

Pendal Focus Australian Share Fund

Additional Information to the Product Disclosure Statement

APIR Code: RFA0059AU



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Read this

The information in this document forms part of the Product Disclosure Statement for the Pendal Focus Australian Share Fund (Fund) dated 29 March 2023 (PDS). You should read this information together with the PDS before making a decision to invest into the Fund. This additional information is general information only and does not take into account your personal financial situation or needs.

1. Restrictions on withdrawals

There may be circumstances where your ability to withdraw from the Fund is restricted. The following text contains further information on restrictions on withdrawals and should be read in conjunction with the PDS.

If the Fund is illiquid (as defined in the Corporations Act), withdrawals from the Fund will only be possible if we make a withdrawal offer in accordance with the Corporations Act. We are not obliged to make such an offer. However, if we do, you are only able to withdraw your investment in accordance with the terms of a current withdrawal offer. If an insufficient amount of money is available from the assets specified in the withdrawal offer to satisfy withdrawal requests, the requests will be satisfied proportionately amongst those investors wishing to withdraw from the Fund. Under the Corporations Act, a trust is illiquid if it has less than 80% liquid assets (generally cash and marketable securities).

The constitution of the Fund also contains specific provisions that provide us with powers in relation to withdrawals. The specific provisions in the constitution are summarised below.

Provision	Explained
Payment of withdrawals by transfer of assets	We may transfer assets to you rather than pay cash in satisfaction of all or any part of your withdrawal request. These assets (together with any cash paid to you) must be of the same value as the amount of your withdrawal. We may require you to pay for the costs involved in the transfer of the assets or we may deduct such costs from the amount payable to you.
Large withdrawals from a single investor	If we receive a large withdrawal request from a single investor on a day which, in our view, would be likely to result in a withdrawal payment exceeding the specified limit (currently 5% of the Fund's value) we can sell selected assets of the Fund that have a total value (as at the time the exit price is calculated) equal to the withdrawal amount and pay the net proceeds of the sale instead of the withdrawal amount to the investor, even if those proceeds do not equal the withdrawal amount.
Large withdrawals from multiple investors	If we receive a large amount of withdrawal requests in a single day which exceed the specified limit (currently 10% of the Fund's value), then a proportion of the withdrawal requests may not receive the exit price for that day and may be deemed to be received on the next Business Day.
Delay in realising assets	If after taking all reasonable steps, we are unable to realise sufficient assets to satisfy a withdrawal request due to circumstances beyond our control (such as restricted or suspended trading in a market) or if we believe it is not in the best interests of unitholders to realise assets, the period allowed to satisfy withdrawal requests may be extended by the number of days during which the circumstances apply.

Suspension of withdrawals	We may suspend withdrawal requests at any time and for such period as we consider appropriate in the circumstances (which may include where the Fund becomes illiquid). If we do so, the period we take to satisfy withdrawal requests will be extended by the period of the suspension. The exit price will be determined as at the next time we value the Fund after the suspension is lifted.
Net asset value falls by 5%	If we consider that the net asset value of the Fund has fallen by 5% or more after the exit price for a withdrawal request has been calculated (but before the unit has been redeemed), we may recalculate the exit price as at a valuation time determined by us.

2. Indirect investors

The following text contains further information on indirect investors and should be read in conjunction with the PDS.

An investment in the Fund offered under the Fund's PDS through a master trust or wrap account does not entitle you to a direct interest in the Fund.

This means that the rights that apply to a person who invests directly in the Fund are not available to indirect investors but rather, to the operator or custodian of the master trust or wrap account. The operator or custodian of the master trust or wrap account will be recorded in the register as the investor and will be the person who exercises the rights and receives the benefits of an investor.

Persons who invest through a master trust or wrap account may be subject to different conditions from those referred to in the PDS, particularly in regard to:

- how to transact on your investment (initial and additional investments and withdrawals are determined by the master trust or wrap account operator);
- cooling-off period and rights (no cooling-off rights apply to any investments in the Fund acquired through a master trust or wrap account operator);
- timing of distributions, withdrawals and the processing of transactions are determined by the master trust or wrap account operator;
- cut-off times for transacting (eg applications and withdrawals) are determined by the master trust or wrap account operator;
- fund reporting and other documentation including notices about fee increases and other significant events (Fund reports and investor notices are sent to the master trust or wrap account operator who then provide this information to indirect investors);
- fees and other costs (additional fees and expenses may be charged by the operator or custodian of the master trust or wrap account).

Investors in the master trust or wrap account should contact their financial adviser or master trust or wrap account operator for any investor queries.

3. Additional information about fees and costs

The following section provides further information about the fees and costs that you may be charged in relation to your investment in the Fund. You should note that the fees and costs set out in the PDS are based upon information from the financial year preceding the date of the PDS, except performance fees, which are based upon the average of the past five financial years of performance fees.

Unless otherwise stated, all fees and costs quoted in the PDS are quoted on a GST inclusive basis and net of any applicable Reduced Input Tax Credits (RITCs). Taxes are set out in section 7 of the PDS.

Additional explanation of fees and costs

Management fees and costs

Management fees and costs are comprised of the Fund's management fee and any indirect costs and expense recoveries.

Management fee

The management fee is the fee we charge for managing the assets and overseeing the operations of the Fund. Although we have the power to change our fees without your consent, we have no present intention to do so. If we increase the management fee, we will give you 30 days' written notice.

Indirect costs

Indirect costs are certain costs which we reasonably estimate will reduce, directly or indirectly, the Fund's return. Indirect costs may include underlying investment manager fees and costs and certain derivative costs. If any indirect costs are incurred, they would be reflected in the unit price of the Fund and would not be charged to you as a fee nor retained by us.

Based on information available to us as at the date of this PDS and having regard to the past financial year, the Fund incurred no indirect costs.

This information may change from year to year and prior notice will not ordinarily be provided. For the latest indirect costs, please visit www.pendalgroup.com, click on 'Products,' and refer to the 'Fees and Costs' document under 'Important Information.'

Expense recoveries

We are entitled to be reimbursed for expenses we incur in the proper performance of our duties and in connection with the day-to-day operation of the Fund.

At the date of this PDS, we pay these recoverable expenses (excluding any GST payable on our fees) out of our management fee and do not recover them from the Fund. However, if we decide to recover these expenses, in addition to the management fee in the future, we will give you 30 days' written notice.

Performance fee

The performance fee is the fee we charge if the Fund's investment performance exceeds its performance hurdle, and any performance deficit has been recouped.

The performance fee, 0.14% p.a., is the Fund's average performance fee for the last five financial years and is an estimate of the ongoing performance fee charged to the Fund. Based on this estimate for an investment of \$50,000 in the Fund the performance fee would be \$50,000 multiplied by 0.14% p.a. = \$70.

The actual performance fee is likely to vary from this estimate. For the latest performance fees, please visit www.pendalgroup.com, click on 'Products' and refer to the 'Fees and Costs' document under 'Important Information.'

How and when is the performance fee calculated?

The Fund's performance fee is 15% in excess of the performance hurdle. The performance hurdle is the performance of the benchmark (S&P/ASX 300 (TR) Index) for that day, plus the management fee. If a performance fee is payable, it is charged in addition to the management fee.

The performance fee is calculated in dollar terms each Business Day based on the daily performance and value of the Fund compared to its performance hurdle. This daily fee can be a positive or negative amount depending on whether the Fund has exceeded the performance hurdle on that day.

Each day's performance fee is added to the previous days' fee. When the total amount is positive, the performance fee is accrued and reflected in the Fund's unit price. When the total amount is negative, it is carried forward as a 'performance deficit.' The performance deficit must first be recovered in dollar terms before any performance fee can be accrued and reflected in the unit price.

When is the performance fee paid?

If a performance fee has accrued in the unit price as at 30 June, then the fee is paid to us as at that date. The performance fee is payable in relation to the performance of the Fund as a whole during the year and does not necessarily reflect the performance of any individual Unitholder's investment.

As the performance fee is based on the daily performance and value of the Fund, applications, withdrawals and market movements, which may mean that the performance fee in dollar terms for the year may not be equivalent to 15% of the Fund's performance in excess of the performance hurdle in percentage terms. In some circumstances, this could mean that we are paid a performance fee for a year where the Fund under-performs its performance hurdle in percentage terms.

What happens when there is a performance deficit?

Any performance deficit as at 30 June is carried forward to the next year. If there is a performance deficit for three consecutive years, then the performance deficit is reset to zero at the end of the third year (performance reset date). Despite the reset to zero, we may determine that we will not charge a performance fee until the deficit has been recovered or the next performance reset date arises.

Any performance deficit is shared across all investors including those investors who join the Fund after the performance deficit has arisen. Similarly, any performance deficit is not reduced as a result of investors leaving the Fund. We do not have to reimburse the Fund for any performance deficit fees.

It is possible that the performance of the Fund may exceed the relevant hurdle rate (and therefore we are entitled to a performance fee), even when the total return of the Fund is negative for the one-year period to 30 June.

Transaction costs

Transaction costs are the cost of buying and selling the Fund's assets. Transaction costs such as brokerage, bid-offer spreads on securities traded, settlement costs, clearing costs, over-the-counter (OTC) option costs and government charges may be incurred as a result of changes in a Fund's investment portfolio, either in relation to implementing the Fund's investment strategy or investors entering or exiting the Fund.

When the Fund changes its investment portfolio, transaction costs are paid out of the Fund's assets and are reflected in the daily unit price. They are not charged to you as an additional fee.

If you choose to enter or exit the Fund (to buy or sell units) some or all of the associated transaction costs will be recouped via the Fund's buy-sell spread (being the difference between the Fund's entry and exit unit prices). The transaction costs set out in the PDS are net of any amount recovered by the buy-sell spread.

For the past financial year, the estimated total transaction costs for the Fund were 0.11%¹. We estimate that the full amount was recouped via the buy-sell spread. Transaction costs and buy-sell spreads may vary from year to year depending upon market conditions, the market impact of transacting and volumes traded.

If a Fund is not offered for a full 12 months before the 30 June, then costs are based upon a reasonable estimate using the past year's transaction costs from the Fund inception date to 30 June and adjusted across a one-year period.

Rebates/waivers for interfunding arrangements

The Fund may invest from time to time in other funds that we, or a related entity manage (related fund). Our current policy is:

- no contribution fee is payable to the related fund
- management fees are either not collected by the Fund or if they are, they are rebated in full to the Fund
- where the related fund charges expense recoveries outside the management fee, these will also be rebated to the Fund.

However, we may change these arrangements at any time, in which case, we will give you 30 days' notice.

Differential fees

We may negotiate a rebate on all or part of our management fee with wholesale clients (as defined by the Corporations Act). The payment and terms of rebates are negotiated with wholesale clients and are at our discretion subject to the Corporation Act and ASIC policy.

Some funds may have a separate class of units to facilitate the negotiation of the management fee amount and means of payment by relevant investors.

¹ These costs are expressed as a percentage of the assets of the Fund and are based on a one-year period for the past financial year.

Fees paid to master trusts, wrap accounts, financial advisers and other persons

Indirect investors – additional master trust or wrap account fees

For indirect investors accessing the Fund through a master trust or wrap account, additional fees and costs may apply. These fees and costs are stated in the offer document provided to you by your master trust or wrap account operator.

Product access payments and fund manager payments

From the fees we receive, we may pay product access payments (as a flat dollar amount each year) to wrap platforms, master trusts or other investment administration services (Platforms) for making the Fund available on their investment menus.

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

Direct remuneration – financial advisers

Pendal does not pay commissions to financial advisers who provide financial product advice to retail investors.

Non-monetary benefits

We may make non-monetary payments or benefits (including sponsorships, gifts, and entertainment) to financial advisers, dealer groups and platform providers who provide financial product advice to retail investors where those payments are less than \$300 or are given in relation to providing information technology support or software used for professional development, or for genuine educational and training purposes.

If these amounts or benefits are provided, they are payable out of the fees and costs we are entitled to receive and are not an additional cost to you.

Register of non-monetary benefits

We maintain a register that outlines all the non-monetary payments or benefits that we make to financial advisers, dealer groups and platform providers or receive from them with a value between \$100 to \$300.

You can obtain a copy of this register by contacting our Client Services team.

Incidental fees and costs

Standard Government fees, duties and bank charges may also apply to your investments and withdrawals including dishonour fees and conversion costs.

4. How managed investment schemes are taxed

Taxation

Investing in the Fund is likely to have tax consequences. Before investing in the Fund, you should obtain professional tax advice about the Australian tax consequences applicable to you, and if appropriate, any foreign tax consequences that may apply to you based on your particular circumstances.

The taxation information contained in this document reflects Australian tax laws and their interpretation as at the date of issue of this document.

Attribution Managed Investment Trust (AMIT) Regime

The AMIT tax regime is designed specifically for managed funds, to provide certainty and flexibility to managed funds and their investors.

We have elected that the Fund be an AMIT.

As an investor in the Fund, you will be taxed on the income of the Fund that has been attributed to you on a ‘fair and reasonable basis’ for each financial year that the Fund qualifies as an AMIT.

The AMIT Member Annual (AMMA) statement provided to you after the end of the financial year will set out the details of taxable income that has been attributed to you.

Taxation of the Fund

We intend to manage the Fund so that the Fund is not subject to Australian tax.

We do not expect the Fund to be subject to tax on the income of the Fund (other than in relation to withholding tax on foreign income or other taxes in respect of non-resident investors) as we intend that:

- when the Fund is an AMIT: all taxable income of the Fund will be ‘attributed’ to investors on a ‘fair and reasonable’ basis in each financial year and be reflected in the AMMA statement provided to investors; and
- when the Fund is not an AMIT: investors will continue to be presently entitled to all the net income of the Fund in each financial year and an investor’s share of the net taxable income of the Fund will be reflected in the tax statement provided to the investor.

While the Fund is an AMIT, we have the discretion to accumulate income (instead of, or in addition to, distributing income to investors), and if we do so, the accumulated income will be reflected in the Fund’s unit price. Our policy is generally to distribute the net income of the Fund (including net realised capital gains) for each financial year to investors.

If you disagree with our attribution of taxable income, you may write to the Commissioner of Taxation within 4 months of the end of the relevant income year. You will be required to provide us with a copy of this submission at the same time.

Taxation of Financial Arrangements (TOFA)

Broadly, the TOFA rules may affect the time at which gains and losses from financial arrangements are recognised for income tax purposes, including whether the gains and losses are recognised on an accruals rather than realisation basis or whether the gains and losses are on revenue account. The Fund should be subject to the TOFA rules and depending on the types of financial arrangements it holds, it may be required to recognise gains and losses from these financial arrangements on an accruals basis.

Individuals should not be directly subject to TOFA in respect of their investment, unless they have elected for the TOFA rules to apply.

Other investors may be directly subject to the TOFA rules in respect of their investment. Prospective investors should seek their own advice in relation to the potential applicability of TOFA in respect of their particular circumstances.

Withholding taxes

The Fund may derive income from foreign sources which is subject to foreign withholding taxes in those jurisdictions. Such taxes may be reduced under tax treaties which may exist between Australia and the respective foreign jurisdiction. The benefit of foreign taxes paid by the Fund will be attributed/ allocated to investors as foreign tax credits to the extent permitted by Australian tax laws.

Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

Foreign Tax Residency Information

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

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

A Controlling Person refers to the individual(s) that directly or indirectly own a legal interest in the entity of 25% or more and/or exercises actual effective control over the entity, whether from an economic or other perspective such as through voting rights. Where no individuals are identified as exercising control of the entity through ownership interests, the Controlling Person of the entity is deemed to be the individual(s) who hold the position of senior managing official. In the case of a trust, a Controlling Person includes the settlor(s), trustee(s), appointer(s), protector(s) or classes of beneficiaries and in the case of an entity other than a trust, the term includes persons of equivalent or similar positions.

Quoting your Tax File Number (TFN) or Australian Business Number (ABN)

Investors are not obliged to provide us with their TFN or ABN (if applicable), but if you are an Australian resident for tax purposes and you do not provide either, and do not claim a valid exemption, we are required to deduct tax from distributions that are paid as cash, reinvested or amounts attributed to you, at the highest marginal tax rate, plus the Medicare levy and other applicable levies.

Australian companies and other entities that invest in the course or furtherance of their registered business may provide us with their ABN instead of their TFN.

5. Terms used in this PDS

In this PDS:

‘ASIC’ means the Australian Securities and Investments Commission;

‘Bank Account’ means an account with an Australian Authorised Approved Deposit Taking Institution (which includes a building society and credit union);

‘Business Day’ means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney;

‘Derivative’ is an instrument whose value is derived from the value of an underlying asset (such as a share) or reference index;

‘Fund’ means the Pendal Focus Australian Share Fund ARSN 113 232 812;

‘responsible entity’ means Pendal Fund Services Limited ABN 13 161 249 332, AFSL 431426;

‘we’, ‘our’, ‘us’ or ‘Pendal’ means the responsible entity of the Fund and, where appropriate, Pendal Institutional Limited;

Asset values of the Fund for the purposes described in this PDS are determined in accordance with the Fund’s constitution.