

Pendal Australian Long/Short Fund Product Disclosure Statement

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Updated information

Information in this Product Disclosure Statement (PDS) is subject to change from time to time. Information that is not materially adverse information can be updated by us. Updated information can be obtained by contacting your master trust or wrap account operator (for indirect investors), your financial adviser, going to our website, or calling us. You may request a paper copy of any updated information at any time, free of charge.

Pendal Fund Services Limited ABN 13 161 249 332, AFSL 431426 is the responsible entity of, and issuer of units in, the Pendal Australian Long/Short Fund ARSN 121 948 810 (Fund) and has prepared this PDS.

The information in this PDS is general information only and does not take into account your personal financial situation or needs. You may wish to consult a licensed financial adviser to obtain financial advice that is tailored to suit your personal circumstances.



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1. Pandal Australian Long/Short Fund at a glance

Summary of key information

Key Fund information		
Investment manager	The Fund is managed by the Pandal Equity team, headed by Crispin Murray.	Section 3
Investment return objective	The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 200 (TR) Index over the medium to long term by taking both long and short positions in Australian shares.	Section 4
Suggested investment period	5 years	
How the Fund is managed	<p>The Fund aims to take advantage of Pandal's buy and sell ideas by using a strategy that combines a long and a short portfolio.</p> <p>To take advantage of our buy ideas, a long portfolio is created consisting of securities that are bought and held, consistent with our view that these securities will outperform the market.</p> <p>To take advantage of our sell ideas, a short portfolio is constructed with short positions. Short positions are created by selling securities that have been borrowed in a process called short selling, where we believe these securities will underperform the market.</p>	Section 4
Derivatives	The Fund may use exchange traded derivatives including futures and options to reduce risk and to act as a hedge against adverse movements in a particular market and/or in the underlying assets. Derivatives may also be used to gain exposure to assets and markets.	Section 4
Short selling	<p>To implement the Fund's short strategy, the Fund engages in short selling. Short selling is used to generate returns when we expect that the price of a security will fall.</p> <p>The Fund borrows securities from a securities lender with the intention of buying them back from the market and returning them to the lender at a price lower than the sale price.</p>	Section 4
Fund structure	<p>The Fund is an Australian registered managed investment scheme.</p> <p>The responsible entity of the Fund is Pandal Fund Services Limited. The Responsible Entity has appointed a number of key service providers who are involved in the ongoing operation and administration of the Fund.</p>	Section 4
Prime Broker	Where short selling occurs, the Fund borrows securities from a prime broker who also acts as securities lender. The Responsible Entity has appointed UBS AG, Australian Branch to act as the Fund's prime broker.	Section 4
Withdrawals	Withdrawals will generally be paid to your nominated Bank Account within 5 Business Days.	Section 8

Key product features		
Costs of investing in the Fund		
Management fees and costs ¹	0.50% p.a.	Section 7
Performance fees	15% of the Fund's performance (before management fees) in excess of the performance hurdle ² .	Section 7
Transaction costs	0.06% p.a.	Section 7
Establishment fee	Nil	Section 7
Contribution fee	Nil	Section 7
Buy-sell spread ³	0.70%	Section 7
Withdrawal fee	Nil	Section 7
Exit fee	Nil	Section 7
Switching fee	Nil	Section 7
Minimum investment requirements		
Minimum initial investment	\$25,000	Section 8
Distributions		
Frequency	Half-yearly	Section 8
Payment method	Automatically reinvested into additional units in the Fund; or paid into your nominated Bank Account.	Section 8
Reporting		
Monthly fact sheet	<ul style="list-style-type: none"> A monthly fact sheet is available on the website www.pendalgroup.com by clicking on 'Products' and selecting the Fund 	Section 2
Regular reporting	<ul style="list-style-type: none"> Confirmation of all applications and withdrawals A quarterly investment statement providing your account balance, transaction summary and distribution details (if any). 	
Unit Pricing	<ul style="list-style-type: none"> Unit prices calculated for each Business Day which are available on our website www.pendalgroup.com by clicking on 'Products' and selecting the Fund 	Section 2
Annual Fund reporting	<ul style="list-style-type: none"> Annual investment statement Annual report for the Fund 	Section 11
Annual tax reporting	<ul style="list-style-type: none"> Annual tax statement if the Fund has paid a distribution during the financial year 	

¹ There may be other fees and costs associated with an investment in the Fund. Please refer to 'Fees and other costs' in Section 7.

² The performance hurdle is the performance of the Fund's benchmark (S&P/ASX 200 (TR) Index) plus the management fee.

³ Please refer to 'Buy-sell spread' in 'Fees and other costs' section 7 for full details.

2. Disclosure benchmarks

This PDS addresses the following two disclosure benchmarks:

- Valuation of assets: this benchmark addresses whether valuations of the Fund's non-exchange traded assets are provided by an independent administrator or an independent valuation service provider; and
- Periodic reporting: this benchmark addresses whether we provide periodic disclosure to our investors of certain key Fund information on an annual and monthly basis.

Each benchmark identifies a key area that ASIC considers investors should understand before making a decision to invest into the Fund.

Where a responsible entity does not meet a particular disclosure benchmark, ASIC requires that the responsible entity explain why the benchmark is not met and what alternative measures it has in place to mitigate the concern underlying the benchmark.

Benchmark 1: Valuation of assets

Non-exchange traded assets

The Fund does not hold non-exchange traded assets.

Exchange traded assets

Pendal values the Fund's exchange traded assets at their market value which are the prices published on the relevant market exchanges on which these Fund assets are bought and sold.

Benchmark 2: Periodic reporting

Pendal provides investors with regular reporting on key Fund information.

Monthly updates

The following Fund information will be provided to investors on a monthly basis (or more often in the case of unit pricing or where it is considered a material change to the Fund):

- current total net asset value of the Fund;
- entry and exit prices for each Business Day which are available on our website www.pendalgroup.com by clicking on 'Products' and selecting the Fund;
- net returns on the Fund's assets after fees, costs and taxes;
- changes to key service providers of the Fund since the last monthly update;
- material changes to the Fund's risk profile;
- material changes to the Fund's strategy; and
- any change in the individuals playing a key role in the Fund's investment decisions.

This information will be reported in the monthly Fund fact sheets which Pendal produces to provide investors with an overview of the Fund's investment activities as well as general information on the Fund's strategy and investment process, performance and the portfolio management team.

For monthly Fund fact sheets, please visit www.pendalgroup.com, click on 'Products' and select the Fund.

Annual reporting

The following Fund information will be provided to investors on an annual basis (or more often where it is considered a material change to the Fund):

- actual allocation of the Fund to each asset type;
- liquidity profile of the Fund's assets;
- monthly or annual investment returns over at least a five-year period or since inception (where the fund has been operating for less than five years); and
- changes to key service providers of the Fund during the year.

This annual information will be available on our website at www.pendalgroup.com by clicking on 'Products' and selecting the Fund or can be obtained free of charge by contacting us.

3. About Pental Fund Services Limited

PENTAL

The future is worth investing in

Pental Fund Services Limited is the responsible entity for the Pental Australian Long/Short Fund (Fund). As responsible entity, it is responsible for overseeing the operations of the Fund.

Pental Institutional Limited is the investment manager of the Fund. As the investment manager, it selects and manages the assets of the Fund and may appoint other managers to manage some or all of the Fund's assets.

Pental Fund Services Limited and Pental Institutional Limited (together Pental) are wholly owned subsidiaries of Perpetual Limited.

Pental is a global investment management firm focused on delivering superior investment returns for its clients through active management.

Pental offers investors a range of Australian and international investment choices including shares, property securities, fixed income and cash strategies, as well as multi-asset and responsible investments. To complement its in-house expertise, Pental also partners with other leading investment managers.

Pental Equity Team

The Fund is managed by the Pental Equity team, headed by Crispin Murray. The team is comprised of 19 dedicated investment specialists with a variety of skills and experience.

The Pental Equity team manages approximately \$17.3 billion⁴ in Australian share funds and portfolios.

At the cornerstone of the team's investment philosophy is the view that investment markets are not always rational or efficient. These inefficiencies can result in periods where markets and securities are mispriced. Mispricing can arise for a number of reasons including differing interpretations of global market information, access to information and differing expectations about the investment potential of specific securities and the reluctance to take profits or sell at a loss. While securities tend to revert back to their 'true' or inherent value over time, these inefficiencies can be identified and exploited through an active investment approach and through rigorous research. This belief is captured through Pental's investment processes, which are focused on extracting multiple sources of value.

The management of risk is central to Pental's investment philosophy and is embedded in its investment processes. Pental believes that risks must be understood, quantified and controlled before investment decisions are undertaken as a risk-controlled environment can improve the consistency of returns.

Key Portfolio Manager, Jim Taylor

- **Role:** Portfolio Manager
- **Industry experience:** 29 years
- **Years with company:** 16 years

Jim Taylor joined Pental in August 2007 with responsibility for managing the Pental Australian Long/Short Fund.

Jim spends his time primarily on managing the Fund and is responsible for the Fund's investment strategy and risk management.

Prior to Pental, Jim worked for a large domestic asset manager where he was responsible for the management of two concentrated Australian share funds and an Australian geared share fund.

Jim has over 29 years' experience in analysing and managing Australian share portfolios. Jim holds a Bachelor of Economics (Accounting and Finance), and is a Chartered Accountant and member of the Institute of Chartered Accountants in Australia.

4. About the Pental Australian Long/Short Fund

Overview of the Fund

You should consider the likely investment return, risk and your investment time frame when choosing to invest into the Fund.

Investment return objective	The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 200 (TR) Index over the medium to long term by taking both long and short positions in Australian shares.	
Benchmark	S&P/ASX 200 (TR) Index	
Minimum suggested time frame for holding investment	5 years	
Asset classes ⁵	• Australian Shares (Long)	95 – 135%
	• Australian Shares (Short)	0 – 35%
	• Cash	0 – 5%
How the Fund is managed	<p>The Fund is designed for investors who want the potential for long-term capital growth and income, diversification across a broad range of Australian companies and industries through both long and short positions and are prepared to accept higher variability of returns.</p> <p>The Fund invests primarily in Australia but may also invest in New Zealand. The Fund may also hold cash and may use derivatives.</p> <p>Pental's investment process for Australian shares is based on our core investment style and aims to add value through active stock selection and fundamental company research. Pental's core investment style is to select stocks based on our assessment of their long term worth and ability to outperform the market, without being restricted by a growth or value bias. Our fundamental company research focuses on valuation, franchise, management quality and risk factors (both financial and non-financial risk).</p> <p>The Fund aims to generate investment returns by taking advantage of Pental's buy and sell ideas using a strategy that combines a long and a short portfolio known as a long/short strategy. To take advantage of the buy ideas, a long portfolio is created consisting of securities that are bought and held, consistent with our view that these securities will outperform the market. These securities are referred to as long positions.</p> <p>To take advantage of our sell ideas, a short portfolio is constructed with short positions. Short positions are created by selling securities in a process called short selling, where we believe these securities will underperform the market. To implement the Fund's short strategy, the Fund does not borrow money. However, it does borrow securities from a securities lender with the intention of buying back the securities from the market and returning them to the lender at a price lower than the sale price.</p> <p>Short selling is used by us when we expect that the price of a security will fall. If the price of the security falls in value, the Fund will make a profit because it buys the security back from the market for less than it was sold. This can be contrasted with the Fund's long positions, where the Fund makes a profit from an increase in the price of a security.</p> <p>The Fund may have long positions of up to 135% and short positions of up to 35% of the Fund's net asset value. This means that at any given time, the Fund's gross exposure to securities held both long and short may range from 95% to 170% while generally maintaining a net market exposure of around 100%.</p>	

⁵ The reference to the Fund investing in an asset class includes all types of investments which give exposure to that asset, directly or indirectly, including through derivatives and investment in other related funds which invest primarily in that asset class. This includes any type of investment which would ordinarily be understood in

financial markets to be included in that asset class and does not preclude investment in other types of assets where we consider it appropriate to do so in the interests of investors. The Fund's allocation to any one or more related funds classified as a hedge fund by ASIC will not exceed 35% of the Fund's assets.

How the Fund is managed (cont'd)	The Fund may use derivatives to reduce risk and to act as a hedge against adverse movements in a particular market and/or in the underlying assets. Derivatives can also be used to gain exposure to assets and markets.
Key dependencies	<p>The Fund's ability to meet its investment return objective is dependent on the Fund's ability to borrow securities when implementing its short strategy. The Fund's access to securities for borrowing may be impacted by the following factors:</p> <ol style="list-style-type: none"> 1. Regulatory bans or other restrictions on short selling; 2. A shortage of securities being made available by market participants resulting in securities lenders not being able to lend out securities to clients who participate in short selling. For example, this may occur where the trustee of a large superannuation fund makes a decision not to participate in a borrowing programme by lending out securities they hold; 3. A limited supply of a particular security being available for borrowing. This may occur where a particular security becomes very heavily shorted in the market.
Risk management	<p>Pendal manages risk by diversifying the Fund's exposure across a large number of small positions rather than a small number of large positions.</p> <p>The Fund is also managed within pre-determined risk limits relative to the Fund's benchmark (S&P/ASX 200 (TR) Index). The risk limits set out the Fund's maximum active overweight/underweight sector exposure limits, maximum active overweight/underweight long exposure limits and maximum active short position limits.</p>
Investment limits	The Fund's long portfolio will generally hold 30 to 70 securities. The Fund's short portfolio will generally hold 0 to 40 securities.
Fund performance	For up-to-date information on the performance of the Fund, including performance history, please visit www.pendalgroup.com , click on 'Products' and select the Fund.
Labour, environmental, social and ethical considerations	<p>Pendal incorporates an assessment of environmental, social (including labour standards), corporate governance (ESG) and ethical factors in our investment process where those considerations are deemed material to the financial performance of an investment.</p> <p>We do not have a predetermined view on ESG factors. Instead we consider these factors to the extent they are relevant to the economic or financial performance of the investment. Our investment analysis may include ESG considerations such as board composition and skills, workplace health and safety, diversity and inclusion, stakeholder relations, exposure to environmental factors, regulatory risk, ethical conduct and culture.</p>
Changes to Fund details	<p>We have the right to close or terminate the Fund and change the Fund's investment return objective and strategy, benchmark, asset classes and asset allocation ranges and limits, without prior notice in some cases.</p> <p>We will inform investors of any material change to the Fund's details in their next regular communication or as otherwise required by law, which in some circumstances, may require prior notice to investors. Material changes notices are also available on our website at www.pendalgroup.com by clicking on 'Products', selecting the Fund and expanding the 'Important Updates' section.</p>

Types of Fund assets

The Fund may invest in a range of asset types as follows:

Asset Types by Asset Class	Allocation
Cash	
• Bank deposits and cash equivalent investments	0 – 5%
Shares	
• Australian listed shares ⁶ (Long)	95 – 135%
• Australian listed shares (Short)	0 – 35%

The Fund intends to invest primarily in Australia, however it may also invest in New Zealand.

The Fund may also obtain its investment exposure by investing in other funds of which we, or a related entity, are trustee, responsible entity or manager (**Related Funds**) if the Responsible Entity considers that the investment is consistent with the Fund's investment objective and investment strategy and will otherwise be in the best interests of unitholders.

If the Fund invests into other Related Funds, the issuer fees are either not collected by the Responsible Entity or if they are, they are rebated in full to the Fund. All Related Funds are managed investment schemes located in Australia. The Fund's allocation to any one or more Related Funds classified as a hedge fund by ASIC will not exceed 35% of the Fund's assets.

Derivatives

The Fund may use derivatives to achieve its exposure to assets and markets. Derivatives are instruments whose value is derived from the value of an underlying asset (such as a share or a market index) and can be highly volatile.

The Fund uses derivatives for a range of reasons including:

- To more efficiently gain economic exposure to the underlying reference assets when derivatives are viewed as more cost effective or efficient than holding the physical assets themselves;
- To adjust asset exposure without having to buy and sell the actual underlying assets which may have higher transaction costs;
- To generate additional returns by taking advantage of price differences (known as arbitrage) between the underlying security upon which the derivative value is based; and
- To reduce the impact of adverse market movements that may cause potential losses to the Fund (known as hedging).

The Fund may invest in exchange traded derivatives such as futures and options. Exchange traded derivatives have a visible and transparent market price as the price of these derivatives is published on the relevant market exchanges on which they are bought and sold. Exchange traded derivatives also expose investors to negligible counterparty risk given that the counterparty to the derivative contract is the Clearing House rather than another party, the contracts are standardised and these derivatives are subject to the rules and regulation of the relevant exchange.

Short selling

To implement the Fund's short strategy, the Fund engages in short selling. Short selling is the practice of selling securities that have been borrowed from a securities lender (known as short positions) and selling them in the market in the expectation that they will be repurchased and returned to the lender at a price lower than the initial sale price.

Short selling is used by an investment manager to make a profit when it expects that the price of a security will fall. This is because when the price of a security falls the cost of buying back the security from the market will be less than the proceeds received from the initial short sale. This can be contrasted with a fund's long positions, where the fund makes a profit from an increase in the price of the securities held.

Short selling involves a higher level of risk than long positions. This is because the cost of buying back the security from the market rises when the price of the security rises. Substantial losses can be incurred as the potential loss on a short sale is theoretically unlimited as a rise in the price of a security is unlimited.

Losses can also be incurred if the securities lender unexpectedly recalls securities that have been borrowed at a time when they cannot be bought back from the market, such as when a security is suspended from trading. If this occurs, the Fund will continue paying the borrowing costs associated with the borrowed securities to the securities lender until the securities can be bought back from the market and returned to the lender.

Pendal employs a number of risk management tools to monitor that the Fund is operating within its pre-determined risk limits (refer to 'Risk management' in Section 4). The Fund's long and short positions are reviewed by the portfolio manager on a daily basis and subject to peer review by other members of the Pendal Equity team. Pendal's Investment Risk team operates independently from the Pendal Equity team and is also responsible for monitoring the Fund's long and short exposures and advising the portfolio manager when the Fund approaches any of its pre-determined risk limits, on a daily basis. Where any of the Fund's risk limits are reached, we will generally reduce or close out the relevant positions with the aim of reducing the Fund's risk.

An additional risk management measure employed for the short portfolio relates to corporate actions. If a corporate action relating to a shorted security is expected to increase the price of the security (such as a merger or acquisition), the short position will generally be closed out as soon as practicable with the aim of minimising any potential losses to the Fund.

For further information on the risks of short selling refer to Section 6.

⁶ Include shares in companies to be listed on an exchange within 12 months.

Example of short selling

This table provides an example showing the potential gains and losses from short selling. The example assumes there are no borrowing costs incurred when borrowing the securities from the securities lender.

Short selling involves three key steps:

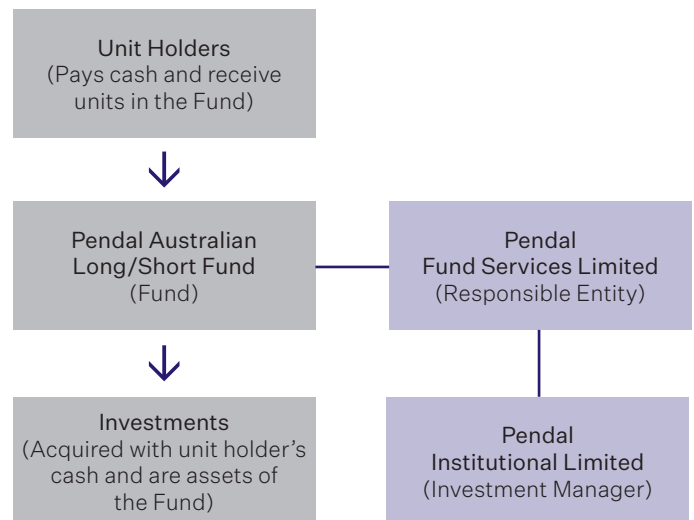
1. Borrowing the securities from a securities lender.
2. Selling the securities in the market.
3. Buying back the securities and returning them to the lender.

Example – Investor A expects that the share price of ABC Company (ABC) will drop and short sells ABC shares. The current share price for ABC is \$25.	
Transaction	Outcome
Scenario 1: ABC share price drops from \$25 to \$20	
1. Investor borrows 200 ABC shares from the securities lender.	Investor now has 200 ABC shares to sell.
2. Investor sells 200 ABC shares at \$25 per share.	Sale price 200 x \$25 = \$5,000 Investor receives \$5,000 from the sale of 200 ABC shares.
3. ABC share price drops as expected from \$25 to \$20. Investor purchases 200 shares at \$20 per share and returns the 200 shares to the securities lender.	Purchase price 200 x \$20 = \$4,000 Investor pays \$4,000 to purchase 200 ABC shares.
Profit from the short selling of ABC shares =	Sale price - Purchase price +\$1,000 (\$5,000 - \$4,000 = +\$1,000)
Scenario 2: ABC share price increases from \$25 to \$30	
1. Investor borrows 200 ABC shares from the securities lender.	Investor now has 200 ABC shares to sell.
2. Investor sells 200 ABC shares at \$25 per share.	Sale price 200 x \$25 = \$5,000 Investor receives \$5,000 from the sale of 200 ABC shares.
3. ABC share price increases from \$25 to \$30. Investor purchases 200 shares at \$30 per share and returns 200 shares to the securities lender.	Purchase price 200 x \$30 = \$6,000 Investor pays \$6,000 to purchase 200 ABC shares.
Loss from the short selling of ABC shares =	Sale price - Purchase price -\$1,000 (\$5,000 - \$6,000 = -\$1,000)

Fund structure

The Fund is an Australian registered managed investment scheme established under a document called a constitution. Pental Fund Services Limited is the responsible entity of the Fund and is responsible for overseeing the operations of the Fund. Pental Fund Services Limited has appointed Pental Institutional Limited to act as the investment manager with responsibility for selecting and managing the Fund's assets in accordance with the Fund's constitution.

The Corporations Act, the constitution and the general law set out the framework under which the Fund operates. The constitution (including any amendments) has been lodged with ASIC. If you wish to inspect a copy of the constitution, please contact your master trust or wrap account operator or our Client Services team.



Key service providers

There are a number of parties, in addition to the Responsible Entity, involved in the ongoing operation and administration of the Fund or who otherwise provide services in connection with the Fund.

A summary of the Fund's key service providers is shown below.

Service Provider	Role	Description
UBS AG, Australian Branch (UBS)	Prime Broker	UBS has been appointed as the Fund's prime broker. A prime broker is integral to the execution of a long/short strategy. UBS acts as the securities lender by providing securities that can be borrowed when implementing the Fund's short strategy. Securities are lent out at a pre-determined fee agreed with the Responsible Entity which is reviewed on a regular basis.
UBS Nominees Pty Ltd	Custodian	The custodian holds the assets of the Fund and provides clearing and settlement services in relation to the Fund's securities.
PricewaterhouseCoopers (PwC)	Auditor	PwC has been appointed as the independent auditor of the financial statements of the Fund and the Responsible Entity. An individual partner of PwC acts as the auditor of the Fund's Compliance Plan.
Macquarie Bank Limited and Macquarie Securities Australia Limited	Clearing Broker for exchange traded futures and options	The role of the clearing broker is to act as a liaison between the Fund and the Clearing House (e.g. the Sydney Futures Exchange). The clearing broker helps to ensure that all trades are settled appropriately and cleared successfully.
The Northern Trust Company	Administrator	The administrator provides administration services which include fund accounting, valuation and unit pricing, distribution preparation and preparation of the financial statements for the Fund.
Apex Fund Services Pty Ltd	Registry	Registry services include maintaining the register of unit holders which includes details such as the quantity of units and details of any distribution reinvestment plans. The Registrar is also responsible for preparing unit holder statements.

Pendal has procedures in place for selecting, monitoring and reviewing the performance of its key service providers. Service level agreements are put in place where appropriate and monthly, annual and other periodic reviews are typically conducted to ensure compliance with service level obligations.

Other monitoring methods include regular performance assessments, review of regular compliance and audit reports and regular meetings with key service providers.

5. Benefits of investing in the Pental Australian Long/Short Fund

The Pental Australian Long/Short Fund is an actively managed portfolio of Australian shares investing in both long and short positions.

Investing in the Fund offers investors a range of potential benefits:

- **Long-term capital growth and tax effectiveness:** Access to a professionally managed portfolio of Australian shares and the potential for long-term capital growth and tax effective income;
- **Long/short strategy:** Exposure to Australian shares through both long and short positions;
- **Pental expertise:** Access to Pental's investment expertise and processes.

6. Risks of investing in the Pental Australian Long/Short Fund

All investments carry risk. The likely investment return and the risk of losing money is different for each managed investment scheme as different strategies carry different levels of risk depending on the underlying mix of assets that make up each fund. Generally, those assets with potentially the highest long term return (such as shares) may also have the highest risk of losing money in the shorter term.

Investing in the Fund exposes investors to the following specific risks:

- **Market risk:** The Fund's investment returns will be influenced by the performance of financial markets as a whole. The market price of the Fund's investments will, therefore, fluctuate as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events and environmental and technological issues.
- **Security specific risk:** The risk associated with an individual asset. The price of shares in a company may be affected by unexpected changes in that company's operations such as changes in management or the loss of a significant customer.
- **International investments risk:** Although the Fund invests primarily in Australia, it may invest in New Zealand securities. International investments may be affected by movements in foreign currency exchange rates, interest rates, political and economic uncertainties, lower regulatory supervision and more volatile, less liquid markets compared with Australian investments.

- **Currency risk:** Some of the Fund's assets may be denominated in New Zealand dollars. For unhedged investments in international assets, a rise in the Australian dollar relative to other currencies will negatively impact investment values and returns. Currency markets can be extremely volatile and are subject to a range of unpredictable forces. Where this risk is hedged, the hedge may not provide complete protection from adverse currency movements.

- **Interest rate risk:** The risk that the investment value or future returns of an asset may be adversely impacted by changes in interest rates. Interest rates may directly or indirectly affect a company's cost of borrowings which may in turn reduce a company's profits.
- **Liquidity risk:** The risk that an investment may not be easily converted into cash with little or no loss of capital and minimum delay. Liquidity risk may occur when the volume of trading in a security unexpectedly reduces in the market. For example, securities of smaller companies may from time to time become less liquid especially in falling markets.

This means that it may not be possible to sell these securities or to do so in sufficient time to pay withdrawals. If this occurs, withdrawals may be suspended for the protection of all investors even if other assets can be readily sold.

- **Small company risk:** Shares in smaller companies may trade less frequently and in smaller volumes and may experience greater price volatility than shares in larger companies. Smaller companies may also have limited operating histories, markets, product lines or financial resources than larger companies. They may also depend heavily on key personnel.
- **Valuation risk:** Where investments of the Fund are not traded in an active or liquid market these investments may be valued by reference to observable market data, market prices for comparable assets or using other valuation techniques. These prices may not reflect the value at which these investments can be immediately realised, which may be lower than the value reflected in the unit price of the Fund.
- **Derivative risk:** The risk that the Fund makes substantial losses or has volatile returns through the use of derivatives.

Derivatives are instruments whose value is derived from the value of an underlying asset and can be highly volatile. A derivative's value can change in response to a range of factors such as changes in interest rates, foreign exchange rates, credit ratings or volatility of the underlying assets.

Derivatives also involve a higher level of risk and volatility than buying an asset directly. This is because derivatives require very little or no initial investment to gain exposure to markets. As a result, derivatives magnify both potential investment gains and losses. Losses from derivative transactions can be substantial and can exceed the original amount invested.

- **Short selling risk:** Short selling involves a higher level of risk than buying a security. This is because when you buy a security, the maximum loss is generally limited to the amount invested. With short positions, there is no limit on the maximum loss because there is no upper limit on a security's price. The loss will continue to increase as the security's price rises and the short seller can lose more than the amount invested.
- **Regulatory risk:** The risk that a change in laws and regulations governing a security, sector or financial markets could have an adverse impact on an investment. A change in laws or regulations can increase the costs of operating a business and/or change the competitive landscape. Regulators may also impose bans or other restrictions on short selling which could affect the Fund's ability to implement its short strategy.
- **Key person risk:** The risk that a fund's investment performance or ability to remain open to investors is adversely impacted due to the loss of key individuals who are integral to the fund's investment process, idea generation, security selection and portfolio construction. To reduce reliance on any particular individual, Pandal focuses on the development and retention of its investment staff and undertakes active succession planning and cross training of team members. Financial incentives are also offered to retain talent and reward staff performance.

Risk can be managed but it cannot be completely eliminated. It is important to understand that:

- The value of your investment will go up and down;
- Investment returns will vary and future returns may be different from past returns;
- Returns are not guaranteed and there is always the chance that you may lose money on any investment you make; and
- Laws affecting your investment in a managed investment scheme may change over time.

The appropriate level of risk for you will depend on your age, investment time frame, where other parts of your wealth are invested and how comfortable you are with the possibility of losing some of your money in some years.

7. 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 account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

TO FIND OUT MORE

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

This section shows fees and other costs that you may be charged for the Fund. The 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 another part of this document.

You should read all of the information about fees and costs because it is important to understand their impact on your investment. You can also use this information to compare the fees and costs of the Fund with those of other funds.

Pendal Australian Long/Short Fund		
Type of Fee or Costs⁷	Amount	How and when paid
Ongoing annual fees and costs		
Management fees and costs The fees and costs for managing your investment	Estimated to be 0.50% p.a. of the assets of the Fund, comprised of: 1. Management fee of 0.50% p.a. 2. Estimated indirect costs of Nil ⁸ 3. Estimated expense recoveries of Nil ⁹	The management fees and costs are deducted from the Fund's assets and are reflected in its unit price. 1. The management fee is payable monthly in arrears. 2. Indirect costs are deducted from the Fund's assets as and when incurred. 3. Expense recoveries are deducted from the Fund's assets as and when incurred. ⁹
Performance fees Amounts deducted from your investment in relation to the performance of the Fund	The performance fee is 0.26% p.a. of the assets of the Fund based upon the average of the past five financial years	The performance fee is payable only if the Fund's investment return exceeds its performance return hurdle ¹⁰ . Performance fees are calculated daily and reflected in the unit price. If we are entitled to a performance fee, it is paid to us as at 30 June each year.
Transaction costs The costs incurred by the Fund when buying or selling assets	Estimated to be 0.06% p.a. of the assets of the Fund ¹¹	All transaction costs are paid out of the Fund's assets as incurred and are reflected in its unit price.
Member activity related fees and costs (fees for services or when your money moves in or out of the Fund)		
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment	Nil	Not applicable
Buy-sell spread An amount deducted from your investment representing costs incurred in transactions by the Fund	Estimated to be 0.35% of the application amount on application and 0.35% of the withdrawal amount on withdrawal	These are the amounts recovered by the Fund when you transact. Buy-sell spreads are included in the application and withdrawal prices and effectively increase the amount you pay when you buy units and reduce the amount you receive when you sell units.

⁷ Fees in this PDS can be individually negotiated if you are a wholesale client under the Corporations Act.
⁸ Based on information available to us as at the date of this PDS, the Fund did not incur any indirect costs in the past financial year although the Fund may incur these costs in the future.
⁹ We currently pay recoverable expenses (if any, excluding any GST payable on our fees) out of our management fee and do not separately recover expenses from the Fund. However, if we decide to deduct these expenses from the Fund in addition to the management fee in the future, we will give you 30 days' written notice.

¹⁰ The performance fee is 15% of the Fund's performance (before management fees) in excess of the performance hurdle. The performance hurdle is the performance of the Fund's benchmark (S&P/ASX 200 (TR) Index) plus the management fee.
¹¹ Transaction costs are shown net of any amounts recovered by the Fund from the buy-sell spread charged to transacting investors.

Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable
Exit fee The fee to close your investment	Nil	Not applicable
Switching fee The fee for changing investment options	Nil	Not applicable

Fees and costs of the Fund set out above can change. In particular, subject to the Fund's constitution, we can change the fees noted above without the consent of the Fund's investors. If we do change the fees, or our approach to expense recoveries, we will give you 30 days' written notice.

Warning

In addition to the fees set out above, fees may be payable to your financial adviser. Any such fees would be payable by you in addition to those set out above, and set out in the Statement of Advice your financial adviser provides.

Example of annual fees and costs for the Fund

This table gives an example of how the ongoing annual fees and costs for the Fund 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 – Pental Australian Long/Short Fund	Balance of \$50,000 with a contribution of \$5,000 during year¹²	
Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
PLUS Management fees and costs	0.50% p.a.	And, for every \$50,000 you have in the Fund you will be charged or have deducted from your investment \$250 each year
PLUS Performance fees	0.26% p.a.	And, you will be charged or have deducted from your investment \$130 in performance fees each year
PLUS Transaction costs	0.06% p.a.	And, you will be charged or have deducted from your investment \$30 in transaction costs
EQUALS Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of \$410¹³ What it costs you will depend on the fees you negotiate

Additional explanation of 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 9.

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.

An indirect cost amount (either actual or an estimate) has not been included in the fees and costs table, as based on information available to us as at the date of this PDS and having regarded to the last financial year, the Fund incurred no indirect costs (see the section on expense recoveries below).

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

¹² This example assumes the \$5,000 contribution occurs at the end of the first year, therefore management costs are calculated using the \$50,000 balance only.

¹³ Please note that this example does not capture all the fees and costs that may apply to your investment, such as the buy-sell spread.

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 0.26% 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, an investment of \$50,000 in the Fund the performance fee would be \$50,000 multiplied by 0.26% p.a. = \$130.

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 200 (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 0.06%¹⁴. Of this amount, we estimate 0.00% was recouped via the buy-sell spread and 0.06% reduced the return of the Fund. 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 last year's transaction costs from the Fund inception date to 30 June and adjusted across a one-year period.

Buy-sell spread

The buy-sell spread is an additional cost to you and is generally incurred whenever you transact in the Fund. The buy-sell spread is retained by the Fund (it is not a fee paid to us) and represents a contribution to the transaction costs incurred by the Fund such as brokerage, stamp duty and other costs of execution, when the Fund is purchasing and selling assets. There is no buy-sell spread on distributions that are reinvested.

¹⁴ These costs are expressed as a percentage of the Fund's unit price and are based on a one-year period for the past financial year.

The current total buy-sell spread is 0.70% of the amount that you transact, represented as the difference between the entry and exit price. A buy spread of 0.35% is applied on each application and a sell spread of 0.35% is applied on each withdrawal. For example, if you invested \$50,000 in the Fund the cost of your buy spread would be \$175, and the cost of your sell spread on withdrawing \$50,000 from the Fund would be \$175.

We may vary the buy-sell spread from time to time and prior notice will not ordinarily be provided. For current buy-sell spread information, visit www.pendalgroup.com, click on 'Products' and select the Fund.

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.

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.

8. How the Pental Australian Long/Short Fund works

How the Fund operates

When you invest your money in the Fund, your money is pooled together with other investors' money. We use this pool to buy investments and manage them on behalf of all investors in the Fund. This means that by investing in the Fund you have access to certain investments that you may not otherwise be able to access on your own as well as the knowledge of our skilled investment managers. Pental has day-to-day control over the operation of the Fund.

The total value of the assets in the Fund is divided into 'units' and a 'unit price' is generally calculated for each Business Day. The unit price will generally change daily as the value of assets in the Fund rises or falls.

When you make an investment in the Fund, we will allocate units to you based on the entry price for the Business Day on which we accept your application and we will keep a record of the number of units you have bought. When you withdraw, we will redeem your units based on the exit price for the Business Day on which we receive your withdrawal request.

Entry prices are usually higher than exit prices due to the 'buy-sell spread'. The buy-sell spread is built into the unit price and represents your contribution to the costs of buying and selling the underlying assets in the Fund. Please refer to 'Buy-sell spread' in the 'Fees and other costs' section 7 for full details.

Entry and exit prices for each Business Day will be available at www.pentalgroup.com by clicking on 'Products' and selecting the Fund. Prices will usually be posted by the end of the next Business Day.

We have also adopted a unit pricing discretion policy setting out the principles that apply when we exercise discretions under the Fund's constitution. You can request a copy of the policy free of charge by calling us or by downloading a copy at www.pentalgroup.com/UnitPriceDiscretionPolicy.

Minimum initial investment

The minimum initial investment is \$25,000. In certain circumstances, we may reject an application or accept only part of an application. Refer to Section 10 on how to apply.

Additional investments

You can add to your investment by completing the additional investment form and sending this form to us via mail, email or fax. Investors also have the ability to transact online and use BPAY®. For more information, please refer to www.pentalgroup.com/forms.

®Registered to BPAY Pty Ltd ABN 69 079 137 518.

Cooling-off period

If you are a retail client (as defined in the Corporations Act) investing directly in the Fund, you have a 14 day cooling-off period to confirm that your investment in the Fund meets your needs. If you exercise your cooling-off rights, we will return your money to you and no fees will apply. However, the amount you receive will reflect any movement (either up or down) in the unit price of the Fund which means that there may be tax implications for you.

The 14 day cooling-off period commences on the earlier of the end of the fifth Business Day after we issue the units to you or from the date you receive confirmation of your transaction.

How to withdraw

You can withdraw some or all of your investment by completing the withdrawal form and sending this form to us via mail, email or fax. Investors also have the ability to transact online. For more information, please refer to www.pentalgroup.com/forms.

Withdrawals will generally be paid to your nominated Bank Account within 5 Business Days.

Restrictions on withdrawals

There may be circumstances where your ability to withdraw from the Fund is restricted and you may have to wait a period of time before you can redeem your investment.

We may delay or suspend a withdrawal request where we are unable to realise sufficient assets due to circumstances outside our control (such as restricted or suspended trading in the market for an asset) or where the Fund becomes illiquid.

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 withdrawal procedures. The constitution allows up to 365 days to pay withdrawals. The specific provisions in the constitution are summarised on the following page.

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 by 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 by 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.

We will inform investors of any material changes to the withdrawal procedures in their next regular communication or as required by relevant law. Material changes notices are also available on our website at www.pendalgroup.com by clicking on 'Products', selecting the Fund and expanding the 'Important Updates' section.

Processing

If we receive an application or withdrawal request by 2.00pm (Sydney time) on a Business Day, we will process the transaction using that day's unit price. Requests received on or after the cut-off time of 2.00pm (Sydney time) on a Business Day, or on a non Business Day, will generally be treated as having been received before the cut-off time on the next Business Day.

If we receive an invalid or incomplete application or withdrawal request, the transaction request will be processed using the unit price applying on the day that we receive the correct documentation. The above rules about cut-off times apply.

Distributions

The Fund generally distributes on a half-yearly basis and pays a final distribution each year for the period ending 30 June. In some circumstances, we may also pay distributions at other times where we consider it appropriate.

Distributions you receive are generally assessable income and can be made up of both income and net realised capital gains. Distributions are generally calculated based on the Fund's distributable income at the end of the distribution period divided by the number of units on issue. In certain circumstances, some income and/or net realised capital gains may be held back until the final distribution at the end of June to allow for market volatility.

You can choose to have your distributions automatically reinvested into additional units in the Fund or paid directly into your nominated Bank Account. There is no buy-sell spread on distributions that are reinvested. Reinvestment of distributions will normally be effective the first day following the end of the distribution period. Distribution payments to your nominated Bank Account are generally made within 12 Business Days after the end of the distribution period.

Indirect investors

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

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

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

- cut-off times for transacting (e.g. applications and withdrawals) are determined by the master trust or wrap account operator;
- cooling-off 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;
- 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); and
- 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.

9. Taxation information

Investing in managed funds is likely to have tax consequences. Managed funds generally do not pay the tax liability on behalf of investors. However, we may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. As an investor, you will generally be subject to tax on your share of any taxable income and net realised capital gains generated by the Fund.

The tax information provided in this PDS is intended to be a brief guide only and should not be relied upon as a complete statement of all relevant laws. It is based on our interpretation of current laws at the date of this PDS and is provided as a general overview of how these laws may apply to you. Because the Australian taxation system is complex and different investors have different circumstances, investors are strongly advised to seek professional tax advice before investing in the Fund.

Taxation of the Fund

We intend to manage the Fund in such a manner that the Fund is not subject to Australian tax. If the Fund meets the eligibility criteria to be an Attribution Managed Investment Trust (AMIT), we intend to make the election for the Fund to be an AMIT.

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 AMIT Member Annual (AMMA) statement provided to investors; and
- when the Fund is not an AMIT ('present entitlement' regime): 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.

AMIT Tax Regime

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

- the Fund will be deemed to be a 'fixed trust' for taxation purposes;
- the allocation of taxable income to investors is based on 'attribution' rather than 'present entitlement' to the net income of the Fund;
- the Fund may use the 'unders and overs' system to reconcile variances in amounts attributed to investors; and
- investors may increase or decrease the cost base of their units in the Fund where taxable income attributed to them is less than or greater than (respectively), broadly, the cash distribution(s) and tax offsets for an income year, to prevent potential double taxation.

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. We are indemnified out of the assets of the Fund for any taxes and related costs incurred with operating the Fund as an AMIT, including claims in relation to a tax liability, but only to the extent that the tax and related costs were incurred in the proper performance of our duties.

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.

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.

Australian Investors

Taxation on distributions

You will generally be subject to tax on your share of the taxable income of the Fund that:

- has been attributed to you when the Fund is an AMIT; or
- you are presently entitled to when the Fund is not an AMIT,

regardless of whether you have received the distribution in cash or it is reinvested (or accumulated, when the Fund is an AMIT and we have decided to accumulate all or part of the income).

Depending on your particular circumstances, you may also be subject to capital gains tax (or income tax if you hold your units on revenue account) when you withdraw or otherwise dispose of your units in the Fund.

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.

Non-residents of Australia

For non-resident investors wishing to invest in Australia, we recommend that they seek independent professional tax advice.

If you are a non-resident of Australia for income tax purposes, and have been attributed taxable income of the Fund when it qualifies as an AMIT or you are presently entitled to taxable income of the Fund when it is not an AMIT, you may be subject to non-resident withholding tax on that income.

The amount of withholding tax will depend on the type of income attributed/distributed to you and the country of your tax residency.

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.

Goods and Services Tax (GST)

GST will not be imposed on the application for, or withdrawal of, units in the Fund. However, the Fund may be charged GST on fees and expenses that it pays.

The Fund may be entitled to claim a refund (Reduced Input Tax Credit) for part of the GST included in certain fees and expenses.

10. How to apply

1. Read this PDS.
2. Direct investors should complete the Application and relevant Form(s) by clicking on 'Apply' at www.pendalgroup.com/products. A copy of the forms can also be requested by calling us. Payment details and methods are included in the Application Form. The offer made in this PDS is only available to persons receiving this PDS (electronically or otherwise) within Australia. Applications from outside Australia will not be accepted.
3. If you have any concerns or complaints, as a first step please contact us and we will do our best to resolve your concern quickly and fairly. Our contact details are on the front cover of this PDS. If you believe that your matter has not been dealt with satisfactorily, you can lodge a complaint with the Australian Financial Complaints Authority, or AFCA.

Website: www.afca.org.au

Email: info@afca.org.au

Telephone: 1800 931 678 (free call)

In writing to: Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001

For more detailed information on how we deal with complaints please visit www.pendalgroup.com, click on 'Contact', and click on 'Concerns or Complaints'.

11. Other important information

Target market determination for the Fund

A target market determination (TMD) describes the class of investors for whom the Fund would likely be suitable based on their investment objectives, financial situation and needs. For more information on whether the Fund may be suitable for your investment needs, please refer to the TMD of the Fund at www.pendalgroup.com/ddo.

Additional disclosure information

As a disclosing entity, the Fund will also be subject to regular reporting and continuous disclosure obligations. For continuous disclosure notices regarding the Fund please visit www.pendalgroup.com, click on 'Products', select the Fund and expand the 'Important Updates' section.

Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office. You can also call us to obtain copies of the following documents, free of charge:

- the Fund's Annual Report most recently lodged with ASIC;
- any half-year report lodged with ASIC after the lodgement of the Annual Report and before the date of this PDS;
- any continuous disclosure notices given by the Fund after lodgement of the Annual Report and before the date of this PDS.

Related party transactions and conflicts of interest

The Fund may, without limit, invest in other funds of which we, or a related entity, are trustee, responsible entity or manager (related funds).

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

In the course of managing the Fund, we may face conflicts in respect of our duties in relation to the Fund, related funds and our own interests. We have policies and procedures in place to manage these appropriately. We will resolve such conflict fairly and reasonably and in accordance with the law, ASIC policy and our policies.

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 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;

'Fund' means the Pental Australian Long/Short Fund with ARSN 121 948 810;

'responsible entity' means Pental Fund Services Limited ABN 13 161 249 332, AFSL 431426;

'we', 'our', 'us' or 'Pental' means the responsible entity of the Fund and, where appropriate, Pental Institutional Limited;

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

Key investment terms defined

These definitions are provided to assist investors in understanding some of the expressions used in this PDS:

Clearing House

A clearing house is a financial institution that provides clearing and settlement services for exchange traded futures and options. An example is the Sydney Futures Exchange.

A clearing house stands between two clearing brokers and its purpose is to reduce the risk of one (or more) clearing brokers failing to honour their trade settlement obligations.

Futures

A futures contract is a type of derivative. It is a contract between two parties to buy or sell a specified asset of a standardised quantity and quality at a price agreed upon today, with delivery of the asset and payment occurring at a specified future date. A futures contract may be referenced to a number of underlying assets including stock indices such as SPI 200 futures.

The buyer of a futures contract expects that the price of the underlying reference asset is going to increase, while the seller expects that the price will decrease in the future. Futures contracts are negotiated and traded on a futures exchange.

Options

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

- Call options give the buyer the option to buy a security at a certain price, so the buyer would expect the price of the security to go up.
- Put options give the buyer the option to sell at a certain price, so the buyer would expect the price of the relevant security to go down.

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

