the Fund. This PDS does not take into account the investment objectives, financial situation or needs of any particular investor. You should not base your decision to invest in the Fund solely on the information in this PDS. You should consider the suitability of the Fund in view of your financial position and investment objectives and needs and you may want to seek advice before making an investment decision. As from 5 October 2021, a copy of the target market determination for the Fund is available on the Investment Manager's website at [www.federationam.com](http://www.federationam.com) and on request from the Responsible Entity.

The Responsible Entity has authorised the use of this PDS as disclosure to investors and prospective investors who invest directly in the Fund, as well as investors and prospective investors of an investor directed portfolio service, master trust, wrap account or an investor directed portfolio service-like scheme ("IDPS") ("Indirect Investors"). The operator of an IDPS is referred to in this PDS as the "IDPS Operator" and the disclosure document for an IDPS is referred to as the "IDPS Guide". If you invest through an IDPS, your rights and liabilities will be governed by the terms and conditions of the IDPS Guide. Indirect Investors should carefully read their IDPS Guide before investing in the Fund.

Indirect Investors should note that they are directing the IDPS Operator to arrange for their money to be invested in the Fund on their behalf. Indirect Investors do not become unit holders in the Fund or have rights of unit holders. The IDPS Operator becomes the unit holder in the Fund and acquires these rights. The IDPS Operator can exercise or decline to exercise the rights on an Indirect Investor's behalf according to the arrangement governing the IDPS. Indirect Investors should refer to their IDPS Guide for information relating to their rights and responsibilities as an Indirect Investor, including information on any fees and charges applicable to their investment. Information regarding how Indirect Investors can apply for units in the Fund (including an application form where applicable) will also be contained in the IDPS Guide. Equity Trustees accepts no responsibility for IDPS Operators or any failure by an IDPS Operator to provide Indirect Investors with a current version of this PDS as provided by Equity Trustees or to withdraw the PDS from circulation if required by Equity Trustees.

The Responsible Entity, the Investment Manager and their respective employees, agents and officers do not guarantee the success, repayment of capital or any rate of return on income or capital or the investment performance of the Fund. Past performance is no indication nor guarantee of future performance. Units in the Fund are offered and issued by the Responsible Entity on the terms and conditions described in this PDS, and the Constitution of the Fund. You should read this PDS in its entirety because you will become bound by it if you become a direct investor in the Fund.

If you received this PDS electronically we will provide a paper copy free upon request during the life of this PDS. The PDS is available on [www.eqt.com.au/insto](http://www.eqt.com.au/insto) or you can request a copy free of charge by calling Equity Trustees on +613 8623 5000.

The information in this PDS is current as at the date of issue, unless otherwise stated. Certain information in this PDS is subject to change. We will notify investors in writing of any changes that have a materially adverse impact or other significant events that affect the information in this PDS. Any updated information which is not materially adverse may be obtained from your financial advisor or on our website at [www.eqt.com.au/insto](http://www.eqt.com.au/insto).

A paper copy of the updated information will be provided free of charge on request.

Unless otherwise stated, all fees and costs quoted in the PDS are inclusive of GST, after allowing for an estimate for Reduced Input Tax Credits ("RITCs"), and all amounts are in **Australian dollars**.

In considering whether to invest in the Fund, investors should consider the risk factors that could affect the financial performance of the Fund.

Some of the risk factors affecting the Fund are summarised in section 3.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an invitation. The distribution of this PDS in jurisdictions outside Australia or New Zealand may be restricted by law. Persons who come into possession of this PDS who are not in Australia or New Zealand should seek advice on, and observe any such restrictions in relation to, the distribution or possession of this PDS. Any failure to comply with any such restrictions may constitute a violation of applicable securities law.

The Responsible Entity may determine to extend the offer or invitation by private placement to select persons in certain jurisdictions other than Australia and New Zealand.

This PDS does not constitute a direct or indirect offer of securities in the US or to any US Person as defined in Regulation S under the Securities Act of 1933 as amended ("US Securities Act"). Equity Trustees may vary its position and offers may be accepted on merit at Equity Trustees' discretion. The units in the Fund have not been, and will not be, registered under the US Securities Act unless otherwise determined by Equity Trustees and may not be offered or sold in the US to, or for, the account of any US Person (as defined) except in a transaction that is exempt from the registration requirements of the US Securities Act and applicable US state securities laws.

## Notice to New Zealand investors

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

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## Letter from Federation Asset Management

Dear Investor,

I am proud to invite you to invest in Federation Alternative Investments II.

The investment objective of the Federation Alternative Investments II is to deliver significant capital growth over the medium to long-term primarily through investments across a range of private assets.

Federation's purpose is to protect and grow our clients' capital in a sustainable and responsible way.

We invest in businesses and assets that meet a social and economic need. Federation provides our investee companies with the capital they need to grow, as well as strategic, analytical and operational support brought from many years of experience supporting similar businesses and assets.

Federation has a track record of producing outstanding returns. Further information in relation to our track record is available on Federation's website at [federationam.com](http://federationam.com).

Our team is known for its investment acumen and disciplined, prudent, measured and transparent approach to investing. In addition to an excellent track record, the team enjoys a deep domain of expertise in each of our target sectors and, importantly, has experience working together as a team over many years.

We focus on preserving capital, not just producing excess returns. Risk management is central to our investment process, building upon the backgrounds of the senior members of the investment team.

Originating and executing on investment opportunities are two of our strengths. Federation has sourced over 500 actionable investments since our inception on 3 September 2018 to 30 June 2021.

We are disciplined in how we invest. Federation's Investment Committee has approved less than 1% (by value) of the investment opportunities we've sourced.

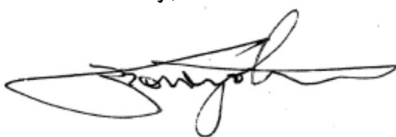
Alignment with investors is critical to Federation and we employ best-in-class corporate governance arrangements via an external trustee, finance and compliance functions.

Federation is a signatory to the United Nations Principles for Responsible Investment and is certified by the Responsible Investment Association of Australia. Our principles – *performance, accountability, teamwork & integrity* – represent our core values and how we wish to behave with each other and with our stakeholders.

Federation Alternative Investments II is open-ended, available for monthly investment and redemptions, with sufficient liquidity to be eligible for superannuation platform administration.

I hope to welcome you as an investor with Federation.

Yours sincerely,



Cameron Brownjohn  
Chief Executive Officer

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# 1 F2 at a glance

Item	Description	More information
Name	Federation Alternative Investments II (“ <b>Fund</b> ” or “ <b>F2</b> ”).	‘About Federation and F2’
Investment Objective	The investment objective is to deliver significant capital growth over the medium to long-term primarily through investments across a range of private assets.	‘About Federation and F2’
Target Investments	Operating companies with strong growth potential across the Asia-Pacific region, and such other jurisdictions as determined by the Investment Manager. F2’s primary investment focus is on direct and indirect equity investments, or such other investments if the Investment Manager foresees a pathway to equity.	‘About Federation and F2’
Investment Profile and Timeframe	The minimum suggested timeframe for an investment in F2 is 5-7 years. Private assets have inherent risks and their values may fluctuate over time. F2 is not suited to investors who expect to make short term gains or cannot tolerate substantial fluctuations in the value or their investment.	‘About Federation and F2’
Risks	All investments are subject to risk. The significant risks associated with the Fund are discussed in the ‘Risks’ section.	‘Risks’
Applications	Monthly, subject to the limitations detailed herein.	‘Investing and Withdrawing’
Withdrawals	Monthly, subject to the limitations detailed herein.	‘Investing and Withdrawing’
Unit pricing	Monthly, as detailed herein.	‘Investing and Withdrawing’
Valuations	Monthly	‘Other Important Information’ under the heading ‘Valuation Policy’
Distributions	Annual. Given the nature of the investments, it is envisaged that income distributions, if any, will not be significant.	‘Investing and Withdrawing’ under the heading ‘Distributions’
Borrowing	F2 (or any of its subsidiaries) has the capacity to borrow in accordance with the borrowing policy of F2, primarily to fund withdrawals as further described herein.	‘Other Important Information’ under the heading ‘Borrowing Policy’
Minimum initial investment	\$20,000	‘Investing and Withdrawing’
Minimum additional investment	\$5,000	‘Investing and Withdrawing’
Minimum withdrawal amount	\$5,000	‘Investing and Withdrawing’
Minimum balance	\$20,000	‘Investing and Withdrawing’
Management Fee	1.70% per annum	‘Fees and Costs’
Performance Share	A Federation entity will be entitled to 20% of the excess performance of each Underlying Asset after meeting an IRR of 8% per annum for the Underlying Asset.	‘Fees and Costs’

## 2 About Federation and F2

### 2.1 Introduction

Federation Asset Management Pty Ltd (“**Federation**” or the “**Investment Manager**”) is an asset management firm headquartered in Sydney, Australia and majority owned by its partners and employees.

### 2.2 What Federation is known for



#### PEOPLE

Federation's senior team has enjoyed a long track record of working together and is known for its investment acumen, domain expertise and disciplined, prudent, measured and transparent approach to investing.

Further information in respect of Federation’s team is contained on our website at [federationam.com](http://federationam.com).



#### PERFORMANCE

Federation’s investment team has a compelling track record over many years:

- **Value creation:** delivery of strong returns on exited investments over the past 10 years, in addition to an excellent suite of existing investments in Federation’s first private equity fund: Federation Alternative Investments
- **Consistency:** Over A\$2.5 billion of initial value of investments
- **Longevity:** The core Federation team has operated together in various formats since 2011
- **Breadth:** Experience and track record investing in both bull and bear markets across all relevant industry groups

Further details in respect of Federation’s performance is contained on our website at [federationam.com](http://federationam.com).



#### PROCESS





Federation’s investment team applies an overarching emphasis on rigorous fundamental research into each investment opportunity from a platform of:

- **Powerful origination capabilities:** Federation has sourced over 500 actionable investments since inception with over 20 projects in the current proprietary pipeline
- **Investment discipline:** Investment Committee approval on less than 1% of opportunities
- **Risk management** and **capital protection** are critical elements in the Federation investment process
- **Governance:** Best-in-class corporate governance arrangements via external trustee and administration



#### BUSINESS

Federation’s purpose is to **protect and grow our clients’ capital**. Federation’s core values frame how we behave with each other and with our stakeholders:

-  **Performance.** Federation seeks excellence through insight, access, analysis and effort.
-  **Accountability.** Federation takes responsibility and act decisively.
-  **Teamwork.** Federation is respectful, collaborative, fair, and values diversity.
-  **Integrity.** Federation maintains sustainable and responsible business practices.

## 2.3 F2's Investment Objective


F2's investment objective is to deliver significant capital growth over the medium and long-term, of five to seven years, through investments across a range of private assets.

Federation has a track record of producing outstanding returns. Further information in relation to their track record is available on Federation's website at [federationam.com](http://federationam.com).

Actual returns achieved will be influenced by a range of factors including the valuation and performance of F2's investments. No representation can be or is deemed to be made as to the future performance of F2. There can be no assurance that F2 will achieve its investment objectives. Investors may not get back the full value of their investment and in certain circumstances investors could lose all of their investment.

## 2.4 Target Market Segments

F2 will invest in businesses and assets that meet a social and economic need. Target Investments include operating companies with strong management teams and growth potential across the Asia-Pacific region, and such other jurisdictions as determined by the Investment Manager, exercising its good faith judgment. Key opportunity sets that are expected to continue to provide potential Target Investments include:

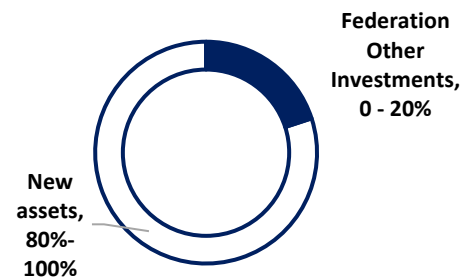
Healthcare	<ul style="list-style-type: none"> <li>• Facilities management businesses, such as hospitals and other tertiary care providers, day clinics, speciality facilities and GP clinics</li> <li>• Healthcare services businesses, with defensible barriers to entry</li> <li>• Healthcare product businesses</li> </ul>
	
Technology	<ul style="list-style-type: none"> <li>• B2B and B2C businesses with large total addressable markets and strong points of differentiation</li> <li>• Technology-adjuncts to non-technology businesses</li> </ul>
	
Care	<ul style="list-style-type: none"> <li>• Social infrastructure including but not limited to childcare, housing for the disabled, social and affordable housing, hospitals and healthcare facilities, aged care facilities, medical centres</li> </ul>
	
Sustainability	<ul style="list-style-type: none"> <li>• Renewable energy generation activities, including wind, solar and other renewable technologies, grid-scale, embedded, behind-the-meter</li> <li>• Renewable energy storage activities, including chemical, hydrological, pneumatic and other emerging storage technologies including hydrogen</li> <li>• Sustainable infrastructure including but not limited to waste treatment, recycling, waste-to-energy, and waste management facilities, desalination, water and or sewerage treatment/networks, telecommunications infrastructure</li> </ul>
	
Education	<ul style="list-style-type: none"> <li>• Operating businesses with regulatory support and demographic tailwinds</li> <li>• Social infrastructure including but not limited to schools and educational facilities, convention centres, student accommodation, sports stadiums, and other educational/university facilities</li> </ul>
	
Financial	<ul style="list-style-type: none"> <li>• Credit businesses with large total addressable markets, strong underwriting policies and procedures, and significant asset coverage</li> </ul>
	
Specialist	<ul style="list-style-type: none"> <li>• Opportunities for outsized return for a given level of risk in restructuring and turnaround scenarios in sectors where the Federation team has a strong background</li> </ul>
	

## 2.5 Other Federation Investments

In addition to all future investments of F2, investors will have access to existing private equity investments made by the Investment Manager.

Details regarding Federation's existing investments is contained on our website at [federationam.com](http://federationam.com).

Whilst the actual composition of F2 investment will be dependent upon the discretion of the Investment Manager, an illustrative allocation is outlined by the adjacent diagram.



## 2.6 Investment Stages

F2's primary investment focus is on direct and indirect private equity investments, or such other investments if the Investment Manager foresees a pathway to equity. Federation will consider a range of private equity financing stages, including:

**Growth equity**, where Federation will invest in partnership with a founder, entrepreneurial management team or family who have built the investee company to the level of success it has achieved at the point of Federation's investment. In this way, Federation's capital is intended as 'growth equity': providing the investee company with its next injection of equity capital sufficient for it to achieve its next phase of growth. The Federation team believes the following formula produces outstanding investment returns, regardless of industry or the type of company, where the investee company has a point of difference, which in turn gives it a defensible market presence; sells products and / or services that fill a social and economic need; and has a culture and way of business that is consistent with Federation's responsible investing principles.

**Buyouts**, where Federation will invest for control of established cashflow positive companies in market segments where Federation possesses a strong, long-term track record; deep knowledge base; excellent and broad investment sourcing networks and capabilities; and vast experience with strong execution skills including due diligence.

**Special situations**, where Federation will consider rescue capital and turnaround situations, again in market segments and in situations where Federation has a defensible edge and deep experience.

At the discretion of the Investment Manager, F2 may also preserve an amount of cash and liquid securities.

## 2.7 Monthly Liquidity

Investors are able to invest in and redeem units in F2 on a monthly basis, subject to the conditions noted below.

The Investment Manager aims to maintain suitable liquidity in the Fund in order to satisfy redemption requests, including cash and liquid securities and assets available for sale and is permitted to borrow up to 30% of net assets of the Fund for the purposes of satisfying redemptions. Liquid securities may include shares or units in companies or trusts listed on the Australian Securities Exchange, including exchange traded funds.



## 2.8 Responsible investment

Federation invests in businesses and assets that meet social and economic needs.

Federation's Investment Committee and investment team take into account various Environmental, Social and Corporate Governance (“**ESG**”) and ethical issues throughout their research, analysis, selection and monitoring of investments. Federation believes that the pathway to long-term value creation is to invest in companies and assets that address key ESG considerations. Federation has regard to the following **positive screens** to ensure that investing activities are responsible:

- ✓ Environmental impact, focusing on pollution, climate change and resource efficiency related factors. The Federation team believes that companies with strong environmental practices are more likely to have stronger long-term revenue growth (driven by a range of factors, including consumer preferences), lower cost bases over the long-term (driven by a range of factors, including energy costs, supply chain efficiencies and regulation) and are expected to achieve premium valuations through time than comparable entities with less attention to environmental concerns;
- ✓ Social impact, through positive workplace or labour standards. The Federation team believes that the strongest companies over the long-term in their industries will be the ones that pay due attention to the occupational health and safety of their direct workforce and those of companies in their supply chain, as well as acknowledgement of the merits of diversity and alleviating structural disadvantage. Federation feels these companies will be most likely to attract the strongest talent and most likely to engender customer loyalty. Federation's team come from a range of complementary backgrounds and enjoys gender parity; and
- ✓ Corporate governance reflected in evidence of prudent management, business ethics, strong boards, independent directors and appropriate executive incentives that align with equity holders and other stakeholders. F2's fee structure incentivises Federation to protect and grow investors' capital.

Federation also applies **negative screens** by actively **excluding** investments in companies that are materially involved in fossil fuels (including any company that mines, burns or extracts fossil fuels or in companies that provide specific and significant services to fossil fuel industries other than where the investment facilitates the increased penetration of renewable energy, and leads to a material reduction in CO2 emissions intensity) and gambling, tobacco, armaments and militarism, live animal export and old growth logging.

Federation is a signatory to the United Nations Principles for Responsible Investment (“**UNPRI**” or “**Principles**”) and is certified by the Responsible Investment Association of Australasia (**RIAA**).

UNPRI requires Federation to commit to:

- Incorporate ESG issues into investment analysis and decision-making processes;
- Be an active owner and to incorporate ESG issues into ownership policies and practices;
- Seek appropriate disclosure on ESG issues by the entities in which Federation invests;
- Promote acceptance and implementation of the Principles within the investment industry;
- Work with the UNPRI and other signatories to enhance their effectiveness in implementing the Principles; and
- Report on activities and progress towards implementing the Principles.

As a member of RIAA, Federation implicitly adopts RIAA's mission to promote, advocate for, and support approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment and economy.

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## 2.9 Investment Approach

Federation has established a rigorous process of screening, diligence, structuring and execution for all investments.

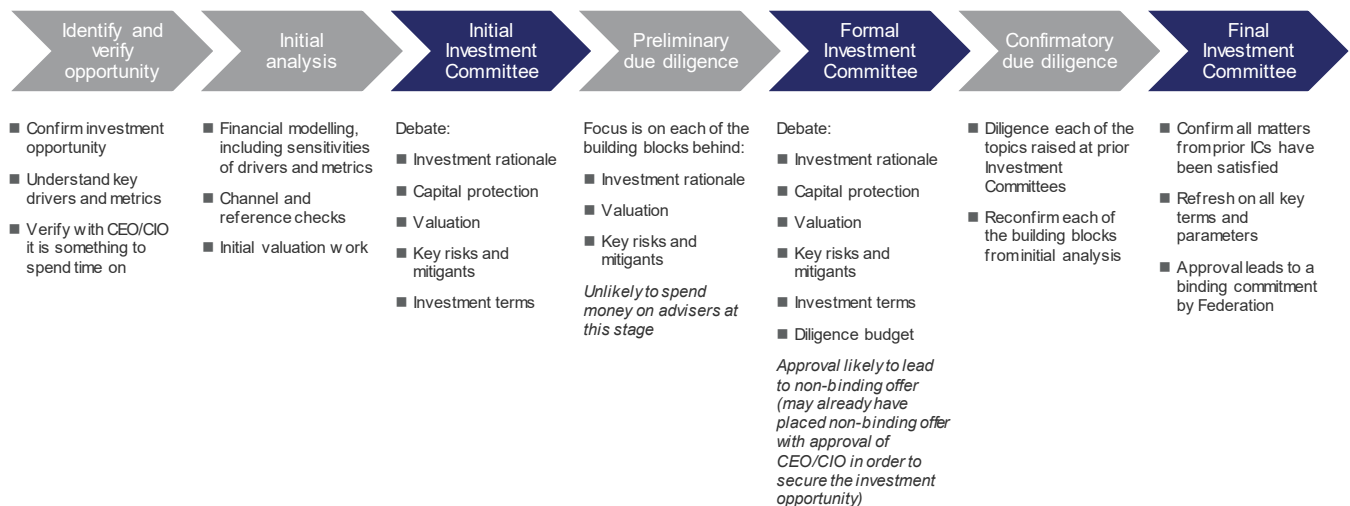


## 2.10 Investment Process

Federation uses a three stage Investment Committee process for any new investment, variation to an existing investment, or sale of an existing investment

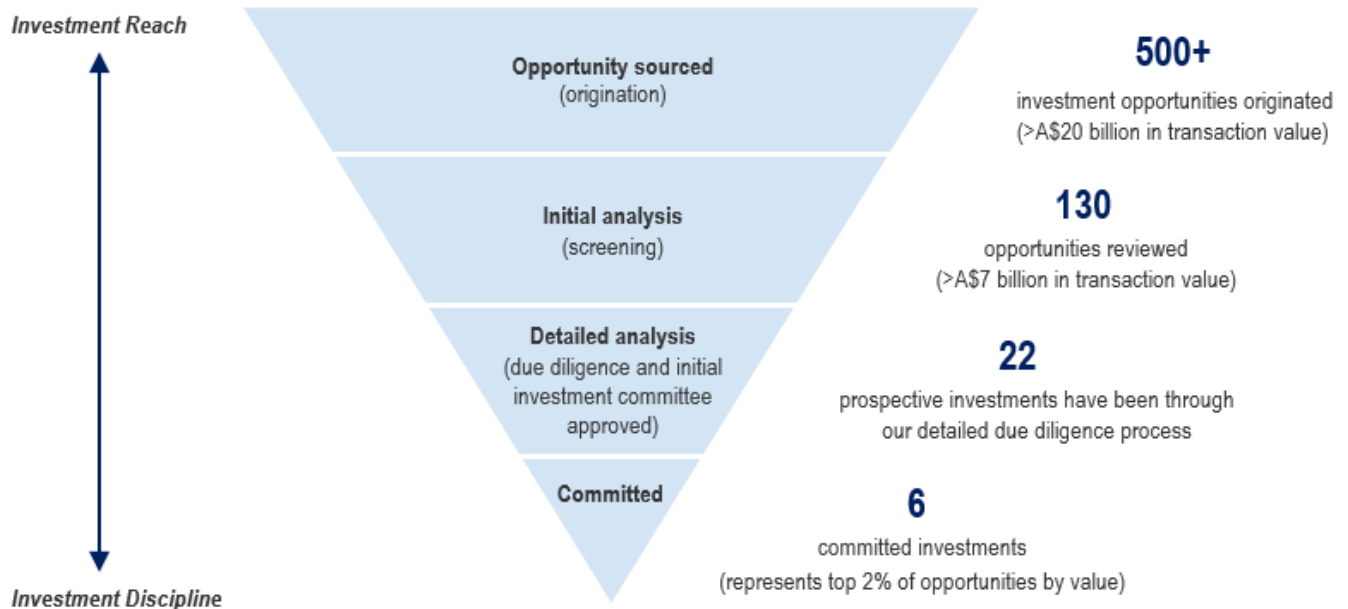
- Initial Investment Committee approves whether considering an investment is a good use of time
- Formal Investment Committee approves whether to spend money on due diligence (or sale costs for exits)
- Final Investment Committee approves whether to execute binding transaction terms

A schematic representation of Federation's investment process is outlined below:



## Investment Reach and Discipline

Since inception the Federation team has sourced over 500 investment opportunities, yet only committed to the top 1% of opportunities sourced. This scale of endeavour shows **investment reach** and **investment discipline**:



### 2.11 Execution Points of Difference

Sourcing, execution and portfolio management are each critical to maximising returns. Federation's investment focus, strengths and advantages at each stage of the investment cycle are outlined below:

	Pre-Investment	Post-Investment	Exit
Investment Focus	<ul style="list-style-type: none"> <li>Proprietary sourced investments</li> <li>Areas of Federation expertise</li> <li>Strong returns potential for given level of risk</li> <li>High barriers to entry</li> <li>Capital potential</li> </ul>	<ul style="list-style-type: none"> <li>Strategic positioning</li> <li>Corporate governance</li> <li>Risk management</li> <li>Human capital</li> <li>Operational support</li> </ul>	<ul style="list-style-type: none"> <li>Monitor relevant market, industry and regulatory developments</li> <li>Proactively develop relationships with prospective future investors / acquirers</li> <li>Develop optimal exit strategies to maximise returns and certainty of execution</li> </ul>
Strengths and Advantages	<ul style="list-style-type: none"> <li>Extensive experience across all areas relevant to sourcing, managing and exiting investments in Federation's subject areas</li> <li>Broad network of contacts to source investments</li> <li>Rigorous fundamental research</li> <li>Strong execution track record</li> </ul>	<ul style="list-style-type: none"> <li>Broad local network</li> <li>"One team" approach in Federation's Investment Committee and other board sub-committees</li> <li>Restructuring experience</li> </ul>	<ul style="list-style-type: none"> <li>Diversified exit experience</li> <li>Strong network of industry and financial investors to maximise competitive tension</li> <li>Experience in managing and executing dual track exit processes</li> </ul>

## 2.12 Investor Alignment, Reporting and Transparency

Federation is **paid for performance, not promises**. Federation shares in the performance of assets, triggered by investment sales, not mark-to-market valuation models.

Federation maintains a focus on **risk management**, not just excess returns. One of Federation's core skills is the ability to find proprietary investment opportunities. Once sourced, the focus then becomes ensuring they invest sensibly, with the investment review process focused on downside capital preservation, including structuring, shareholder rights, alignment with management teams and other capital partners.

Federation maintains a prudent valuation policy with all reporting conducted on a **consistent and transparent** basis.

## 2.13 Highest Standards of Corporate Governance

Federation's business has been built to focus on its core competencies: investment sourcing, execution and portfolio management. Best-in-class governance and middle office operations achieved through the support by strong operational and governance overlays from a range of expert partners under arms' length contractual arrangements, including Equity Trustees Limited and Apex as noted below.

### About the Responsible Entity

Equity Trustees Limited (ABN 46 004 031 298 AFSL 240975) ("**Equity Trustees**") is a subsidiary of EQT Holdings Limited ABN 22 607 797 615, which is a public company listed on the Australian Securities Exchange (ASX: EQT). Equity Trustees is F2's Responsible Entity and issuer of this PDS.

Established as a trustee and executorial service provider by a special act of the Victorian Parliament in 1888, today Equity Trustees is a dynamic financial services institution which continues to grow the breadth and quality of products and services on offer.

Equity Trustees' responsibilities and obligations as F2's Responsible Entity are governed by F2's constitution ("**Constitution**"), the Corporations Act and general trust law. Equity Trustees, in its capacity as responsible entity of F2, has appointed Federation Asset Management Pty Ltd to act as the Investment Manager of F2 and Apex Fund Services Ltd to act as the administrator of F2.

### About the Administrator

The Responsible Entity has appointed Apex Fund Services Ltd to act as Administrator for F2. The Responsible Entity has entered into an Administration Agreement with the Administrator, which governs the services that will be provided by the Administrator to F2.

The Administrator is responsible for the general administration of F2 that includes keeping the register of Unitholders, arranging for the issue and redemption of units and calculation of Net Asset Values and fees.

## 2.14 Changes to Fund Details

Federation has the right to change the Fund's investment return objective, benchmark, hedging strategy and currency strategy (if any), without prior notice. We will inform investors of any material change to the Fund's details via Federation's website [www.federationam.com](http://www.federationam.com).

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### 3 Risks

Investment in any fund carries risks, including volatility of returns. Different investment strategies may carry different levels of risk depending on the assets that make up the strategy. Volatility refers to the degree to which returns may fluctuate around their long-term average. Each asset class has associated investment risks and the return achieved by each will vary accordingly.

You should be aware that an investment in F2 contains risks and neither the performance of F2 nor the security of your investment is guaranteed by the Responsible Entity or the Investment Manager. As with most investments, the performance of F2 and the value of your unitholdings in F2 may be influenced by a number of factors, many of which are outside the control of the Investment Manager or the Responsible Entity.

Investments in F2 are generally subject to risks, including possible delays in the payment of withdrawal proceeds and loss of income and/or capital. The following summary of certain risk factors does not purport to be an exhaustive list or a complete explanation of all the risks involved in an investment in F2.

Before deciding on whether to invest in F2, investors should consider whether F2 is a suitable investment, taking into account their personal investment objectives, financial position and particular needs and circumstances. The Investment Manager and the Responsible Entity recommend that prospective investors seek professional advice about the risks involved in investing in F2 and how it might impact on their individual financial circumstances.

These risks relate to either an investment in F2 or factors which affect all investments generally:

#### **Concentration**

Concentration risk is the risk that poor performance in a group of securities common to a particular section of the market will significantly affect the performance of F2. There is a risk that F2 may not have sufficiently diversified positions which may result in the returns of F2 being highly dependent on the returns of few exposures.

#### **Company-Specific**

There may be instances where a company's securities which F2 has invested in decreases in value because of company specific factors (for example, where a company's major product is subject to a product recall). The value of a company's securities can also vary because of changes to management, product, distribution or the company's business environment.

#### **Liquidity**

Whilst investors enjoy the right to redeem their investment should their particular situation change, F2 should be considered as an illiquid fund and your investment in F2 should be considered to be an illiquid investment.

Redemption rights of investors are restricted as described in this PDS, including the 5% quarterly cap on redemptions and the right of Equity Trustees to discontinue redemptions or vary the timeframe for payment.

Should a large number of investors of the Fund decide to redeem, the Fund could be forced to liquidate investments prematurely, causing losses to the Fund. Actions taken to meet substantial redemption requests from the Fund could result in prices of securities held directly or indirectly by the Fund decreasing and in Fund expenses increasing (e.g., due to increased transaction costs incurred in the liquidation of positions or in connection with the termination of counterparty agreements). Further, the Responsible Entity may suspend redemptions, which actions would limit the ability of Unitholders to redeem their Units from the Fund, and the value of the Fund's investments may decline prior to the time when redemption is permitted.

In order to provide liquidity, the Investment Manager may arrange for F2 (via a custodian) to hold cash and listed securities. These investments may impact the ability to achieve the target return of the Fund. Also, the holding of listed securities may expose F2 to market price volatility risk.

***Prospective investors should be aware of the potential limitations on their ability to withdraw from F2 and the potential costs of withdrawal. Neither the Responsible Entity nor the Investment Manager provide any guarantee concerning the liquidity of the Fund or the ability of an investor to withdraw its investment or the level of Sell Spread that will apply to that withdrawal.***

#### **Mandatory Redemption**

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The Investment Manager has the authority to require any investor to redeem from the Fund in accordance with the Constitution or as permitted by law. As an example, this may occur where an investor breaches their obligations to the Responsible Entity (for example, where the Responsible Entity believes that the Units are held in breach of prohibitions contained within the Constitution) or where the Responsible Entity believes that the Units are held in circumstances which might result in a violation of an applicable law or regulation.

The Fund may be required to liquidate investments in order to facilitate redemptions. A reduction in the size of the Fund could result in greater concentration in a fewer number of investments.

### **Financing**

F2 may decide to borrow from one or more reputable lenders (on appropriate financing terms) to satisfy withdrawal requests, provide interim financing to balance disparities between commitments to investees and returns on investments. Some or all of the interest on borrowings may be calculated on floating interest rates which may negatively impact returns if interest rates were to increase. Generally, financiers may also seek to have a first charge over some or all of F2's assets (but not in relation to Units in F2). If F2 were to breach a financial covenant (for example, failing to repay any interest or principal repayments as and when they fall due), the affected financier(s) may exercise their rights to sell such assets and to realise their security.

F2 adheres to the borrowing policy adopted by the Responsible Entity (see 'Other Important Information' section under the heading 'Borrowing Policy' for more information). There is a risk that if the value of the portfolio declines significantly, this may cause F2 to exceed the target gearing ratios set out in the policy.

Investee companies may also employ significant leverage in connection with their operations, investments and/ or other activities. Leverage generally magnifies both the opportunities for gain as well as the risk of loss from an equity investment, and the Fund will be indirectly exposed to this magnified risk-return dynamic. Investee companies may be subject to restrictive financial and operating covenants as a result of their use of leverage. Leverage may render these investee companies vulnerable to increases in interest rates and impair their ability to finance their future operations, activities and capital needs. As a result, their flexibility to respond to changing business and economic conditions and to business opportunities may be limited. A leveraged investee company's financial performance will tend to increase or decrease at a greater rate than if borrowed money were not used.

### **No Guarantee**

No representation can be or is deemed to be made as to the future performance of F2. There can be no assurance that F2 will achieve its investment objectives. Any target statements made in this document may not be achieved. Investors may not get back the full value of their investment and in certain circumstances Investors could lose all of their investment. As with most investments, the value of this investment could go down as well as up. The past performance of any previous funds managed by the Investment Manager are not necessarily a guide to future performance of F2.

Although the Federation team has extensive experience analysing, investing in and managing investments, F2 is a newly formed entity with no financial, operating or performance history upon which to evaluate its likely performance. There is a risk that Federation will fail to deliver positive returns or that the strategy will fail to perform as expected, in which case the investment objective for F2 may not be achieved. No assurance is provided as to F2's ability to achieve its objectives.

The investment objective is to deliver significant capital growth over the medium to long-term. It may take some time until the target portfolio construction is achieved and this will impact the ability to achieve the investment objective, including in the first few years of the term of F2. Investors should read the 'Risks' section of this PDS as various risks may impact the ability of F2 to achieve the investment objective. Federation will monitor the actual returns of F2 and will notify Unitholders of actual performance of the Fund in the Fund's reports.

### **Portfolio Construction and Potential Lack of Diversification**

Although the Fund seeks to create an investment portfolio consistent with the investment objectives, F2 will be opportunistic in selecting investments for the Fund. The Funds' investments could potentially be concentrated in one investment category or in relatively few industries or regions. As a consequence, the aggregate return on the investments of the Fund may be adversely affected by the unfavourable performance of a particular investment

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category, industry or region and could be at a greater risk to overall changes in the economy, interest rates, exchange rates or other market conditions than if the Fund were less concentrated in a particular investment type.

### **Fees Payable**

F2 may also incur obligations to pay the fees of the Administrator, the Investment Manager, legal counsel, auditors, directors and other operating and general fees and expenses. These expenses may be payable regardless of whether F2 makes a profit. For further information, please see the 'Fees and Other Costs' section. Fees and expenses may not be incurred uniformly throughout F2's life.

### **Personnel**

F2 also carries personnel risk if key people who have significant expertise and experience and are important to the management of F2 become unable or unavailable to perform their role. Investors in F2 will have no direct control over the day-to-day management decisions of F2 or the Investment Manager. Therefore, if key investment personnel at Federation cease to be involved in the business (for example, through departure, disability or even death) there is no guarantee that their skills can be easily or quickly replaced. This is likely to have an impact on the performance of F2.

### **Counterparty**

F2 may enter into hedging contracts and in such a case, there is a risk that a party to a transaction (such as a swap or foreign currency forward) may fail to meet its obligation under a financial contract.

### **Debt Securities**

The Fund may invest in debt securities of an investee, primarily where there is a pathway to equity in the opinion of the Investment Manager. Any investment in debt securities may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Fund earlier than expected.

### **Derivatives**

A derivative is any financial product that derives its value from another security, index or liability. F2 may use derivatives to hedge risks. Derivatives use attracts certain risks, for example, the value of a derivative may fail to move in line with the underlying asset, or F2 may not be able to meet payment obligations as they arise.

F2 will enlist professionals to help manage derivatives use. These professionals have a thorough understanding of the financial instruments that F2 may invest in. The Investment Manager also deals exclusively with issuers and counterparties it considers to be reputable. The Investment Manager also aims to manage F2 so that assets are always available to meet derivatives liabilities. Unfortunately, using derivatives to reduce F2's risks is not always successful, is not always used to offset all relevant risk, and is sometimes not cost effective or practical to use.

### **Interest Rate**

This is the risk that changes in interest rates can have a negative impact on certain investment values or returns. Reasons for interest rates changes are many and include variations in inflation, economic activity and RBA policies. F2 risks making capital losses if it is incorrect in its estimate of the likely interest rate movements. Such losses could be amplified by the use of leverage.

### **Currency Risk**

The base currency of the Fund is Australian dollars. Currency risk is the risk that changes in currency exchange rates, with respect to a reference currency, will negatively affect securities denominated in, and/or receiving revenues in, currencies other than such reference currency. The liquidity and trading value of currencies could be affected by global economic factors, such as inflation, interest rate levels, fiscal deficits, trade balances among countries and other factors that may affect capital flows from or to one currency jurisdiction relative to others, as well as the actions of sovereign governments and central banks. Adverse changes in currency exchange rates may erode or reverse any potential gains from the Fund's investments in securities denominated in another currency or may widen existing losses.‡

### **Legal, Regulatory and Tax**

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F2 is subject to a range of laws and regulations (including for example laws relating to financial services, managed investment schemes, renewable investments, electricity generation and taxation (including GST and stamp duty)). Changes to laws (including tax laws) and regulations or government policy in these areas may adversely affect F2.

Changes in any law (including tax laws), regulation or government policy could have an impact on F2's performance. There can be no assurance that any government subsidies currently available to F2 will not be amended, reduced or even removed altogether. There is also no certainty that F2 will be successful in applying for any of these government subsidies. This may therefore limit the viability of F2's investments.

There is a risk that existing or future laws, regulations, licences, government subsidies and economic incentives from which renewable energy generation operations benefit may change in a manner that adversely affects the potential returns from renewable energy assets. Additionally, there are presently certain government initiatives (including tax concessions) that are available for investments in the renewable energy sector, including the solar energy sector. However, a change in government policies or a reduction, elimination or expiration of those initiatives and incentives may negatively affect the financial position and performance of the renewable energy strategy, and affect F2's ability to acquire additional assets for inclusion in its portfolio that presents a risk-return profile consistent with its investment objectives.

### **Trade Policies**

If governments continue to make significant changes in their applicable trade policies, including by imposing tariffs on certain goods and raw materials imported into their respective countries, such actions may trigger retaliatory actions by the affected countries, resulting in "trade wars," which may cause increased costs for goods and raw materials, or in trading partners limiting their trade with the applicable country, either of which may have material adverse effects on an investee company's business and operations.

### **Cross-Class Liability**

The Fund will issue Units in more than one Class. There is no limited recourse protection for any Class. In an insolvency, all of the assets of the Fund will be available to meet all of their respective liabilities regardless of the Class to which such assets or liabilities are attributable. It is possible that losses or other liabilities sustained by one Class in excess of the assets attributable to such Class will be charged against the assets of another Class. In practice, cross-class or cross-series liability is only expected to arise where liabilities referable to one Class are in excess of the assets referable to such Class and such Class is unable to meet all liabilities attributed to it. In such a case, the assets of the Fund attributable to other Classes would be applied to cover such liability excess.

### **Fund Risk**

The Responsible Entity may elect, in accordance with the Constitution and Corporations Act, to terminate the Fund for any reason.

### **Operational Risk**

The following risks may adversely affect the Fund and its performance:

- the Fund could terminate or its features could change;
- Equity Trustees may not be able to continue to act as Responsible Entity;
- third party service providers engaged by Equity Trustees Limited for the Fund may not properly perform their obligations and duties to the Responsible Entity; or
- circumstances beyond the reasonable control of the Responsible Entity may occur, such as failure of technology or infrastructure, or natural disasters.

### **Risks Associated with Investments in Certain Territories**

The Fund and investee companies may make investments or operate in various geographies, including in emerging markets. Such investments may be subject to political and regulatory risks, including unfavorable political and regulatory environments, armed conflict, nationalization, economic instability, changes in taxation, fiscal and monetary policies, restrictions on repatriation of profits, and other economic regulations, any of which may have an adverse effect on private investments in such jurisdictions and could adversely affect the value of the Fund's investments. In addition, accounting standards and practice may differ significantly from those practiced in more

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developed markets, which may adversely impact the Fund or an investee company's ability to evaluate potential investments, perform due diligence and value their investments.

### **Other Risks of Investing in Emerging Markets**

Investments in emerging markets will be subject to other risks, including limited liquidity in the markets for equities and other financial instruments, less sound banking systems, and uninsured exposure to intermediary and counterparty risks.

### **Cyber Security Risk**

Federation, the Fund service providers and other counterparties increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Fund and its investors. For example, unauthorised third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to, these systems of the Responsible Entity, Federation, the Fund's service providers, and other counterparties (or data within these systems). Third parties may also attempt to fraudulently induce employees, clients, third-party service providers or other users of Federation's or the Responsible Entity's systems or the systems of their respective service providers or counterparties to disclose sensitive information in order to gain access to Federation's or the Responsible Entity's data or that of the Fund's investors. A successful penetration or circumvention of the security of such systems could result in the loss or theft of data or funds of the Fund or its investors, the inability to access electronic systems, loss or theft of proprietary or personal information or corporate data, physical damage to a computer or network system, and/or costs associated with system repairs. Such incidents could cause the Fund, Federation, the Responsible Entity, their service providers and/or other counterparties to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

Similar types of operational and technology risks are also present for the investee companies in which the Fund invests, as well as their service providers and counterparties, which could have material adverse consequences for such investee companies, service providers and counterparties, and may cause the Fund's investments to lose value.

### **Reliance on third parties**

The Fund will be investing in investments sponsored, controlled or managed by third parties. The Fund will generally have a minority equity position in an investee company and will not necessarily have a right to appoint a director or observer to the board of an investee company. The Fund will generally not have an active role in the management of the assets of investments and will not control an investee company. The Fund's ability to withdraw from or transfer its interests in such investments will be limited. As a result, the performance of the Fund will depend significantly on the investment and other decisions made by third parties, which could have a material adverse effect on the Fund's performance.

### **Consequences of the Fund's Failure to Satisfy Equity Calls**

If the Fund does not timely meet its obligations to make equity investments when due to any of its investee companies or other counterparties, whether because of a lack of resources resulting from over-commitments by F2, mismanagement of the Fund's cash by Federation or any other reason, the Fund may be subject to significant penalties under the terms of such investee company or counterparty, which could have a material adverse effect on the value of the Fund's investment in such investee company or subject the Fund to liability to such counterparty. As the Fund will have neither the right to call additional investments from Unitholders nor the right to require the return of any distributions, the Fund may have increased difficulty in meeting unexpected equity calls from investee companies.

### **Third-Party Broken Deal Expenses**

When the Fund agrees or indicates an interest to participate in an investment with a third-party and such prospective investment is not completed, there may nonetheless be significant costs, expenses and fees relating to such prospective investment, including for diligence, structuring and payment of "broken deal fees".

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## **Fraudulent Activities**

There is a risk that a sponsor or manager of any investee company may knowingly, negligently or otherwise withhold or misrepresent information regarding the investee company's performance or activities, including the presence or effects of any fraudulent or similar activities. Federation would generally not have the opportunity to discover such situations prior to the time such sponsor or manager discloses (or there is public disclosure of) the presence or effects of any fraudulent activities. Accordingly, Federation cannot offer any assurances that Portfolio Entities or their respective sponsors or managers will not engage in fraudulent activities or that Federation will have the opportunity or ability to protect the Fund from suffering a loss because of such fraudulent activities. There can be no assurance that general partners, sponsors, managements, investee companies, service providers, consultants and other third-parties will comply with all applicable laws and that assets of the Fund entrusted to the investee companies or other third-parties will be protected.

## **Effect of Performance Share**

A Federation entity will be entitled to a share of the performance of each Underlying Asset, which may create an incentive for the Investment Manager to make more speculative investments than they would otherwise make in the absence of such performance-based incentive.

## **Valuation Risk**

Due to confidentiality concerns, investee companies generally will not permit the Fund to disclose information regarding investment strategies of each investee company, investments, risks and/or prior performance, including to the Fund and its Unit holders. In addition, certain investee companies may provide limited or no information regarding their investment strategies or investments. Accordingly, in certain circumstances, Unit holders may not have, and the Fund may not be able to provide, sufficient information to evaluate to their full satisfaction the risks of investing in the Fund and the manner in which the capital they have contributed to the Fund has been invested. In addition, incomplete information may affect the valuations of investments, which may not be indicative of current or ultimate, realisable values. Valuations (and therefore unit prices) may also fluctuate as additional or revised information becomes available.

## **Taxation**

F2 may be impacted by changes in taxation legislation. Taxation law may change as a result of legislation, case law in Australia, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of tax authorities.

## **Hedging**

F2 may employ hedging techniques for the purposes of minimising fluctuations in the relative values of F2's investments by reducing its exposure to adverse movements in interest rates and/ or currency exchange rates.

While such transactions may reduce certain risks, hedging transactions themselves may entail certain other risks and can also affect potential gains. For example, unanticipated changes in currency exchange rates, interest rates or the prices of F2's investments may result in a poorer overall performance than if it had not entered into such hedging transactions.

## **Conflicts of Interest**

The Responsible Entity, the Investment Manager and their affiliates and its various service providers may from time to time act as issuer, investment manager, market maker, custodian, unit registry, broker, administrator, distributor or dealer to other parties or funds that have similar objectives to those of the Fund. It is, therefore, possible that any of them may have potential conflicts of interest with the Fund.

The Responsible Entity, the Investment Manager and their affiliates may invest in, directly or indirectly, or manage or advise other funds which invest in assets which may also be purchased by the Fund. Neither the Responsible Entity nor any of its affiliates nor any person connected with it is under any obligation to offer investment opportunities to the Fund.

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Federation provides investment advice to a variety of clients, including through other accounts and investment funds, and expects to have additional clients in the future. These other clients may have goals that are similar to or overlap with those of the Fund. As a result, Federation and its affiliates (including, without limitation, the Investment Manager of the Fund) – and each of their respective directors, officers, partners and employees – may be subject to various conflicts of interest in their relationships and dealings with the Fund.

The Responsible Entity and the Investment Manager maintain a conflicts of interest policy to ensure that it manages its obligations to the Fund such that all conflicts (if any) are resolved fairly subject to investment opportunity allocation policies and contractual requirements.

### **Acquisition**

Whilst the Investment Manager has procedures in place (refer to its investment process) to conduct all reasonable and appropriate due diligence on potential investment opportunities, there is a risk that F2 may not be able to identify suitable investment opportunities that meet its criteria or requirements, or that even if such opportunities are sourced, that they may not be able to be secured on appropriate terms. This may impact F2's ability to expand and grow its initial portfolio, which would affect investors in F2.

The Investment Manager will endeavour to do all reasonable and necessary due diligence on potential investments. However, there is a risk that potential issues are uncovered subsequent to due diligence and that these risks cannot be fully mitigated.

### **COVID-19**

COVID-19 may continue to have the potential to impact the performance of investments. The Investment Manager endeavours to keep investors informed of any material information as it presents by way of investor update.

### **Pandemic and other unforeseen event risk**

Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on the economies and financial markets either in specific countries or worldwide and consequently on the value of the Fund's investments. Further, under such circumstances the operations, including functions such as trading and valuation, of the Investment Manager and other service providers could be reduced, delayed, suspended or otherwise disrupted.

### **Disasters and Insurance**

Disasters such as natural disasters and terrorist attacks may damage assets. Whilst F2 does take out building's insurance, there is no certainty that appropriate insurance will be available for all risks on acceptable commercial terms, or that the cost of insurance premiums will not continue to rise. Some risks are not able to be insured at acceptable premiums or it may not be possible to insure all the assets against some of these events. The performance of F2 may be adversely affected where losses are incurred due to uninsurable risks or under-insured risks. Further, any failure by an insurer or re-insurer may adversely affect the ability for F2 to make claims under an insurance policy. This could materially impact the value of assets and/or profit available for distribution of F2.

### **Environmental**

To the extent an underlying investee company holds significant real estate, as with any property investment, there is a risk that one or more of the properties may be contaminated now or in the future. Government environmental authorities may require such contamination be remediated, and in some circumstances for F2 to be liable for the costs of such remediation. This would affect the financial returns from the asset and the performance of F2 overall. Additionally, there may be significant legal costs involved in ensuring compliance with environmental legislation and there is a risk that F2 may be required to pay penalties if found to be liable for causing environmental damage and contamination. Such penalties may be material in size. Generally, environmental issues may also result in interruptions to the operations of a site, including the potential closure or re-lease of the property. Failure to properly remediate contaminated sites may also adversely affect the ability to sell the relevant property or to use it as collateral for future borrowings.

### **Technological Changes**

In the renewable energy space, technological changes in the power industry generally (including for example the solar, wind, bioenergy industries) may lower wholesale electricity prices. Such technological advancements may

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render certain renewable energy sources or existing technologies less commercially attractive which may negatively impact F2's ability to generate positive returns from selling the renewable energy asset.

## 4 Investing and withdrawing

### 4.1 Applications

The offer under this PDS is available to investors in Australia and New Zealand. We ask investors from other jurisdictions to please contact the Investment Manager to source relevant subscription documentation.

#### **For Initial Applications**

To invest in F2, you must either apply via the electronic Application Form accompanying this PDS at 'Apply Now' at [federationam.com](http://federationam.com) or complete a printed copy of the Application Form accompanying this PDS.

Bank account details are available on the Application Form. F2 is priced monthly. The application price will vary as the market value of F2's assets rises or falls.

Valid Applications can be made any time prior to 3:00pm on the last Business Day of any given month. If the application form is incomplete or you have not provided the required KYC Documents or the required information for FATCA or CRS purposes (see section 8 for further information on KYC Documents, FATCA and CRS) or you have not provided the correct amount of cleared funds, you may be requested to submit further information (or provide the required cleared funds), and would then be considered to have lodged a Valid Application. Valid Applications will generally be processed based on the unit price applicable on the last Business Day of the month. The responsible entity of F2 reserves the right to accept applications outside of these times.

Confirmations will typically be provided to investors within 5 Business Days following issuance of the Units.

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

Subject to the Responsible Entity agreeing to accept a lower amount, in its discretion the minimum initial investment in F2 is \$20,000 and the minimum additional investment amount in F2 is \$5,000.

All applications must be made in Australian dollars.

#### **Additional applications**

You can make additional investments in Units in F2 by completing the Application Form available at 'Apply Now' at [federationam.com](http://federationam.com) and pay the application money as directed. Alternatively, a paper copy of the Application Form accompanying this PDS may be completed. Bank account details are available on the Application Form.

If you are investing through an IDPS service you should refer to the IDPS Guide for the minimum investment and additional investment amounts.

#### **Terms and conditions for applications**

Applications can be made at any time. Application cut-off times and unit pricing are set out in the 'Initial applications' section above.

Under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006, applications can only be processed when all the information and supporting identification documentation requested on the Application Form has been provided.

Note that we do not pay interest on application monies.

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

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The minimum initial and additional investment amounts are determined by the Responsible Entity and can be altered at any time.

### **Cooling Off Period**

If you invest directly in the Fund and are a Retail Client you may have a right to “cool off” in relation to an investment in the Fund within 14 days of the earlier of:

- confirmation of the investment being received or available; and
- the end of the fifth day after the units are issued or sold.

If you invest directly in the Fund and are a Retail Client, you may exercise this right by notifying the Responsible Entity in writing at the address provided in this PDS. A Retail Client is entitled to a refund of their investment adjusted for any increase or decrease in the relevant application price between the time we process your application and the time we receive the notification from you, as well as any other tax and other reasonable administrative expenses and transaction costs associated with the acquisition and termination of the investment.

The right of a Retail Client to cool off does not apply in certain limited situations, such as if the issue is made under a distribution reinvestment plan, switching facility or represents additional contributions required under an existing agreement. Also, the right to cool off does not apply to you if you choose to exercise your rights or powers as an investor in the Fund during the 14-day period. This could include selling part of your investment or switching it to another product.

Indirect Investors should seek advice from their IDPS Operator as to whether cooling off rights apply to an investment in the Fund by the IDPS. The right to cool-off in relation to the Fund is not directly available to an Indirect Investor. This is because an Indirect Investor does not acquire the rights of a Unit holder in the Fund. Rather, an Indirect Investor directs the IDPS Operator to arrange for their monies to be invested in the Fund on their behalf. The terms and conditions of the IDPS Guide or similar type document will govern an Indirect Investor’s investment in relation to the Fund and any rights an Indirect Investor may have in this regard.

## **4.2 Withdrawals**

### *Monthly withdrawal requests*

Withdrawal requests must be submitted by 3:00pm on the last Business Day of any given month (**Month End Date**). If a withdrawal application is incomplete, you may be requested to resubmit information until you have lodged a Valid Application.

### *Withdrawal price and payment timing*

Withdrawal requests are generally deemed effective and relevant Units cancelled, generally up to 5 Business Days following the Month End Date in which the Valid Application to redeem is received (**Acceptance Date**). The withdrawal price of a Unit is based on the NAV of F2 (calculated as at close of business on the relevant Month End Date) divided by the number of Units on issue. The current Sell Spread is 0%, however the Responsible Entity retains a discretion to apply a Sell Spread on redeeming investors of up to 5% of the total value of the redemption request. The Sell Spread is retained by the Fund and not paid to the Responsible Entity or the Investment Manager. Refer to the ‘Fees and Other Costs’ section for potential costs in the case of a withdrawal.

Withdrawals are generally paid within 21 days following the Acceptance Date, however the Constitution allows the Responsible Entity to make payment up to 70 days after Acceptance Date if it considers that it is in the best interests of investors to do so in the circumstances that:

- are outside of its control, such as restricted or suspended trading or extreme price fluctuation or uncertainty in the market in respect of an investment;
  - were not reasonably foreseen by Equity Trustees when it accepted the withdrawal request; or
  - the Fund holds interests in underlying investment vehicles that have a longer timeframe to pay withdrawal amounts.
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The Responsible Entity reserves the right to change these withdrawal timeframes.

If you have invested indirectly in the Fund through an IDPS, you need to provide your withdrawal request directly to your IDPS Operator. The time to process a withdrawal request will depend on the particular IDPS Operator.

#### *Quarterly limits on redemptions*

Redemptions of Units are limited per calendar quarter to 5% of the number of Units outstanding at the end of the preceding quarter (unless the Investment Manager advises the Responsible Entity to apply a higher percentage limit). Within a quarter, the Responsible Entity intends to prioritise redemption requests on a 'first come first served' basis, until the 5% limit is reached for the quarter. If the 5% limit is reached for a quarter, withdrawal requests for Units over the 5% limit will be taken to be cancelled.

#### *Suspension of redemptions*

The Responsible Entity has broad discretion to suspend redemptions (on advice from the Investment Manager), only for the period while any of the scenarios set out below apply. When this occurs the Responsible Entity will not accept withdrawal requests and accordingly limit the ability of investors to withdraw from the Fund.

The Responsible Entity can deny a withdrawal request in certain circumstances, including but not limited to instances where accepting the request would unfairly prejudice remaining investors.

In some circumstances, where an investor makes a large withdrawal request (5% or more of the units at the start of the relevant distribution period), their withdrawal proceeds may include a component of distributable income. Refer to the section headed 'Distributions'.

If the Responsible Entity believes it is in the best interests of investors, it may suspend withdrawals or the payment of withdrawal proceeds. Examples of scenarios where withdrawals may be suspended include:

- it is impracticable or impossible for the Responsible Entity or Investment Manager to calculate the Net Asset Value of the Fund, for example because of financial market disruptions or closures;
- the Responsible Entity reasonably considers that if withdrawal requests were met immediately, investors who continue to hold Units may bear or suffer a material disadvantage including but not limited to, bearing a disproportionate burden of tax or other expenses or bearing a material diminution in the value of the Fund;
- the Responsible Entity is unable to realise Fund investments to properly satisfy withdrawal requests; or
- the Responsible Entity reasonably considers it to be in the best interests of Unitholders and is legally permitted.

Equity Trustees can deny a withdrawal request where accepting the request would cause the Fund to cease to be liquid or where the Fund is not liquid (as defined in the Corporations Act – see below).

In the event that there is any material change to an investor's withdrawal rights, investors will be informed in writing. If an investor's withdrawal right is denied and the investor still seeks to withdraw then that investor would have to reapply for withdrawal.

***Prospective investors must be aware of the potential limitations in connection with their ability to withdraw from the Fund and the potential costs of withdrawal. Neither the Responsible Entity nor the Investment Manager provide any guarantees concerning the liquidity of the Fund and the ability of an investor to withdraw its investment.***

#### *No redemption rights if F2 ceases to be liquid*

Where F2 is not liquid (as defined in the Corporations Act, and explained below) an investor does not have a right to withdraw from the Fund and can only withdraw where the Responsible Entity makes a withdrawal offer to investors in accordance with the Corporations Act. The Responsible Entity is not obliged to make such offers.

A Fund will be liquid if at least 80% of the assets of the Fund are liquid assets. Generally, liquid assets are money in an account or on deposit with a financial institution, marketable securities and other assets that the Responsible Entity reasonably expects can be realised for their market value within the period specified in the Constitution for satisfying withdrawal requests while the Fund is liquid.

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## **Making a withdrawal**

Investors can withdraw their investment by written request to either:

F2

c/- Apex Fund Services (Australia) Pty Ltd  
PO Box 189 Flinders Lane VIC 8009, Australia  
Fax: +61 3 8648 6885

Or email to [InvestorRegistry@apexfunds.com.au](mailto:InvestorRegistry@apexfunds.com.au)

Withdrawals will be paid directly to the investor's nominated bank account. This account must be in the name of the registered investor and held at a branch of an Australian domiciled bank unless otherwise agreed with the Responsible Entity or Administrator (on the Responsible Entity's behalf). Withdrawal payments will not be made to third parties.

The minimum withdrawal amount is \$5,000.

Alternatively, if you have invested indirectly in the Fund through an IDPS, you will need to provide your withdrawal request directly to your IDPS Operator. You will need to contact the relevant IDPS Operator regarding their withdrawal request cut-off times for pricing purposes. The time to process a withdrawal request will depend on the particular IDPS Operator. You should refer to the IDPS Guide for the minimum withdrawal amount.

Withdrawal requests received from New Zealand investors must specify the withdrawal amount in Australian dollars or the number of units to be withdrawn. We are unable to accept withdrawal amounts quoted in New Zealand dollars. Please note that the withdrawal amount paid to you will be in Australian dollars and may differ from the amount you receive in New Zealand dollars due to foreign exchange spreads between Australian and New Zealand dollar and overseas telegraphic transfer costs.

The withdrawal price will vary as the market value of assets referable to the Fund rises or falls.

Equity Trustees has the right to fully redeem an investment in the Fund if it falls below the required minimum balance of \$20,000 or such other minimum amount as the Responsible Entity may notify investors of from time to time. If you are investing through an IDPS you should refer to the IDPS Guide for the minimum balance

## **Other terms and conditions**

Once your withdrawal request is received, your instruction may be acted on without further enquiry if the instruction bears your account number or investor details and your (apparent) signature(s), or your authorised signatory's (apparent) signature(s).

Equity Trustees and/or the Administrator reserve the right to ask for the production of original documents or other information to authenticate the communication. In the case of mis-receipt or corruption of any message, you will be required to re-send the documents. Please note that messages sent via email must contain a duly signed document as an attachment.

No withdrawal proceeds will be paid unless the Administrator has received the withdrawal request signed by the investor or an authorised signatory. Neither Equity Trustees nor the Administrator shall be responsible for any mis-delivery or non-receipt of any facsimile or email. Facsimiles or emails sent to the Administrator shall only be effective when actually received by the Administrator.

When you are withdrawing, you should take note of the following:

- We are not responsible or liable if you do not receive, or are late in receiving, any withdrawal money that is paid according to your instructions.
  - We may contact you to check your details before processing your withdrawal form. This may cause a delay in finalising payment of your withdrawal money. No interest is payable for any delay in finalising payment of your withdrawal money.
-

- If we cannot satisfactorily identify you as the withdrawing investor, we may refuse or reject your withdrawal request or payment of your withdrawal proceeds will be delayed. We are not responsible for any loss you consequently suffer.
- As an investor who is withdrawing, you agree that any payment made according to instructions received by post, courier or email, shall be a complete satisfaction of our obligations, despite any fact or circumstances such as the payment being made without your knowledge or authority.
- You agree that if the payment is made according to these terms, you and any person claiming through or under you, shall have no claim against us about the payment.

### **4.3 Distributions**

F2 seeks to generate stable returns and capital growth. The availability of funds for distribution will be influenced by a range of factors including the liquidity and operating cashflows of F2's investments.

Depending on the availability of funds for distribution, Investors may receive distributions from F2. The availability of funds for distribution will be influenced by, among other things, distribution policy and the operating cashflows of F2's investments.

There are no specific distributions currently forecast to be payable by F2. Any distribution paid in the future will be payable annually in arrears in August with respect to the preceding year to 30 June.

#### **Distribution Payments**

Distribution payments to investors who choose not to participate in the distribution reinvestment plan (see below) will be made via direct credit into a nominated Australian financial institution account unless otherwise agreed by the Responsible Entity.

The Responsible Entity is adopting direct crediting of payments as this is a more secure and convenient way for you to receive your distribution payment. The benefits include distributions credited to your account on the payment date as cleared funds, removal of risk associated with loss, fraud and theft of cheques, and cost of savings for the Fund, which benefits all investors.

If you choose not to participate in the distribution reinvestment plan and have not provided an Australian financial institution account details, your distribution payment will be set aside and retained on your behalf in \$AUD. Please contact the Administrator to make arrangements for the payment of the amount to your account.

A summary of key tax implications is set out in the 'Taxation' section of this PDS.

#### **Reinvestment of Distributions**

The Constitution permits the Responsible Entity to require that your distributions be reinvested as additional Units in the Fund. Unless an election is made to the contrary (opt-out notice), an investor's distributions will be reinvested as additional Units in the Fund, subject to the terms and conditions of the Fund's distribution reinvestment plan. The distribution reinvestment plan will be administered in Australian dollars and all residual amounts will be held in Australian dollars.

An election by an Investor to opt out of participation in the distribution reinvestment plan must be made by the election date announced by the Responsible Entity in respect of each relevant distribution. Once an investor has elected to not participate in the distribution plan, that investor's distributions (including all future distributions) will be paid out as described in the below paragraph until such a time that the investor elects back in to the distribution plan. Such an election must be made by the election date announced by the Responsible Entity in respect of each relevant distribution.

Where an Investor elects to not participate in the distribution reinvestment plan, distributions in Australian dollars will be paid directly into Investors' nominated bank accounts (as applicable). Investors may provide bank details by submitting a form which is available from the Administrator.

Investors can elect to not participate (or participate) in the distribution reinvestment plan by submitting a form available from the Administrator.

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## **New Zealand disclosures relating to distribution reinvestment**

Units issued as part of the distribution reinvestment plan will be allotted in accordance with the terms and conditions set out in the Constitution and this PDS.

The allotment of Units as part of a distribution described in this PDS is offered to New Zealand investors on the following basis:

- At the time the price of the Units allotted as part of a distribution reinvestment is set, we will not have any information that is not publicly available that would, or would be likely to, have a material adverse effect on the realisable price of the Units if the information were publicly available.
- The right to acquire, or require us to issue, Units as part of a distribution reinvestment will be offered to all investors in the Fund of the same class.
- Every investor to whom the right is offered will be given a reasonable opportunity to accept it or opt out of the distribution reinvestment plan.
- Units will be issued or transferred on the terms disclosed to you in this PDS, and will be subject to the same rights as Units issued or transferred to all investors of the same class as you who agree to receive the units.

You have the right to receive from us, on request and free of charge, a copy of:

- the most recent annual report of the Fund (if any)
- the most recent financial statements of the Fund and, if those statements are not audited or reviewed by an auditor, a statement to that effect
- a copy of the auditor's report on those statements (if any)
- the current PDS
- the Constitution and any amendments to it.

Copies may be obtained electronically at [www.eqt.com.au/insto](http://www.eqt.com.au/insto) or by emailing [productteam@eqt.com.au](mailto:productteam@eqt.com.au).

## **4.4 Compulsory Redemption**

The Responsible Entity may redeem some or all of an investor's Units in accordance with the Constitution or as permitted by law. As an example, this may occur where an investor breaches their obligations to the Responsible Entity (for example, where the Responsible Entity believes that the Units are held in breach of prohibitions contained within the Constitution) or where the Responsible Entity believes that the Units are held in circumstances which might result in a violation of an applicable law or regulation.

## **4.5 Authorised Nominee**

### **Appointment of Authorised Nominee to Operate Account**

Unitholders may elect to appoint an authorised nominee to operate their account. If you wish to appoint an authorised nominee, then the relevant sections in the application form which is attached to this PDS need to be completed, including the name and signature of the authorised nominee, the signature of the Unitholder and the date. Only Unitholders can appoint authorised nominees. If you appoint an authorised nominee, you should ensure that:

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

If the Responsible Entity determines that the circumstances require, the Responsible Entity may cancel an appointment by giving the Unitholder 14 days' notice in writing. If an appointment is cancelled, the Responsible Entity will not be obliged to act on the instructions of the authorised nominee. If the instructions are varied, the Responsible Entity will act only in accordance with the varied instructions. By completing and lodging the relevant

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sections on authorised nominees in the application form you release, discharge and agree to indemnify the Responsible Entity from and against any and all losses, liabilities, actions, proceedings, account claims and demands arising from the Responsible Entity acting on the instructions of your authorised nominee.

You also agree that any instructions of your authorised nominee to the Responsible Entity, which are followed by the Responsible Entity, shall be a complete satisfaction of the obligations of the Responsible Entity, notwithstanding any fact or circumstance, including that the instructions were made without your knowledge or authority. You agree that if the authorised nominee's instructions are followed by the Responsible Entity, you and any person claiming through or under you shall have no claim against the Responsible Entity in relation to the instructions.

### **Powers of an Authorised Nominee**

An authorised nominee can, among other things:

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

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

## **4.6 Reporting Policy**

### **Keeping Track of Your Investments**

Regular, simple to read reports are provided to Unitholders in F2 by email or on a secure website notified to investors in due course. These reports comprise:

- Monthly valuations. Monthly valuations of units in F2 will be posted on [www.federationam.com](http://www.federationam.com).
- Quarterly Report, including details about the portfolio, recent investments, Investment Manager's fees and established yield. A quarterly director valuation for portfolio investments will be included in each Quarterly Report (see section 'Other Important Information');
- Annual Report including similar information to the Quarterly Report, plus financial statements, an auditor's report;
- Distribution Statements issued in line with distribution frequency, notifying you of the value of your investment, income from investments and confirming payment to your nominated account;
- Tax Statements issued annually, providing Unitholders with taxation information including a detailed summary of the components of any distributions;
- Continuous Disclosure - ASIC's Regulatory Guide 198 'Unlisted disclosing entities: Continuous disclosure obligations' ("RG 198"), Equity Trustees advises that it will fulfil its continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance. Investors may access material information regarding F2 from its webpage at [www.eqt.com.au/insto](http://www.eqt.com.au/insto).

You can contact the Responsible Entity on +61 3 8623 5000 for updated information on performance, Unit prices, fund size and other general information about F2.

### **Indirect Investors**

When you access the Fund through an IDPS or IDPS-like scheme (commonly, a master trust or wrap account) you are directing the operator of the IDPS or IDPS-like scheme to arrange for your monies to be invested in the Fund on your behalf. Accordingly, you do not acquire the rights of an Investor in the Fund. The operator (or its custodian/nominee) is the investor and acquires these rights and can exercise, or decline to exercise them, on your

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behalf according to the arrangements governing the IDPS or IDPS-like scheme. As an investor in the IDPS or IDPS-like scheme, you must read this PDS in that context.

When you invest through an IDPS or IDPS-like scheme and wish to make additional investments, realise your investment, or transfer your investment to another person, you will have to direct the operator of the IDPS or IDPS-like scheme to do so on your behalf. The Responsible Entity accepts no responsibility for any aspect of the IDPS or IDPS like scheme or (without limitation) for any failure on the part of the IDPS or IDPS like scheme in respect of its administration, payment of income or other distributions, payment of withdrawal proceeds, fees charged or the efficiency or viability of the IDPS or IDPS like scheme.

Specifically, the Responsible Entity's agreement to permit the naming of the Fund in a PDS issued by an IDPS operator or IDPS like scheme, or list of investments that may be accessed via the IDPS or IDPS like scheme, does not signify an endorsement by the Responsible Entity, or our support for, the IDPS or IDPS like scheme.

#### **4.7 Complaints Resolution**

The Responsible Entity has an established complaints handling process and is committed to properly considering and resolving all complaints. If you have a complaint about your investment, please contact us on:

Phone: 1300 133 472

Post: Equity Trustees Limited  
GPO Box 2307, Melbourne VIC 3001

Email: [compliance@eqt.com.au](mailto:compliance@eqt.com.au)

We will acknowledge receipt of the complaint within 1 Business Day or as soon as possible after receiving the complaint. We will seek to resolve your complaint as soon as practicable but not more than 30 calendar days after receiving the complaint.

If you are not satisfied with our response to your complaint, you may be able to lodge a complaint with the Australian Financial Complaints Authority ("AFCA").

Contact details are:

Online: [www.afca.org.au](http://www.afca.org.au)

Phone: 1800 931 678

Email: [info@afca.org.au](mailto:info@afca.org.au)

Post: GPO Box 3, Melbourne VIC 3001.

The external dispute resolution body is established to assist you in resolving your complaint where you have been unable to do so with us. However, it's important that you contact us first.

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## 5 Fees and Other Costs

### DID YOU KNOW?

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

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

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

You may be able to negotiate to pay lower fees. Ask the Fund or your financial adviser.

### TO FIND OUT MORE

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

This document shows fees and costs you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole.

Taxes are set out in the 'Taxation' section of this PDS.

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

### 5.1 Summary of Fees and Costs for the Fund

#### FEDERATION ALTERNATIVE INVESTMENTS II

Type of Fee or Cost	Amount <sup>1</sup>	How and When Paid
<b>Ongoing annual fees and costs</b>		
<b>Management fees and costs</b> The fees and costs for managing your investment <sup>4</sup>	2.95% per annum	The management fees and costs are expressed as a percentage of the NAV of the Fund and comprises several components: <ul style="list-style-type: none"> <li>The Management Fee component is 1.70% per annum and is accrued daily and payable from the income and assets of the Fund to the Investment Manager monthly in arrears on the first day of each month. You may be able to negotiate the Management Fee<sup>5</sup> with the Investment Manager.</li> <li>This amount also includes a fee of 0.10% per annum of NAV payable to the Responsible Entity out of the Fund's assets.</li> <li>This amount also includes certain other management costs<sup>3</sup> that are deducted, either directly from the Fund's assets or from the underlying investment entities' assets, as they are incurred and reflected in the Unit Price. This includes Indirect Costs (as defined below) which are the ordinary costs of operating F2 (including any underlying investment entity) that are reimbursed to the Investment Manager or Responsible Entity from the income or assets of F2 (or underlying investment entity) as and when incurred, expressed as a percentage of the NAV of the Fund. An annual cap of 1.15% of the NAV will apply to Indirect Costs (ignoring irregular or abnormal expenses).</li> </ul>
<b>Performance fees</b> Amounts deducted from your investor in relation to the	0% <sup>2</sup> per annum	This consists of any Performance Share, which is a 20% capital return that a Federation entity may be entitled to receive from an underlying investment entity in the case of excess performance of any Underlying Asset over a net preferred return of 8% per annum. This percentage is based on the Performance Share(s) for the financial year ending 30 June 2022 and is expressed as a percentage of the NAV of the Fund. If payable, the

See a further description in the "Additional explanation of fees and costs" section below.

performance of the product

Performance Share will be deducted from the assets of the relevant underlying investment entity where excess performance has been achieved in relation to any Underlying Asset and is reflected in the unit price of F2. You may be able to negotiate this amount<sup>5</sup> with the Investment Manager.

**Transaction costs** 0%<sup>7</sup> p.a.

The costs incurred by the scheme when buying or selling assets

The transaction costs, which are expressed as an estimated percentage of the NAV of the Fund, are variable and are paid out of the assets of the Fund. Transaction costs are reflected in the Unit Price of the Fund.

The transaction costs are disclosed net of amounts recovered by the buy-sell spread charged on investor initiated transactions.

**Member activity related fees and costs (fees for services or when your money moves in or out of the product)<sup>6</sup>**

<b>Establishment fee</b>	Nil	Not applicable
The fee to open your investment		
<b>Contribution fee<sup>4</sup></b>	Nil	Not applicable
The fee on each amount contributed to your investment		
<b>Buy-sell spread</b>	<u>Buy</u> 0%	These costs are an additional cost to the investor when an investor buys or sells units in the Fund but they are incorporated into, respectively, the Fund's entry and exit unit prices and are not separately charged to the investor.
An amount deducted from your investment representing the costs incurred in transactions by the scheme	<u>Sell</u> 0%	
<b>Withdrawal fee<sup>4</sup></b>	Nil	Not applicable
The fee on each amount you take out of your investment		
<b>Exit fee<sup>4</sup></b>	Nil	Not applicable
The fee to close your investment		
<b>Switching fee</b>	Not applicable	Not applicable
The fee for changing investment options		

**Notes:**

1 Unless indicated otherwise, fees and costs are expressed inclusive of the net effect of GST. It is anticipated that the Fund may be able to recover at least 55% of the GST component of fees charged to it, whether under the reduced credit acquisition provisions of the GST Act or otherwise.

2 Please see the 'Additional Explanation of fees and costs' section under 'Performance fees' for further information.

3 This excludes any abnormal or extraordinary expenses. See the information on management fees and costs in the "Additional explanation of fees and costs" below.

4 This fee includes an amount payable to an adviser (if any). See also the section "adviser remuneration" in the "Additional explanation of fees and costs" section below.

5 The Management Fee and Performance Fee components are negotiable for certain investors, see the "Additional explanation of fees and costs" below.

6 Additional fees may be charged by your financial adviser and, if you are an indirect investor, by your service operator, for investing in the Fund. See the information on fees and costs in the "Additional explanation of fees and costs" below.

7 The Transaction costs are based on reasonable estimates for the 12-month period ending 30 June 2023.

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

This table gives an example of how the ongoing annual fees and costs for this managed investment product can affect your investment over a one year period. You should use this table to compare this product with other products offered by managed investment schemes.

EXAMPLE - FEDERATION ALTERNATIVE INVESTMENTS II		
BALANCE OF \$50,000 <sup>1</sup> WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR		
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged <b>\$0</b> .
<b>PLUS</b> Management fees and costs	2.95% p.a.	<b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment <b>\$1,475</b> each year
<b>PLUS</b> Performance fees	0% p.a. <sup>2</sup>	<b>And</b> , you will be charged or have deducted from your investment <b>\$0</b> in performance fees each year
<b>PLUS</b> Transaction costs	0% p.a. <sup>6</sup>	<b>And</b> , you will be charged or have deducted from your investment <b>\$0</b> in transaction costs
<b>EQUALS</b> Cost of FEDERATION ALTERNATIVE INVESTMENTS II		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of: <b>\$1,475</b> <sup>3 4</sup>
		<b>What it costs you will depend on the fees you negotiate<sup>5</sup></b>

### Notes:

- 1 The table is an example of typical ongoing fees that apply to your investment. Please note that additional fees may apply – this example does not capture all the fees and costs that may apply to you. This example is prescribed by the Corporations Act 2001 (Cth) and is based on an assumption that the additional \$5,000 is invested at the end of the year (and therefore, the management costs are calculated using the \$50,000 balance only). This example also assumes that the value of your investment remains the same during the year.
- 2 The performance fee is based on the financial year which ended 30 June 2022, see the “Additional explanation of fees and costs” below.
- 3 All fees are inclusive of the net effect of GST. See the “Additional explanation of fees and costs section below” for more detail as to how Management Costs are calculated.
- 4 Additional fees may apply, such as the buy-sell spread which is not expressed in this example but this buy-sell spread is currently 0% upon entry and 0% upon exit. The dollar value of these buy-sell spread costs based on an application or a withdrawal of \$50,000 is currently \$0 for each individual transaction.
- 5 The fee amounts are negotiable for certain investors, see the “Additional explanation of fees and costs” below.
- 6 The Transaction costs are based on reasonable estimates for the 12-month period ending 30 June 2023.

**Warning:** If you have consulted a financial adviser, you may pay additional fees. You should refer to the Statement of Advice or Financial Services Guide provided by your financial adviser in which details of the fees are set out.

ASIC provides a fee calculator on [www.moneysmart.gov.au](http://www.moneysmart.gov.au), which you may use to calculate the effects of fees and costs on your investment in F2.

The management fees and costs and transaction costs are for an invested amount of \$50,000, and the example assumes no abnormal expenses are incurred (see also the “Additional explanation of fees and costs” below). As a result, the actual management fees and costs and Transaction Costs for the current financial year and for future financial years may differ from the figure shown in the table.



### 5.3 Additional explanation of Fees and Costs

This section explains some of the terms that are used in this Fees and Costs section.

Management fees and costs for the Fund comprise:

- Management Fee payable to the Investment Manager (see below);
- Responsible Entity Fee payable to the Responsible Entity (see below); and
- indirect costs and fund expenses (together, **Indirect Costs**) (see below); and

Management fees and costs do not include transaction costs (see below) nor costs related to a specific asset that an investor would incur if they invested directly in the asset (apart from some costs relating to derivatives other than for the primary purpose of hedging). For the year (annualised) ending 30 June 2023, we estimate these costs to be a total of 2.95% per annum of NAV.

#### Management Fee

A Management Fee payable to the Investment Manager is charged at a rate of 1.70% per annum of the NAV of the Fund.

The fee is payable to the Investment Manager monthly in arrears on the first day of each month.

The fee is payable out of the assets of F2.

#### Responsible Entity Fees

The Responsible Entity will be paid a fee in respect of its services as responsible entity of the Fund. The fee is 0.10% per annum on the NAV calculated on the monthly NAV and payable in arrears, subject to an agreed minimum annual fee.

A fee may also be payable in the case of removal of the Responsible Entity. See additional information under the 'Summary of Material Contracts' section under the heading 'Retirement of Responsible Entity'.

The fee is payable out of the assets of F2.

#### Indirect Costs

The Investment Manager and Responsible Entity (and their related parties) are entitled to be reimbursed from F2 (or any underlying investment entity) in respect of a range of expenses in connection with the investment, operation and management of F2 (or any underlying investment entity) or the acquisition, disposal or maintenance of any investment of the Portfolio which include, but are not limited to, fees and costs of professional advisers (such as legal, administration service providers, tax advisers, consultants, custodians (if any), accounting, audit, research/ratings, investment banks, valuation, brokers and other advisers), director fees (where a representative of Federation serves on a portfolio company board), insurance expenses (including professional indemnity and director and officer insurance), costs of investor reporting, ordinary

regulatory expenses (including costs incurred to maintain necessary registrations, maintain compliance with laws and making regulatory filings), tax expenses relating to compliance with tax filing requirements.

Expenses may also be incurred from time to time in relation to irregular or abnormal expenses, such as costs of litigation and costs of convening unitholder meetings, termination of the Fund or replacement of the Responsible Entity.

An annual cap of 1.15% of the NAV will apply to the Indirect Costs (ignoring irregular or abnormal expenses).

#### Performance fees

A "Performance Share" may be distributed to a Federation entity by any underlying investment entity invested in by the Fund. The amount of such capital distribution is 20% of the excess performance referable to an Underlying Asset after the Underlying Asset meets an IRR of 8% per annum (**Performance Share Amount**).

Any potential entitlement to a Performance Share Amount referable to an Underlying Asset is calculated by the relevant underlying investment entity. This is reflected as a daily accrual for accounting purposes by the underlying investment entity. This results in a lower unit price payable by investors that subsequently apply for units (and a lower unit price payable to Unitholders that subsequently redeem their Units). In effect, the reduction in the unit price compensates a new investor for the subsequent payment of the Performance Share Amount by the relevant underlying investment entity.

Any Performance Share Amount is only payable in relation to an Underlying Asset after the receipt of distributions (whether following realisation or otherwise) from or in respect of the Underlying Asset, in accordance with the following accounting principles:

- Step 1 (Return of capital):** firstly, the net proceeds from the Underlying Asset less any transaction costs (including due diligence costs and legal fees) referable to any realisation (if applicable), stamp duty and GST (the balance referred to as 'Distributable Proceeds') will be allocated (for Performance Share calculation purposes) until F2 has been allocated an amount equal to the amount invested by F2 in the Underlying Asset;
- Step 2 (Hurdle Return):** secondly, any remaining Distributable Proceeds will be allocated (for Performance Share calculation purposes) to F2 until F2 has been allocated an amount which represents a return equal to the Hurdle Return in

respect of the amount invested by F2 in the Underlying Asset;

(c) **Step 3 (Catch up)**: thirdly, any remaining Distributable Proceeds will be allocated (for Performance Share calculation purposes):

- (a) 20% to F2;
- (b) 80% to a Federation entity,

until the Investment Manager has been allocated 20% of the amount allocated to F2 under 'Step 2 (Hurdle Return)' and this 'Step 3 (catch up)'; and

(d) **Step 4 (20% / 80% split)**: fourthly, any remaining Distributable Proceeds will be allocated:

- (a) 80% to F2; and
- (b) 20% to a Federation entity.

For these purposes, the **Hurdle Return** means an IRR of 8.0% per annum (net of fees and costs payable to the Investment Manager and the Responsible Entity referable to the investment and pre-taxation) referable to the relevant Underlying Asset.

In determining the value of an investment where the investment is held by a Co-Investment Entity, the value is based on the proportionate indirect interest of F2 in the investment.

If the Investment Manager is no longer the manager of F2 (including any underlying investment entity or vehicle), then a Federation entity is generally entitled to be paid any accrued and unpaid Performance Share Amounts (calculated as if the Underlying Assets were realised for an aggregate amount equal to the NAV as at the termination date) within 20 Business Days of the Investment Manager cessation date.

It is not possible to reliably estimate the actual Performance Share Amount that may become payable, as one cannot forecast what the performance of F2 will be. The actual Performance Share Amount payable will depend on a range of matters, including actual realisation proceeds.

The Performance Share Amount is calculated separately in relation to each Underlying Asset. A Federation entity may be entitled to a Performance Share Amount in relation to an Underlying Asset if F2 has exceeded the Hurdle Return in respect of the realisation of the Underlying Asset. As the Performance Share Amount payable is dependent on the performance of an Underlying Asset, we illustrate the Performance Share Amount payable in three different scenarios in relation to the relevant Underlying Asset that is realised:

For the purposes of calculating the Performance Share Amount payable, we assume a one year time

period and the Hurdle Return of 8.0%. As a starting point, assume an investor has \$50,000 invested in F2 that is referable to the Underlying Asset. The Performance Share Amount is outlined below:

- a) If the Underlying Asset delivers an IRR return of 5.0%, this equates to an investment return (after all referable fees and costs, but before Performance Share Amount) of \$2,500. This is below the Hurdle Return, therefore no Performance Share Amount will be payable in relation to that Underlying Asset;
- b) If the Underlying Asset delivers an IRR return of 8.0%, this equates to an investment return (after all referable fees and costs, but before Performance Share Amount) of \$4,000. This is equal to the Hurdle Return, therefore no Performance Share Amount will be payable in relation to that Underlying Asset; and
- c) If the Underlying Asset delivers an IRR return of 15.0%, this equates to an investment return (after all referable fees and costs, but before Performance Share Amount) of \$7,500. This is above the Hurdle Return and \$1,500 is payable as a Performance Share Amount to a Federation entity in relation to that Underlying Asset.

The performance fee of 0% in the fees and costs summary above is calculated based on the performance fee for the financial year which ended 30 June 2022. We believe this figure is representative for the current financial year ending 30 June 2023.

The performance fees amount disclosed in the "fees and costs summary" is not a forecast as the actual performance fee for the current and future financial years may differ. The Responsible Entity or the Investment Manager cannot guarantee that performance fees will remain at their previous level or that the performance of the Fund will outperform Hurdle Return.

### IDPS

Investors investing through an IDPS should note that the fees outlined in this section are in addition to (i.e. do not include) any other fees charged by your IDPS Operator or financial adviser (if any).

### Transaction Costs

In managing the assets of F2, F2 may incur transaction costs such as due diligence costs, brokerage, settlement costs and applicable stamp duty when assets are bought and sold. This generally happens when the assets of a fund are acquired or disposed of, or when there are applications or withdrawals (if applicable) which cause net cash flows into or out of a fund.

Transaction costs may also include:



- professional adviser costs (legal, accounting, valuation, investment banking or otherwise) that are related to the proposed transaction;
- the cost of investing in certain derivatives attributable to derivatives used for hedging purposes; and

Transaction costs do not include borrowing costs, property operating costs and do not generally include implicit transaction costs or market impact costs such as the difference between the bid and ask price of assets traded by the Fund.

These costs are reflected in F2's unit price. As these costs are factored into the Net Asset Value of F2 and reflected in the unit price, they are an additional implicit cost to the investor and are not a fee paid to the Responsible Entity or the Investment Manager. These costs are an additional cost to members. Such costs may reduce the earnings from F2's investments, and are not directly charged to investors.

For the year (annualised) ending 30 June 2023, we estimate total transaction costs for F2 of 0% of the NAV of F2. The dollar value of these costs based on an average account balance of \$50,000, would be \$0 in that financial year. Actual transaction costs may vary from year to year without notice to investors. The transaction costs are shown net of any amount recovered by the Buy-Sell Spread (see below). As no Buy Spread or Sell Spread is charged at the date of this PDS, the gross transaction costs are also estimated to be 0%.

### **Buy-Sell Spread**

The current Buy-Sell Spread is 0%. However the Responsible Entity retains a discretion to apply a Sell Spread of up to 5% of redemption monies. The Sell Spread is left in the Fund as part of a redemption and not paid to the Responsible Entity or the Investment Manager. The Buy/Sell Spread is a reasonable estimate of transaction costs that the Fund will incur when buying or selling assets of the Fund. These costs are an additional cost to the investor but are incorporated as an adjustment to the unit price and arise when funding withdrawals from the Fund and are not separately charged to the investor. The Buy-Sell Spread can be altered by the Responsible Entity at any time. The amount is paid so as to mitigate any unfairness from an application or redemption affecting other investors.

### **Payment of Taxes**

Where a fee is disclosed as inclusive of the net effect of GST (that is, inclusive of GST, net of input tax credits and RITCs), the amount has been calculated on the basis that a RITC of the GST component is available. Whilst this entitlement is dependent on the individual circumstances, as a general proposition, it

is anticipated that the Fund may be able to recover at least 55% of the GST component of fees paid for services, whether under the reduced credit acquisition provisions of the GST Act or otherwise. There are circumstances where the GST recovery rate could vary from that outlined above.

### **Taxation of F2**

Information about taxation applicable to F2 and investors is set out in the 'Taxation' section.

### **Co-investment Properties**

Where F2 holds certain assets via a Co-Investment Entity in parallel with alternative vehicles managed by the Investment Manager, any transaction expenses attributable to any investment made by F2 with the investor in these vehicles will be shared, pro rata, across F2 and those investors or vehicles.

### **Changes to Fees**

All fees can change. Reasons might include changing economic conditions and changes in regulation. The Constitutions provide for the Responsible Entity to charge fees additional to the fees described in this Fees and Costs section, including: application fee of up to 6% of the application money; redemption fee of up to 6% of the redemption price for processing the redemption request; management fee of up to 2% per annum of GAV. However, the Responsible Entity will give you 30 days' prior written notice of any undisclosed increase to fees.

Fees payable to the Investment Manager under the Investment Management Deed may not be increased unless approved by an Ordinary Resolution of Unitholders.

Other costs, charges and expenses of F2 (including indirect costs) will vary from time to time.

All fees and costs in this section 5 are based on information available as at the date of this PDS.

Please refer to the Fund's website:

<https://www.federationam.com> from time to time for any updates which are not materially adverse to the members.

### **Differential Fees**

The Responsible Entity or Investment Manager may from time to time negotiate a different Management Fee and performance fee arrangements (by way of a rebate or waiver of fees) with certain investors who are Wholesale Clients or otherwise where permitted by law.

Please contact the Investment Manager for more information. Contact details for the Investment Manager can be found in the Corporate Directory of this PDS.

### **Termination Fee**

Under the Investment Management Deed, the Investment Manager may be terminated as manager in several circumstances. In the case of a No Fault Removal of the Investment Manager (see 'Summary of Material Contracts' section of this PDS), the Investment Manager is entitled to a termination fee payable out of the assets of F2 (in addition to any accrued and unpaid fees) equal to the Management Fee amount due to the Investment Manager that would have been payable, calculated for a ten (10) year reference period and based on the most recent aggregate Portfolio Value as at the termination date.

By way of illustration, if the Investment Manager is entitled to a termination fee, an investor with an investment of \$50,000 in F2 will incur a termination fee of \$8,500, representing 1.70% of \$50,000, multiplied by 10. This is payable out of the assets of the Fund and not an additional payment by the investor.

### **Other Fees**

The Investment manager or its affiliates may also be entitled to transaction, advisory or director fees from certain investee entities. Such fees will be set at arm's length rates.

### **Adviser remuneration**

For Australian retail client investors, we do not pay any commissions to your financial adviser or advisory firms.

The Investment Manager may make product access payments (generally, flat dollar amounts) to the service operators of master trusts and wrap accounts

(see below) who distribute the Fund on their investment menu.

The Responsible Entity may also provide certain non-monetary benefits to dealer groups and other financial services licensees to the extent it is permitted under law.

All payments and non-monetary benefits referred to herein are funded by the Investment Manager out of its own resources, and are not an additional cost to investors.

### **Advice Fees**

Investors may incur a fee for advice provided to the investor by their authorised adviser, if agreed between the investor and their adviser.

Applicants should consult with their advisers to understand fees and costs in relation to this Offer and any fees received by the relevant adviser. Under the Corporations Act, advisers that provide personal financial product advice to Retail Clients must, among other obligations, act in the best interests of the client, only give advice if it is reasonable to assume that the advice is appropriate for the client and, if there is a relevant conflict, give priority to the interests of the client. Advisers are also required to comply with the Code of Ethics published by Financial Adviser Standards and Ethics Authority Limited. The Investment Manager or associated entity may in its discretion pay a fee to certain brokers or other intermediaries for referring individual Wholesale Client investors or New Zealand investors into the Fund. If applicable, your intermediary is required to provide you with further information in relation to any benefit received in connection with your investment in the Fund.

## 6 Taxation

The following is a general summary of the Australian income tax, stamp duty and goods and services tax (“GST”) implications for Investors in F2. It does not constitute tax advice and should not be relied upon as such. The rules summarised in this section are complex. Different tax and stamp duty implications may apply to different Investors depending on their particular circumstances. For example, stamp duty may apply depending on (among other things) the percentage interest being acquired and whether F2 is a deemed “landholder” (under relevant stamp duty legislation) at the time of subscription, transfer or redemption. Accordingly, Investors should obtain independent professional advice concerning the potential tax and stamp duty implications of investing in F2.

The following comments assume that Investors hold their investment in F2 on capital account and are not exempt from taxation. Investors who do not hold their investment in F2 on capital account should obtain their own advice. The tax information included in this PDS is based on the taxation legislation and administrative practice as at the issue date of this PDS.

### 6.1 Taxation of Australian Resident Investors

#### Distributions

It is intended that F2 is operated such that it will be treated as a “flow through” entity for Australian income tax purposes such that the Responsible Entity of F2 will not be subject to income tax. However, it is possible that F2 may be taxed like a company if it is a “public trading trust”. The Responsible Entity engages service providers to monitor the status of the F2 to determine the appropriate treatment. In particular, F2 seeks ongoing advice regarding trading trust matters.

It is currently not expected that F2 is a public trading trust and accordingly, the following comments assume that F2 will be taxed as a flow-through entity.

Should F2 be treated like a company for income tax purposes, any distributions from F2 will generally be treated as a franked or unfranked dividend for tax purposes. Broadly, where an Investor receives a franked distribution, the Investor will be taxed on the full amount of the profit represented by the distribution and the attached franking credits, but the franking credits may also be available as a tax offset, subject to the relevant conditions being met. If the Investor’s offsets from franking credits exceed the tax liability after other tax offsets have been applied, the Investor

may be entitled to a tax credit or a tax refund in respect of the excess.

#### AMIT Regime

The Responsible Entity may elect for F2 to be classified as an Attribution Managed Investment Trust (“AMIT”). Broadly, under the AMIT regime, Investors will be subject to tax on the net income and net capital gains of F2 that are allocated to them on a fair and reasonable basis by the Responsible Entity of F2.

An Investor may be taxable on their share of F2’s taxable income before receiving distributions from F2. Where an amount distributed to an Investor is less than (or more than) the taxable income attributed to the Investor, the cost base of the Investor’s units may be adjusted upwards (or downwards).

F2 may make an irrevocable election to apply deemed capital account treatment for gains and losses on disposal of certain eligible investments (including equities and units in other trusts but excluding derivatives, debt securities and foreign exchange contracts). Where the election is made, F2 is taken to hold its eligible investments on capital account and gains (or losses) from the disposal of eligible investments are treated as capital gains (or losses). Capital gains arising on the disposal of eligible investments held for at least 12 months may be eligible to be treated as discount capital gains if the relevant requirements are met. Where the election is not made, F2 will hold its eligible investments on revenue account and gains (or losses) from the disposal of eligible investments should be treated as revenue gains (or losses).

Tax losses incurred by F2 cannot be distributed to Investors. Instead, they can be carried forward and offset against future taxable income of F2, subject to satisfying the relevant loss recoupment rules.

Investors will receive an annual tax statement known as the AMIT Member Annual (“AMMA”) Statement detailing the amount and components of the taxable income of F2 that Investors will be assessed on, as well as the net annual cost base adjustment.

If eligible to do so, the Responsible Entity intends to elect into the AMIT regime. Other taxation implications will apply if the F2 does not elect into the AMIT regime.

#### Disposal or Redemption of Units in F2

The disposal or redemption of units in F2 by an Investor may be subject to CGT. The Investor should derive a capital gain to the extent that the capital

proceeds from the disposal or redemption exceed the cost base of the relevant units. Conversely, Investors will incur a capital loss if the capital proceeds are less than the reduced cost base of the relevant units.

Certain Investors (i.e. individuals, trustees or complying superannuation entities) who have held the relevant units for at least 12 months may be eligible for a CGT discount. Corporate investors are not eligible for the CGT discount. An Investor's capital proceeds, cost base and reduced cost base will differ based on the Investor's individual circumstances at the time of disposal or redemption.

## 6.2 Taxation of Non-Resident Investors

The following comments in respect of non-Australian tax resident Investors do not cover:

- non-residents who hold their units at or through a permanent establishment in Australia or via an interposed Australian entity;
- feeder funds;
- sovereign entities or tax exempt foreign pension funds (such entities may be eligible for exemptions and concessions available under statutory provisions of the Australian income tax law, but will need to obtain advice on their specific circumstances); or
- the effect of any applicable double taxation agreement.

Investors who may be affected by the above should obtain their own advice.

### Distributions

Where a distribution to non-resident Investors includes Australian-sourced interest, dividends or royalties, these components may be subject to a final withholding tax at the following rates:

- Interest: 10%
- Unfranked dividends: 30%
- Royalties: 30%

The above rates may be reduced under an applicable double taxation agreement with Australia. There is no withholding tax on fully franked dividends.

Where the distribution includes other types of Australian-sourced income (e.g. gains on the disposal of assets or net rental income), the taxation implications will depend on whether F2 is a Withholding Managed Investment Trust ("Withholding MIT"). The Responsible Entity will monitor at the time of relevant distributions whether F2 will qualify as a Withholding MIT.

### Where F2 is not a Withholding MIT

Where F2 does not qualify as a Withholding MIT, the Responsible Entity will withhold tax on other types of Australian-sourced income at rates of up to 45%. This withholding is not a final tax and an Investor may file

an Australian tax return and may be entitled to claim a credit for the amounts withheld.

### Where F2 is a Withholding MIT

Where F2 is a Withholding MIT, distributions comprising income other than dividends, interest and royalties should in general be subject to MIT withholding tax. F2 will withhold tax from such distributions to the extent they represent Australian-sourced taxable income of F2 or capital gains on the disposal of assets that are "taxable Australian property" (which includes direct and indirect interests in land situated in Australia, broadly defined).

Generally, the MIT withholding tax rate for Investors who are residents of countries with which Australia has an effective tax information exchange agreement and which have been specified in the legislation for these purposes is 15%. The MIT withholding rate is 30% for Investors who are residents of other countries. A 30% rate may apply if relevant income is designated as non-concessional MIT income pursuant to tax integrity rules that, broadly, apply to income sourced in trading income.

### Disposal or Redemption of Units in F2

Where units are held by non-Australian tax resident Investors on capital account, CGT may apply to gains or losses if the relevant asset being disposed of or redeemed is "taxable Australian property".

Units in F2 should not be considered "taxable Australian property" unless:

- the value of F2 relates primarily to real property in Australia; and
- the Investor and its associates hold 10% or more of F2 at the time of the disposal or redemption or within a 12 month period during the previous two years.

Where non-resident Investors are subject to CGT, the CGT liability is calculated in a similar way to Australian resident Investors (see above), although no CGT discount is available for non-resident Investors.

Non-resident Investors should also consider the foreign resident capital gains withholding rules, which may require a purchaser of an indirect Australian real property interest (refer above) to withhold 12.5% from the price paid for that interest.

## 6.3 Taxation of New Zealand Resident Investors

If you are a New Zealand resident wishing to invest in Australia, we strongly recommend that you obtain independent professional tax advice. Broadly, New Zealand resident Investors will be taxed in New Zealand on their Units under the foreign investment fund rules or ordinary tax rules, depending on their circumstances.

## **Other Tax Matters**

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

Transacting in the Units should not attract GST, whether or not the Investors are Australian residents.

However, Investors may be limited in their ability to recover GST (in the form of input tax credits) on costs relating to the acquisition or disposal of the Units.

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

Collection of an Investor’s TFN is authorised and its use and disclosure strictly regulated by the tax laws and the Privacy Act. An Investor may quote a TFN or claim a TFN exemption in relation to their investment in the Fund when completing an Application Form. An Investor may quote an ABN instead of a TFN if it is making the investment in the course of a relevant enterprise carried out by the Investor.

If an Australian resident Investor chooses not to quote a TFN or ABN, or claim a TFN exemption, the Responsible Entity will be required to deduct tax at the prescribed rate from that Investor’s income distributions. At the date of this PDS, this was the highest marginal tax rate (45%) plus the Medicare Levy (2%).

### **Foreign Account Tax Compliance Act (“FATCA”)**

The Responsible Entity may be required under Australian tax legislation to request Investors to provide additional information to be provided to the Australian Taxation Office in order to comply with US FATCA compliance obligations.

FATCA is a US tax law that requires Foreign Financial Institutions (“**FFIs**”) to comply with a number of additional compliance obligations in order to ensure that 30% FATCA withholding tax is not deducted from certain US sourced income, gross proceeds from the sale of securities giving rise to such income and pass-through payments. The Responsible Entity and the Fund should be FFIs for FATCA purposes.

### **Common Reporting Standard**

Australian legislation relating to the automatic exchange of financial information between jurisdictions gives effect to the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (“**CRS**”) and FATCA. These regimes cover the collection and reporting of tax residency information and other data to tax authorities. Accordingly, we may request that you provide certain information in order for the Fund to comply with the CRS and FATCA obligations.

### **Stamp Duty**

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

### **Taxation Reforms**

The tax information included in this PDS is based on the taxation legislation and administrative practice as at the issue date of this PDS, together with proposed changes to the taxation legislation as announced by the Government. However, the Australian tax system is constantly evolving. Changes to the law or administrative practice may impact the tax position Investors in the Fund. Accordingly, Investors should seek professional advice taking into account their particular circumstances.



## 7 Summary of Material Contracts

The Responsible Entity considers that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this PDS for the purpose of making an informed assessment of an investment in F2 under the Offer.

This section contains a summary of the material contracts and their substantive terms. As this section is only a summary of the material agreements, it does not set out all rights and obligations under each material contract and these agreement will only be fully understood by reading the documents in full.

### 7.1 Investment Management Deed

Equity Trustees as Responsible Entity entered into a management deed (“**Investment Management Deed**”) with the Investment Manager. A summary of the material terms is as follows:

#### Duties of the Investment Manager

Under the Investment Management Deed, the Investment Manager is authorised to invest and manage the assets and liabilities of F2 for and on behalf of the Responsible Entity.

#### Retirement of Responsible Entity

The Investment Management Deed provides that on receipt of notice from the Investment Manager that the Investment Manager wishes the Responsible Entity to cease acting as responsible entity of F2, subject to the Corporations Act, the Constitution, the obligations of the Responsible Entity as responsible entity of the relevant trust, and subject to no outstanding issues where the Responsible Entity needs to act in the best interests of unitholders, the Responsible Entity:

- (a) shall take all steps necessary to achieve its retirement, and the appointment in its place as responsible entity of such person as the Investment Manager may nominate as soon as practicable; and
- (b) will exercise all due care and skill to complete the transition within 90 Business Days of receipt of the Investment Manager’s notice.

Under the Investment Management Deed, if Equity Trustees is removed as trustee or responsible entity, it will be entitled to be paid the greater of 0.10% of the aggregate Portfolio Value (calculated as at the time of its removal) or the annual minimum fee applicable under the Investment Management Deed. This fee is payable out of the assets of F2.

#### Expenses

F2 must pay all taxes, costs, charges and expenses properly incurred in connection with the investment and management of the portfolio of F2 (excluding in-house administration costs of the Investment Manager in the nature of rent for the Investment Manager’s premises, computer charges, salaries and research costs) or in acting under the Investment Management Deed and the Investment Manager may cause them to be deducted from the portfolio of F2.

#### Exclusivity

The Responsible Entity has appointed the Investment Manager on an exclusive basis to be the manager of F2. The Investment Manager may from time-to-time perform similar investment and management services for itself and other persons to the services performed for the Responsible Entity under the Investment Management Deed. To protect the confidentiality of information relating to F2, the Investment Management Deed prohibits the Investment Manager from using F2’s information for any purpose other than to perform its role as F2’s manager.

#### Responsible Entity Indemnity

Under the terms of the Investment Management Deed, the Responsible Entity must indemnify the Investment Manager out of the assets of F2 against any losses or liabilities reasonably incurred by the Investment Manager arising out of, or in connection with, the Investment Management Deed, and any costs, charges and expenses incurred in connection with the Investment Manager or any of its officers or agents acting under the Investment Management Deed or on account of any bona fide investment decision made by the Investment Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, fraud or dishonesty of the Investment Manager or its officers or supervised agents. This obligation continues after the termination of the Investment Management Deed.

The Investment Manager may enforce its rights under the Investment Management Deed against the Responsible Entity only to the extent of the Responsible Entity’s right of indemnity out of the assets of F2 and the Responsible Entity cannot be held liable in its personal capacity except to the extent that any liability arises from the fraud, negligence or a breach of trust by the Responsible Entity as responsible entity of F2.



### Investment Manager Indemnity

The Investment Manager must indemnify the Responsible Entity against any losses or liabilities reasonably incurred by the Responsible Entity arising out of, or in connection with, and any costs, charges and expenses incurred in connection with, any negligence, fraud or dishonesty of the Investment Manager.

### Fees

The Investment Manager is entitled to fees as summarised in the 'Fees and other costs' section of this PDS.

### Term

The Investment Management Deed remains in force until terminated in accordance with that deed.

### Termination by Investment Manager

The Investment Management Deed gives the Investment Manager the right to terminate the deed upon the occurrence of any one of the following events:

- (a) the Responsible Entity materially breaches any provision of the Investment Management Deed, or materially fails to observe or perform any representation, warranty or undertaking given by Responsible Entity under the Investment Management Deed and the Responsible Entity fails to rectify such breach or failure within 10 Business Days of receiving notice in writing from the Investment Manager specifying such breach or failure; or
- (b) if a person (alone or together with the person's associates) other than the Investment Manager or an associated entity of the Investment Manager acquires a relevant interest in Units where because of the acquisition, that person's or someone else's voting power in F2 exceeds 50%.

The Investment Manager is also entitled to terminate the Investment Management Deed on not less than twelve months' written notice.

### Termination by Equity Trustees

The Investment Management Deed gives the Responsible Entity the right to terminate the Investment Management Deed and remove the Investment Manager by written notice on the occurrence of any one of the following events:

- (a) an insolvency event occurs with respect to the Investment Manager (although the legal right of the Responsible Entity to terminate solely for this reason is limited);

- (b) the Investment Manager ceases to carry on business in relation to its activities as an investment manager;
- (c) the Investment Manager breaches any provisions of the Investment Management Deed, or fails to observe or perform any representation, warranty or undertaking given by Investment Manager under the Investment Management Deed and the Investment Manager fails to rectify such breach or failure within 10 Business Days of receiving notice in writing from the Responsible Entity specifying such breach or failure;
- (d) the Investment Manager engages in conduct that a court or arbitral tribunal (whichever determines earlier) determines constitutes fraud, gross negligence or wilful misconduct of its duties under the deed;
- (e) the Investment Manager ceases to be controlled by Federation Asset Management Holdings Pty Ltd (ACN 627 359 504);
- (f) the Investment Manager sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of the Investment Manager or of a beneficial interest therein, other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by the Responsible Entity or any other entity of good financial standing and as approved by the Responsible Entity (whose approval may not be unreasonably withheld); or
- (g) relevant law requires the Investment Management Deed to terminate.

The Investment Management Deed may also be terminated by the Responsible Entity with effect 6 months after an Extraordinary Resolution of the Unitholders is passed (**No Fault Removal**), provided that such Extraordinary Resolution is obtained not earlier than the 3rd anniversary of the date of the Investment Management Deed, and is accompanied by an Extraordinary Resolution approving the appointment of a replacement manager, subject only to such replacement manager satisfying the reasonable requirements of the Responsible Entity to their appointment as manager.

### Assets of F2 following Termination

If the Investment Management Deed is terminated, the Investment Manager will have 30 Business Days to deal with the assets of F2 for the purposes of vesting control of F2 in the Responsible Entity or as the Responsible Entity otherwise directs. Accordingly, the Investment Manager:

- subject to the consent of the Responsible Entity,

may enter transactions to settle or otherwise extinguish or offset obligations incurred by or on behalf of the Responsible Entity or the Investment Manager in relation to the portfolio before that date;

- with respect to obligations not capable of settlement before transfer of the portfolio, must create provision for such contingent liability as will arise, notify the Responsible Entity of that provision, and the Responsible Entity must use reasonable endeavours to procure that the custodian holds sufficient assets of the portfolio to satisfy that liability;
- may instruct the custodian (directly or if an administrator has been appointed, indirectly through the administrator) to deduct from the portfolio costs, charges and expenses due to the date on which the transfer of the portfolio is effected if, after giving 10 Business Days' notice to the Responsible Entity of its intention to so direct the custodian, the Responsible Entity has not objected, and all charges and expenses incurred in the actions envisaged by this clause;
- must deliver to the Responsible Entity (or as the Responsible Entity reasonably directs) all records which may reasonably be required by the Responsible Entity in respect of the portfolio; and
- may deal with the portfolio in accordance with instructions from a new manager appointed by the Responsible Entity.

The Responsible Entity must take all necessary steps to facilitate the transfer of the Portfolio from the Investment Manager and is required to change the name of F2 to remove any reference to any derivative of the name of the Investment Manager, unless otherwise approved by the Investment Manager.

### Management of Potential Conflicts

The Investment Manager may invest in or deal with the Investment Manager's related bodies corporate or other divisions of the Investment Manager engaged in separate business activities. The Investment Manager has policies and procedures in place to manage any potential conflicts of interest. Any fees, brokerage and commissions may only be charged by the Investment Manager's related bodies corporate if they are engaged in the ordinary course of business and on arm's length terms.

The Investment Manager intends the Fund to invest in other funds managed by the Investment Manager.

The Investment Manager may have significant interactions with investee companies and certain of the Investment Manager's officers and executives

may serve on the board of the investee companies from time to time in return for market standard remuneration. These fees may be partially offset (50%) against the Management Fee.

### Amendment

The Investment Management Deed may only be altered by the agreement of the parties. However, the Responsible Entity must only make material changes to the Investment Management Deed if the Responsible Entity has obtained Unitholder approval by Ordinary Resolution to these material changes.

## 7.2 Administration Agreement

Equity Trustees has appointed Apex Fund Services Ltd ("**Apex**") as the administrator of F2 under the Administration Agreement. Under this agreement, Apex will provide various services as administrator for the Fund (and its subsidiaries), including the following services:

- Calculating the Net Asset Value of the Fund in accordance with the Fund's valuation policies;
- Keeping proper records and books of account in relation to the Fund;
- Maintaining registers;
- Liaising with the Fund's auditors with respect to audit of the financial statements for each of the Fund's financial year to enable the auditors to complete the annual audit of the Fund for the purposes of inclusion in the Fund's annual reports;
- Supplying such information or reports to Equity Trustees as may from time to time be agreed by the parties; and
- Performing relevant anti-money laundering obligations.

The Administration Agreement is automatically renewed for each subsequent one year period, after the initial one year period from the date of the document. The Administration Agreement may be terminated by either Equity Trustees or Apex giving the other written notice, or pursuant to the exercise of a right of termination because of a breach of law, material breach of the Administration Agreement, or an insolvency event of a party.

Under the terms of the Administration Agreement, Apex must exercise reasonable care in the performance of its duties as administrator for the Fund. Equity Trustees indemnifies Apex from any loss of any nature whatsoever suffered by the Fund in connection with the performance by Apex of its obligations under the Administration Agreement, except for losses resulting directly from negligence,

gross negligence, wilful misconduct or fraud or material breach of the agreement on the part of Apex. Apex shall not be liable for any indirect, special or consequential loss howsoever arising.

The Administrator are entitled to be indemnified by F2 against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from the fraud, gross negligence or wilful default on the part of the Administrator) which may be imposed on, incurred by or asserted against the Administrator in performing its obligations or duties.

The Administrator and its affiliates are a service provider to F2 and have no responsibility or authority to make investment decisions, or render investment advice, with respect to the assets of F2. The Administrator is not responsible for and accepts no responsibility or liability for any losses suffered by F2 as a result of any investment decision. None of the Administrator, any of its affiliates or any of its related

bodies corporate, guarantees in any way the performance of F2, repayment of capital from F2, any particular return from, or any increase in, the value of F2. The Administrator and its affiliates are not responsible for any failure by F2 or the Investment Manager to adhere to the investment objective, policy, investment restrictions, borrowing restrictions or operating guidelines.

The Administrator has delegated certain functions and duties to its affiliates in Australia – Apex Fund Services (Australia) Pty Ltd and may use other affiliates in other countries to perform obligations in connection with F2 in the future. However, the principal register will be maintained by Apex Fund Services (Australia) Pty Ltd.

The Investment Manager may at any time, in consultation with the Responsible Entity, select any other administrator to serve as Administrator to F2.

The Administrator has not been involved in the preparation of this PDS and takes no responsibility for its contents.

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## 8 Other Important Information

### 8.1 Structure

F2 is an Australian trust which invests directly or indirectly via subsidiary vehicles managed by the Investment Manager or any Associate of the Investment Manager.

### 8.2 Valuation Policy

The Net Asset Value for a Unit is the total value of Fund assets less Fund liabilities (calculated in accordance with the Constitution), divided by the number of Units on issue.

In undertaking a valuation, the Investment Manager may rely upon the valuations or prices supplied by third parties and/or industry standard pricing models for which we will not or are not able to verify the accuracy. The Investment Manager will establish separate class accounts for each class of Units in F2. Amounts which are referable to a class (as determined by the Investment Manager in accordance with the Constitution) will be allocated to the relevant class. The Net Asset Value will be calculated on the basis of each class. Each class of Units will be invested in the same portfolio of underlying assets.

Units will typically be priced on the last Business Day of each calendar month, except where the calculation of the Net Asset Value of the Fund is suspended.

Valuations are intended to be undertaken at fair value in accordance with internationally accepted accounting standards.

The Investment Manager may appoint an independent valuation expert to review the carrying value of an Underlying Asset as deemed necessary by the Investment Manager.

The valuation policy may be obtained free of charge by contacting the Responsible Entity.

An annual review of the Portfolio will be carried out by the Fund auditor following 30 June of each year.

### 8.3 Unit Pricing Discretions Policy

Equity Trustees has developed a formal written policy in relation to the guidelines and relevant factors taken into account when exercising any discretion in calculating unit prices (including determining the value of assets and liabilities). A copy of the policy and, where applicable and to the extent required, any other relevant documents in relation to the policy (such as records of any discretions which are outside the scope of, or

inconsistent with, the unit pricing policy) will be made available to investors free of charge on request.

### 8.4 Borrowing Policy

The Investment Manager will have the right to borrow at the Fund (or subsidiary) level, and is entitled to enter into financing arrangements (which may include the granting of security interests over the assets of the relevant trust but not in relation to Units in the Fund), for the purposes of:

- satisfying withdrawal requests;
- providing interim financing to balance disparities between commitments to investees and returns on existing investments; and
- paying fees of the Responsible Entity or Manager.

Borrowings can be raised on a combination of fixed and variable interest rates.

Borrowings will be on a non-recourse basis to Unitholders (meaning the lenders' recourse is limited to F2's (or the particular subsidiary's) assets. Securities, such as mortgages, may be granted over the particular subsidiary's assets in favour of lenders (but with no recourse to Unitholders or Units held in the Fund by Unitholders).

### 8.5 Interest Rate Hedging and Use of Derivatives

The Investment Manager may enter into derivatives, in the following circumstances:

- for the dominant purpose of managing foreign exchange or interest rate risk;
- for the dominant purpose of more efficiently gaining an economic exposure, through the use of exchange-traded derivatives, to the underlying reference assets of those derivatives, but only on a temporary basis (i.e. less than 28 days, which cannot be extended by rolling over or replacing the derivative); or
- exchange-traded derivatives, provided the notional derivatives exposure of the Fund does not exceed 10% of its net asset value (unless the exposure is attributable to circumstances that were not reasonably foreseeable by the responsible entity, such as unforeseen market movements or large redemption requests, and the exposure is for a period of no more than three consecutive Business Days).

Investing in or entering into hedging transactions in connection with the acquisition, holding or disposition of investments and are intended to hedge F2's exposure against movements in interest rate or currency relating to one or more investments and the Investment Manager will have the right to enter into derivatives at any subsidiary level, and which may include the granting of security interests in and liens on and otherwise encumber the assets of the relevant trust for these purposes.

## 8.6 Termination of F2

The Responsible Entity may resolve at any time to terminate, liquidate and wind up F2 (if it provides Unitholders with notice) in accordance with the Constitution and the Corporations Act. F2 may otherwise terminate if required by law. A notice will be provided to Unitholders advising of F2's termination. Upon termination and after conversion of Fund assets into cash and payment of, or provision for, all costs and liabilities (actual and anticipated), the net proceeds will in broad terms be distributed pro-rata amongst all Unitholders according to the value of the Units each of them hold in F2.

## 8.7 Our Legal Relationship with You

You will receive Units when you invest in F2. Subject to the rights, obligations and liabilities set out in the Constitution and under the Corporations Act, each Unit represents an equal proportionate beneficial interest in the assets of F2 as a whole subject to liabilities, but does not give you an interest in any particular assets or property of F2.

The Responsible Entity's responsibilities and obligations, as the responsible entity of F2, are governed by the Constitution of F2 and the Corporations Act, as well as general trust law. The Constitution contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both the Responsible Entity, and Unitholders. Some of the provisions of the Constitution are discussed elsewhere in this PDS. Other provisions relate to a Unitholder's rights under the Constitution, and include:

- a Unitholder's right to share in any Fund income, and how it is calculated;
- what you are entitled to receive if F2 is wound up;
- the nature of the Units;
- a Unitholder's rights to attend and vote at meetings; and
- the quorum requirement for meetings – at least 2 Unitholders present in person or by proxy holding at least the relevant percentage of Units (being

25% in the usual case or 50% where a meeting is convened to consider removal of the Investment Manager).

There are also provisions governing the Responsible Entity's powers and duties, including:

- how Unit prices are calculated, the maximum amount of fees that can be charged;
- when the Constitution can be amended – generally the Constitution can only be amended where the Responsible Entity reasonably believes that the changes will not adversely affect Unitholders' rights or if the amendments are approved at a meeting of Unitholders;
- when Equity Trustees can retire as the responsible entity of F2 – when permitted by law;
- when Equity Trustees can be removed as the responsible entity of F2 – which is when required by law. The Investment Management Deed contains provisions dealing with the termination of the Investment Manager in certain cases involving default by the Investment Manager (unless the Investment Management Deed is required by law to be terminated, the Investment Manager may only be removed in these circumstances if its removal and the appointment of its replacement has been approved by an Extraordinary Resolution of Unitholders);
- broad powers to invest, borrow money and generally manage F2; and
- that the Constitution may be amended from time to time in accordance with the provisions in the Constitution and the Corporations Act.

The Constitution and the Corporations Act also deal with the Responsible Entity's liabilities in relation to F2 and when it can be reimbursed out of F2's assets, for example:

- the Responsible Entity is not liable for acting in reliance and good faith on professional advice;
- the Responsible Entity is not liable for any loss unless it fails to act in good faith or acts negligently; and
- the Responsible Entity can be reimbursed for any liability it incurs in connection with the proper performance of its powers and duties in respect of F2.

A copy of the Constitution is available, free of charge, on request from the Responsible Entity. A summary of some of the provisions of the Constitution is set out below under 'Rights and Obligations Attaching to the Units'.



## 8.8 Indemnity

Equity Trustees, as the responsible entity of F2, is indemnified out of Fund assets against all liabilities incurred by it in properly performing its duties in relation to the relevant trust. To the extent permitted by law, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity. The Responsible Entity may retain and pay out from the assets of the Fund any sums necessary to affect such an indemnity.

## 8.9 Related Party Transactions

There are a number of related party transactions described in this PDS in relation to F2, including fees payable to related parties. Each of the Responsible Entity and the Investment Manager may also seek professional services for F2 from qualified service providers, including from related parties.

The fees for these services will be charged at arm's length commercial rates to F2.

Examples of areas in which related parties may provide services to F2 are:

- property and project management;
- accounting, taxation and compliance;
- debt arrangement;
- providing financing or loans;
- financial structuring and underwriting;
- product distribution; and
- corporate advice.

Each of the Responsible Entity and Investment Manager, and their respective associates, are entitled to enter into or be interested on their own account in any transactions entered into on behalf of F2 or with any company or body in which F2 is invested or who provides services to F2. Any such transactions will be on arm's length commercial terms. Each of the Responsible Entity and Investment Manager, and their respective associates, are also permitted to hold Units in any capacity. Additional information relating to related party transactions is set out below.

### **Responsible Entity's related party transactions policy**

The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval process for such transactions and arrangements to manage conflicts of interest. All transactions in which the

Responsible Entity may have, or may be perceived to have, a conflict of interest will be conducted in accordance with the Responsible Entity's related party transactions policy.

Under this policy, the Responsible Entity may be required to disclose conflicts of interests to Investors and to ensure that its disclosure is timely, prominent, specific and meaningful, and contains enough detail to understand and assess the potential impact on the service provided by the Responsible Entity. These conflict situations will be monitored, assessed and evaluated by the compliance manager for the Responsible Entity. If the compliance manager considers it necessary, the matter will be referred to the Responsible Entity's Board and steps taken to ensure that the conflict is managed in an appropriate manner.

### **Investment Manager's related party transactions**

The Investment Manager maintains and complies with a policy on related party transactions. The Investment Manager and its associates are also entitled to enter into or be interested on their own account in any transactions entered into on behalf of F2 or with any company or body in which F2 is invested or who provides services to F2. For example, F2 may invest (whether by equity or debt securities) in the Investment Manager (or any related body corporate of the Investment Manager) (provided that, in such a case, the aggregate value of such investments is less than 5% of the Net Asset Value of F2 at the time of investment or higher amount approved by the Responsible Entity).

The Investment Manager has the right to dispose of some or all of the Investment to an associate or related body corporate.

Any such transactions will be on arm's length commercial terms.

The Investment Manager (and its affiliates) may from time to time manage a number of funds. Once the Investment Manager (or affiliate) has sourced a particular asset, it follows formal procedures to ensure that the asset is offered to the most appropriate fund based on the relevant fund mandates. This means that assets sourced may not be exclusively offered to F2. The Investment Manager may also act as manager of an alternative vehicle and allocate a part interest in the asset for investment by the alternative vehicle alongside F2. Different fees and expenses may apply in relation to investors in the alternative vehicle.

## 8.10 Non-listing of units

The units in the Fund are not listed on any stock exchange and it is not currently intended that an



application will be made to list the units of the Fund on any stock exchange.

## 8.11 Compliance Plan

The Responsible Entity has prepared and lodged a Compliance Plan for F2 with ASIC. The Compliance Plan describes the structures, systems and processes used by the Responsible Entity to comply with the Corporations Act and the Constitution. The matters covered in the Compliance Plan include: promotion of F2, and respective disclosures, information technology, the Constitution, AFS Licence requirements, corporate governance and compliance, agents and external service providers, education, training and recruitment, complaints handling, record keeping, custody, investment management, F2's trust fees and performance, investment risks, valuation of F2's assets, and applications, redemptions and distributions.

An audit of the compliance plan is carried out on an annual basis by F2's Compliance Plan Auditor, PwC. An audit report is prepared and lodged with ASIC providing an opinion as to whether the Responsible Entity has complied with the Compliance Plan throughout the year and if the Compliance Plan continues to comply with the requirements of the Corporations Act and other relevant laws. A copy of the Compliance Plan is available from the Responsible Entity.

## 8.12 Rights and Obligations Attaching to the Units

The rights and liabilities attaching to ownership of Units arise from a combination of the Constitution, the Corporations Act and general law. A summary of the significant rights and liabilities attaching to the Units and a description of the material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Unit holders.

If you invest in F2, you agree to be bound by the terms of the PDS and the Constitution. Copies of the Constitution are available, free of charge, on request from the Responsible Entity. Please consider the Constitution before investing in F2.

### *Unit pricing*

The net asset value for a Unit is the total value of all assets of F2 less F2's liabilities (calculated in accordance with F2's Constitution), divided by the number of Units on issue.

The key aspects of the valuation policy applied in valuing F2's assets are set out in section 8.2. The Responsible Entity may rely on the valuations or prices supplied by third parties and/or industry standard pricing models for which we will not or are

not able to verify the accuracy. The Responsible Entity has appointed the Administrator to calculate the net asset valuations of F2. The Responsible Entity has established separate class accounts for each Class of Units in F2. Amounts which are referable to a Class (as determined by the Responsible Entity in accordance with the Constitution) will be allocated to the relevant Class. The net asset value will be calculated on the basis of each Class. Each Class of Units will be invested in the same portfolio of investments. Units will typically be priced on the last Business Day of each calendar month except where the calculation of the net asset value of F2 is suspended (see section 4.2 for further details).

Unit prices (with respect to the unit price as at the last Business Day of the prior calendar month) will be displayed at [www.federationam.com](http://www.federationam.com). Alternatively you can contact the Responsible Entity on +61 3 8623 5000 for current Unit prices.

The Responsible Entity has documented how it intends to exercise unit pricing discretions- see section 9.19 for further information.

### *Entitlements*

Subject to the rights, obligations and restrictions of a Class of units, each unit represents an equal undivided fractional beneficial interest in the assets of F2 attributable to that Class as a whole subject to liabilities attributable to that Class, but does not give unitholders an interest in any particular asset of F2.

The income for a particular Class of units is the net income attributable to each Class of units that is available for distribution for that period. Such income will be distributed equally among all unit holders in the relevant Class of units.

### **Winding Up**

On a winding up of F2, holders of a particular Class of units are entitled to a pro rata proportion of the realised pool of assets relating to that particular Class of units (after taking account of liabilities of F2).

### *Meetings of Unitholders and Voting*

Meetings are to be held in accordance with the Corporations Act.

The Responsible Entity may convene and arrange to hold a general meeting of F2 whenever it thinks fit and must do so if required under the Corporations Act.

Voting at a general meeting is by a show of hands unless a poll is validly demanded. On a show of hands each Unitholder (and each proxy, attorney or

representative) has one vote, and on a poll, each Unitholder (and each proxy, attorney or representative) has one vote for each dollar value of units held.

Unitholders have the same voting rights, other than on matters affecting the rights of a particular Class of Unitholders as noted further below.

#### *Amendment of Constitution and Variation of Class Rights*

The Constitution may be amended by either a special resolution of Unitholders or by deed executed by the Responsible Entity where it reasonably believes the change will not adversely affect Unitholders' rights.

#### *Other Classes of Units*

Pursuant to the Constitution, the Responsible Entity may also issue any other Class of units.

#### *Unitholder's Liability*

The Constitution for F2 provides that unless there is a separate agreement with a Unitholder, no Unitholder can be called on to contribute to the assets of F2 or to its creditors if F2 is liquidated or becomes insolvent. Therefore it is expected that Unitholders will not be under any obligation if a deficiency in the assets of the relevant trust was to occur. However, this view has not been fully tested and so it is not possible to give an absolute assurance that a Unitholder's liability will be limited in all circumstances.

In general, the liability of a Unitholder is limited to the amount (if any) which remains unpaid in relation to their subscription for Units and certain amounts in respect of tax.

The Responsible Entity is entitled to be reimbursed from Fund assets for expenses incurred in the proper performance of its duties in relation to each trust.

#### *Powers and Duties of the Responsible Entity*

The Constitution also contains provisions governing the Responsible Entity's powers and duties. Below is a list of some of these key powers and duties. The Constitution entitles the Responsible Entity to charge certain fees and recover expenses (refer to Section '*Fees and other costs*' for further details).

#### *Management of F2*

Subject to the Corporations Act, the Responsible Entity has broad powers to invest, borrow and generally manage F2, and power to issue units and financial instruments, borrow money and register (including being able to decline to register) transfers

of units. The Responsible Entity has the power to buy and sell assets of F2 and can enter into contracts. The Responsible Entity can also delegate its powers and duties.

In accordance with the Constitution of F2, the Corporations Act and general trust law, the Responsible Entity must:

- act in the best interest of Unitholders and, if there is a conflict between Unitholders' interests and its own, give priority to Unitholders;
- ensure the property of F2 is clearly identified, held separately from other funds and the Responsible Entity's assets, and is valued regularly;
- ensure payments from F2's property are made in accordance with the Constitution and the Corporations Act; and
- report to ASIC any significant breach of the Corporations Act in relation to F2.

#### **Replacement and Removal of Responsible Entity**

The Responsible Entity may retire if it chooses provided that it must call a meeting of the Unitholders to explain its reason to retire and to enable the Unitholders to vote on a resolution to choose a company to be the new responsible entity.

The Responsible Entity must retire when required by law, for example, by way of resolution of Unitholders under section 601FM of the Corporations Act.

#### **8.13 Consents**

The Corporations Act imposes a liability regime on the Responsible Entity (as the offeror of the Units), the Directors of the Responsible Entity, persons named in this PDS with their consent as having made a statement in this PDS and persons involved in a contravention in relation to this PDS with regard to misleading or deceptive statements made in the PDS. Although the Responsible Entity bears primary responsibility for this PDS, other parties involved in the preparation of this PDS can also be responsible for certain statements made in it.

In light of the above, each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this PDS other than the reference to its name and any statement or report included in this PDS with the consent of that party as described above.

#### **Investment Manager Consent**

The Investment Manager has given, and at the date of this PDS has not withdrawn, its written consent:

- to be named in this PDS as the Investment Manager of F2; and
- to the inclusion of the statements made about it, F2 and to the information attributed to it in the form and context in which this information appears.

The Investment Manager has not otherwise been involved in the preparation of this PDS, nor has it caused or otherwise authorised the issue of this PDS.

Neither the Investment Manager, nor any of its employees, officers or associated companies accept any responsibility arising in any way for errors or omissions from this PDS, other than in relation to the statements for which they have provided consent.

#### **Administrator Consent**

Apex Fund Services Ltd has given, and at the date of this PDS has not withdrawn, its written consent:

- to be named in this PDS as the Administrator of F2; and
- to the inclusion of the statements made about it and F2 in the form and context in which this information appears.

Apex Fund Services Ltd has not otherwise been involved in the preparation of this PDS, nor have they caused or otherwise authorised the issue of this PDS. Neither Apex Fund Services Ltd nor their employees or officers accept any responsibility arising in any way for errors or omissions from this PDS, other than in relation to the statements for which they have provided consent.

#### **Auditor Consent**

Ernst & Young has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by Ernst & Young.

### **8.14 Indemnification of the Investment Manager**

Under the terms of the Investment Management Deed, Equity Trustees (in its capacity as responsible entity of F2) indemnifies and agrees to hold harmless the Investment Manager against any loss or liabilities reasonably incurred by the Investment Manager, and any direct costs, charges and expenses incurred by the Investment Manager by reason of the Investment Manager performing its duties and obligations under the Investment Management Deed. The Investment Manager will not be entitled to be indemnified out of the assets of the Fund in relation to any such loss, liability, cost, charge or expense to the extent to which it is caused

by the Investment Manager's gross negligence, fraud or dishonesty.

### **8.15 Privacy Statement**

The Privacy Act 1988 (Privacy Act) and the Australian Privacy Principles regulate the way organisations collect, use, disclose, keep, secure and give people access to their personal information. Equity Trustees are committed to respecting the privacy of your personal information throughout the information lifecycle and our Privacy Policy details how we do this.

Equity Trustees may collect personal information about you and individuals associated with you in order to provide products and services to you, and to ensure compliance with legal and regulatory obligations (including under the Corporations Act, the AML/CTF Act and tax related legislation). You must ensure that all personal information which you provide to Equity Trustees is true and correct in every detail, and should those personal details change it is your responsibility to ensure that you promptly advise Equity Trustees of the changes in writing. If you do not provide the information requested, we may not be able to process your application, administer, manage, invest, pay or transfer your investment(s). We may also obtain or confirm information about you from publicly available sources in order to meet regulatory obligations.

Equity Trustees may disclose your information to other members of our corporate group or to third parties, where it is necessary, in order to provide you with the products or services. Those third parties may be situated in Australia or offshore, and we take reasonable steps to ensure that all third parties with whom we have a contractual relationship or other influence comply with the Australian Privacy Principles.

The third parties that we may disclose your information to include, but are not limited to:

- stockbrokers, financial advisers or adviser dealer groups, their service providers and/or any joint holder of an investment;
- those providing services for administering or managing F2, including the Investment Manager, any Fund custodian and Administrator, auditors, or those that provide mailing or printing services;
- those where you have consented to the disclosure and as required by law; and
- regulatory bodies such as ASIC, ATO, APRA and AUSTRAC.

The Responsible Entity or the Investment Manager may from time to time provide you with direct

marketing and/or educational material about products and services they believe may be of interest to you. You have the right to “opt out” by contacting the Responsible Entity. Equity Trustees’ Privacy Policy contains information about how you can access information held about you, seek a correction if necessary, make a complaint if you think there has been a breach of your privacy and about how Equity Trustees will deal with your complaint. Full details of Equity Trustees’ Privacy Policy is available at [www.eqt.com.au](http://www.eqt.com.au). You can contact Equity Trustees’ Privacy Officer on +61 3 8623 5000, or email to [privacy@eqt.com.au](mailto:privacy@eqt.com.au) to request a copy.

### **8.16 Information on Investments**

Information regarding the investments of F2 will be provided to a Unitholder in F2 on request, to the extent the Responsible Entity is satisfied that such information is required to enable the Unitholder to comply with its statutory reporting obligations. This information will be supplied within a reasonable timeframe having regard to these obligations.

### **8.17 Foreign Account Tax Compliance Act (“FATCA”)**

The Australian Government is signatory to an intergovernmental agreement (“**IGA**”) with the United States of America, which requires all Australian financial institutions to comply with the FATCA Act enacted by the U.S. in 2010.

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

In order to comply with the FATCA obligations, the Investment Manager or the Responsible Entity may request certain information from you. Failure to comply with FATCA obligations may result in F2, to the extent relevant, being subject to a 30% withholding tax on payment of U.S. income or gross proceeds from the sale of certain U.S. investments. If F2 suffers any amount of FATCA withholding and is unable to obtain a refund for the amounts withheld, Unitholders may not be compensated for any such withholding and the effect of the amounts withheld will be reflected in the returns of F2.

### **8.18 Common Reporting Standard (“CRS”)**

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

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

In order to comply with the CRS obligations, the Investment Manager or Responsible Entity may request certain information from you. Unlike FATCA, there is no withholding tax that is applicable under CRS. However, penalties may apply for failing to comply with the CRS obligations.

### **8.19 Anti-Money Laundering and Counter Terrorism Financing (“AML/CTF”)**

Australia’s AML/CTF laws require Equity Trustees to adopt and maintain an AML/CTF Program. A fundamental part of the AML/CTF Program is that Equity Trustees knows certain information about investors in F2. To meet this legal requirement, we need to collect certain identification information and documentation (“**KYC Documents**”) from new investors. Existing investors may also be asked to provide KYC Documents as part of a re-identification process to comply with AML/CTF laws. Processing of applications will be delayed or refused if investors do not provide the applicable KYC Documents when requested. Under the AML/CTF laws, Equity Trustees is required to submit regulatory reports to AUSTRAC. This may include the disclosure of your personal information. Equity Trustees may not be able to tell you when this occurs.

The Responsible Entity shall not be liable for any loss you may suffer because of compliance with the AML/CTF laws.



**Administrator** – the administrator of the Fund, initially Apex Fund Services Ltd.

**AFCA** – Australian Financial Complaints Authority.

**AFSL** – Australian financial services licence.

**AML/CTF Act** – the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth).

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

**ASX** – ASX Limited or the market operated by it, as the context requires.

**ATO** - Australian Taxation Office.

**AUSTRAC** – Australian Transaction Reports and Analysis Centre

**Business Day** means a day other than a Saturday or a Sunday on which banks are open for general banking business in Melbourne and Sydney or if the administrator of F2 primarily performs its administrative functions in respect of F2 in a city other than Melbourne or Sydney, the city in which the administrator performs such functions.

**CGT** means Capital Gains Tax.

**Class** – a class of units in F2, with such terms as described in the Constitution and summarised in this PDS.

**Co-Investment Entity** means any special purpose vehicle through which F2 (or an underlying investment vehicle) and Co-investors jointly own certain assets.

**Co-investor** means any person who is co-investing in particular investments, alongside F2.

**Constitution** – the trust deed or constitution of the Fund which set out the rights, responsibilities and beneficial interest of both the Unitholders and the Responsible Entity in relation to F2.

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

**Distribution** – the amount that is paid to Unitholders after the end of a distribution period. This generally includes any income and realised capital gains.

**Distribution Period** – has the meaning given in under 'Distributions' in the 'Investing and Withdrawing' section.

**Equity Trustees** means Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975) in its capacity as trustee and responsible entity of F2.

**Extraordinary Resolution** means a resolution passed by at least 50% of the total votes that may be cast by Unitholders entitled to vote on the resolution (including Unitholders who are not present in person or by proxy).

**F2** means the Fund.

**FATCA** - Foreign Account Tax Compliance Act.

**Federation** or **Investment Manager** means Federation Asset Management Pty Ltd (ABN 39 628 789 220 AFSL No 516560).

**Fund** – Federation Alternative Investments II.

**Gross Asset Value (GAV)** – the gross asset value of the Portfolio, and any other assets, of F2. For the avoidance of doubt, the amount used for this purpose is not reduced on account of any borrowings.

**GST** – Goods and Services Tax.

**IDPS** - Investor directed portfolio service. An IDPS is generally the vehicle through which an investor purchases a range of investment options from numerous investment managers, with the IDPS Operator providing the investor with consolidated and streamlined transaction statements and other reporting.

**IDPS Guide** - The terms and conditions of an IDPS issued by the IDPS Operator.

**IDPS Operator** - An entity that operates and offers an IDPS.

**Investment Management Deed** means the investment management deed entered into between (among others) the Responsible Entity and the Investment Manager relating to (among others) management services provided by the Investment Manager for the benefit of F2.

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**Investor** or **Unitholder** means the holder of a Unit.

**IPEV** means the International Private Equity and Venture Capital Association.

**IRR** means internal rate of return, calculated on an annual basis. An IRR is a measure typically used to estimate the profitability of an investment, and is used to calculate the applicable Performance Share.

**NTA** – means, in relation to a Class of units, the value of the total assets attributable to that Class of units reduced by the intangible assets and total liabilities attributable to that Class of units, divided by the number of units in that Class

**Net Asset Value (NAV)** – the value of assets of F2 less the value of the liabilities of F2, as the context requires.

**Offer** – the offer of Units as outlined in this PDS.

**Ordinary Resolution** means a resolution passed by at least a majority of the votes cast (whether in person or by proxy) by Unitholders entitled to vote on the resolution.

**PDS** – this Product Disclosure Statement.

**Portfolio** – the portfolio of assets of F2 (including of any subsidiary trusts of F2).

**Portfolio Value** – the value of the Portfolio.

**Responsible Entity** – Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975) in its capacity as responsible entity of the Federation Alternative Investments II.

**Retail Client** – a person or entity who is not a Wholesale Client.

**RITC** – Reduced Input Tax Credit. Equity Trustees may apply for reduced input tax credits on behalf of F2, where applicable, to reduce the GST cost to F2.

**Sell Spread** – Difference between NAV per unit and the withdrawal price of a Unit.

**SME** – Small-to-medium enterprise

**Unit** - each ordinary unit in F2.

**Target Investments** – the target investments described in the 'About F2' section.

**Underlying Asset** – an underlying investment in a company or trust that is a Target Investment and is acquired and held by F2 or an underlying investment entity or subsidiary vehicle managed by the Investment Manager or any Associate of the Investment Manager.

**Valid Application** means an application to acquire or redeem Units in F2, complete in all respects including with respect to all supporting documentation and in a form which is accepted by the Responsible Entity.

**Wholesale Client** – a person or entity defined as such under section 761G of the Corporations Act.

**Wholesale Investor** - in the case of a New Zealand investor, means a Wholesale Client who also meets the definition of wholesale investor under clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand).



## 10 Corporate Directory

### **INVESTMENT MANAGER**

**Federation Asset Management Pty Ltd** (ABN 39628 789 220 AFSL No 516560)

Level 11, 143 Macquarie Street

Sydney NSW 2000

**Phone** +61 2 8650 4500

**Email** [contact@federationam.com](mailto:contact@federationam.com)

**Web** [www.federationam.com](http://www.federationam.com)

### **RESPONSIBLE ENTITY**

**Equity Trustees Limited** (ABN 46 004 031 298 AFSL No 240975)

Level 1, 575 Bourke Street

Melbourne VIC 3000

**Phone** +61 3 8623 5000

**Fax** +61 3 8623 5200

**Email** [productteam@eqt.com.au](mailto:productteam@eqt.com.au)

### **ADMINISTRATOR & UNIT REGISTRY**

**Apex Fund Services Ltd**

C/o Apex Fund Services (Australia) Pty Ltd

PO Box 189 Flinders Lane

VIC 8009

**Phone** +61 3 9020 3000

**Fax** +61 3 8648 6885

**Email:** [investorregistry@apexfunds.com.au](mailto:investorregistry@apexfunds.com.au)

### **LEGAL ADVISER**

**Corrs Chambers Westgarth**

Quay Quarter Tower, Level 37

50 Bridge St

Sydney NSW 2000