

Product Disclosure Statement Pendal MicroCap Opportunities Fund

APIR Code: RFA0061AU



Issued 22 February 2021

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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 MicroCap Opportunities Fund ARSN 118 585 354 (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. Pental MicroCap Opportunities Fund at a glance

Product features	
Fund inception date	March 2006
Fund objective	The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX Small Ordinaries (TR) Index over the medium to long term.
Suggested investment timeframe	5 years or more
Costs of investing in the Fund	
Establishment fee	Nil
Contribution fee	Nil
Withdrawal fee	Nil
Termination fee	Nil
Management costs ¹	1.20% pa
Performance fee ²	20% of the amount (if any) by which the Fund's investment performance (before fees) exceeds the performance hurdle.
Buy-sell spread ³	1.20%
Minimum investment requirements	
Minimum initial investment	\$25,000
Distributions	
Frequency	Annually
Payment method	Automatically reinvested into additional units in the Fund; or paid directly into your nominated Bank Account.
Reporting	
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)
Annual tax reporting	<ul style="list-style-type: none">• Annual tax statement if the Fund has paid a distribution during the financial year
Annual Fund reporting	<ul style="list-style-type: none">• Annual investment statement• Annual report for the Fund
Other information	
Unit pricing	Calculated each Business Day for the preceding Business Day
APIR code	RFA0061AU

¹ There may be other fees and costs associated with an investment in the Fund. Please refer to 'Fees and other costs' section for full details.

² Please refer to 'Performance fee' in 'Fees and other costs' section for full details.

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

2. About the Pental MicroCap Opportunities Fund

Investment objective and timeframe

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX Small Ordinaries (TR) Index over the medium to long term.

The suggested investment timeframe is five years or more.

Investment strategy

The Fund is actively managed and invests primarily in a portfolio of 40-60 Australian companies with market capitalisation or free float of generally less than \$250 million⁴ at initial investment that we believe are trading below their assessed valuation. The Fund may also invest in equivalent companies listed on the New Zealand Stock Exchange.

The Fund's holdings that become constituents of the S&P/ASX 200 Index will generally be sold within 18 months, having regard to the interests of investors.

Investment guidelines

Asset classes ⁵	Asset allocation ranges		Benchmark
	Minimum %	Maximum %	
Australian Shares	75	100	S&P/ASX Small Ordinaries (TR) Index
Cash	0	25	

Historical and current asset allocations are available on request.

Key benefits of the Fund

Investing in the Fund provides investors with:

- access to a professionally managed portfolio of micro cap shares
- potential for strong long-term capital growth and some income
- opportunity for diversification within their Australian equities portfolio.

Investors should be aware that due to the concentrated nature of micro cap companies there is some additional risk involved in investing in the Fund compared to a conventional Australian equities Fund. Please refer to page 5 for more information.

Fund performance

For up-to-date information on the performance of this Fund, including performance history and details of how we calculate performance, please visit www.pentalgroup.com, click on 'Products' and select the Fund. A copy of up-to-date Fund performance information is also available from our Client Services team free of charge on request.

Currency management

The Fund may have assets denominated in foreign currencies. This means that changes in the value of the Australian dollar relative to foreign currencies may affect the value of the assets of the Fund. Currency markets can be extremely volatile and are subject to a range of unpredictable forces.

The Fund's foreign currency exposure may be hedged from time to time, in whole or part.

Derivatives

These are investments whose value is derived from other assets, such as shares and may be used as part of the portfolio management process. Futures contracts and options are examples of derivatives.

Derivatives may be used to reduce risk and can act as a hedge against adverse movements in a particular market and/or in the underlying asset. Derivatives can also be used to gain exposure to assets and markets.

While derivatives offer the opportunity for significantly higher gains from a smaller investment (because of the effective exposure obtained) they can also produce significantly higher losses, sometimes in excess of the amount invested.

Pental has policies and procedures on the use of the derivatives and is not permitted to use derivatives to gear the Fund.

Labour, environmental, social and ethical considerations

Pental 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.

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.

Changes to Fund details

We have the right to change the Fund's objective and investment strategy (including the benchmark), asset allocation neutral position and range and currency strategy (if any), without prior notice in some cases. We will inform investors of any material change to the Fund's details in their next regular communication or as otherwise required by relevant law. For details on how to obtain up-to-date Fund information, please refer to 'Updated information' on the front cover of this PDS.

⁴ We consider micro cap companies to be those with a market capitalisation of generally less than \$250 million at the time they are first acquired on behalf of the Fund.

⁵ The reference to the Fund investing in an asset class includes all types of investments which give exposure to that asset and the related asset class, directly or indirectly, including through derivatives and investment in other funds (including other Pental funds), and through any type of investment which would ordinarily be understood in financial markets to be included in that class. For

example, investment in 'Australian shares' includes investment in Australian share futures, derivatives based on an index of Australian shares, or funds which invest primarily in Australian shares. 'Australian shares' also includes any shares, units or other securities listed on an Australian exchange or issued or guaranteed by an Australian entity. A statement that the Fund invests in a particular class of asset does not preclude investment in other types of assets where the responsible entity considers it appropriate to do so in the interests of investors.

3. About Pental Fund Services Limited

PENTAL

The future is worth investing in

Pental Fund Services Limited is the responsible entity for the Pental MicroCap Opportunities 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 are wholly owned subsidiaries of Pental Group Limited.

Pental Group Limited is an independent, 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 leading global investment managers.

4. Risks of investing in the Pental MicroCap Opportunities Fund

Understanding risks

There will always be the risk of fluctuations in the value of an investment. Investment risk can be managed and even minimised but it cannot be completely eliminated. It is important to understand that not all risks are foreseeable. There is always the chance that you may lose money on any investment you make.

Some common types of investment risks are outlined in the table below.

Type of risk	Explained
Market risk	The risk that the market price of an asset will fluctuate as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events and environmental and technological issues. Market risk may have different impacts on each type of asset, investment style and investor.
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.
Interest rate risk	Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets. Interest rates may directly or indirectly affect a company's cost of borrowings as well as the value of fixed interest securities.
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.
Liquidity risk	The risk that an investment may not be easily converted into cash with little or no loss of capital and minimum delay. 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 investments 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.

You should be aware of these risks when investing and should be aware that not all risks can be foreseen.

No matter how skilled the investment managers, or however strong the Fund's performance has been in the past, there is always a chance you could receive back less than you invested. Investment returns are volatile and can go up and down.

The future performance of the Fund is not guaranteed and past performance is not a guide to future performance.

5. Investing in the Pental MicroCap Opportunities Fund

Who can invest in the Pental MicroCap Opportunities Fund?

This Fund is available for investment by direct and indirect investors. Persons who invest in the Fund through a master trust or wrap account are referred to as indirect investors in this PDS.

The offer made in this PDS is available only to persons receiving this PDS (electronically or otherwise) within Australia. Other than as permitted by law, interests in the Fund will only be issued on receipt of an Application Form issued with this PDS. If you have received this PDS electronically, we will provide a free paper copy on request. Applications from outside Australia will not be accepted.

Direct investors

How to invest

Direct investors should complete the Application and relevant Form(s) by clicking on 'Apply' at www.pentalgroup.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.

Application money is paid into an interest bearing account upon receipt. Any interest earned on this account will be retained by us and may be paid into the Fund.

If we are unable to process an application because it is invalid (eg the Application Form is not signed), the transaction will not be processed and the application money will remain in the account until the correct documentation is received. For information on how we process invalid requests, see 'Processing – Invalid transaction requests'. If correct documentation is not received within one month, the application money will be returned to you by cheque – with no interest payable.

We have the right to reject any application or to accept only part of an application.

Minimum initial investment

The minimum initial investment is \$25,000.

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.

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 be subject to different conditions from those referred to in this PDS, particularly in regard to:

- how to transact on your investment (eg initial and additional investments and withdrawals)
- 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)
- distribution, processing and withdrawal timing
- cut-off times for transacting (eg applications and withdrawals)
- 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 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.

How the Fund operates

Unit prices

How we calculate unit prices

Generally unit prices are calculated each Business Day for the preceding Business Day in accordance with the Fund constitution by dividing the value of the Fund by the total number of units on issue in the Fund.

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

The overall effect for the Fund is that:

- prices are based on the value of the Fund's assets, generally as next calculated by us after each cut-off time
- asset values will usually be based on closing prices, where appropriate, other price quotes most recently available to us at the time we make the calculation
- entry prices are usually higher than exit prices. The difference is called a 'buy-sell spread'. Please refer to the 'Fees and other costs' section in this PDS for further information.

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

Distributions will be reinvested using the entry price for the last Business Day of the distribution period, adjusted to exclude the income to be distributed for the period and any buy-sell spread that would otherwise be included in the entry price.

Changes to unit pricing

We can change the way in which we calculate unit prices. Information regarding any such change will be available on our website or by calling our Client Services team. Prior notice will not ordinarily be provided.

Processing

Processing times

An application or withdrawal request will usually receive an entry price or an exit price (as applicable) calculated for the Business Day on which we accept the request. Entry and exit prices for each Business Day will be available at www.pendalgroup.com by clicking on 'Products' and selecting the Fund. Prices will usually be posted by the end of the next Business Day.

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. Please note that we can change this cut-off time by giving written notice to direct investors.

Processing – invalid transaction requests

Application, withdrawal and other transaction requests may be invalid for various reasons (eg not signing the appropriate form or not including all required information on the form). In such cases, the transaction will not be processed until valid documentation is received and will be processed using the unit price applying on the day that we receive the correct documentation. The usual rules about cut-off times apply. In cases where documentation is invalid, we will aim to contact you, generally within seven Business Days.

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. You can find this form at www.pendalgroup.com/forms.

Investors also have the ability to make additional investments using BPAY®. For more information on BPAY® please refer to the BPAY® user guide at www.pendalgroup.com/forms.

We are also introducing the ability to transact online. For more information, please refer to www.pendalgroup.com/forms.

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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. You can find this form at www.pendalgroup.com/forms.

We are also introducing the ability to transact online. For more information, please refer to www.pendalgroup.com/forms.

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

Please note these times are a guide only and as specified in the Fund's constitution we may take up to 30 days to process your withdrawal request.

The constitution of the Fund may also contain specific provisions that provide us with certain powers in relation to withdrawal procedures. Please refer to 'Restrictions on withdrawals' in this section for further information.

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.

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), 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.
Delays 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 for an asset), 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.

Distributions

The Fund generally pays distributions on an annual basis, with a distribution period ending 30 June each year.

We may also pay a special distribution at other times where we consider it appropriate; for example, where there is a large application or redemption we may distribute income and net realised capital gains before processing the transaction so that investors are treated fairly. Prior notice of special distributions will not ordinarily be provided.

Distributions are generally assessable income and can be made up of both income and net realised capital gains, and will vary depending on the factors that influence the performance of the Fund (such as interest rates and market conditions) and may not be paid at all. Please refer to the 'Taxation' section in this PDS for further information.

Distribution payments are generally made within 12 Business Days after the end of the distribution period.

Distributions are calculated on a cents per unit basis in accordance with the Fund's constitution. Undistributed income (including net realised capital gains) accrue in the unit price of the Fund during the relevant distribution period. This means that if an investment is made just before the end of a distribution period, you may receive some of the investment back immediately as income.

Immediately following a distribution the Fund's unit price will usually fall because the income and realised gains accumulated during the distribution period have been distributed. Distributions may include a part return of capital. Details will be provided in the investor's tax statement.

Distribution payment options

You can choose to have your distributions:

- automatically reinvested into additional units in the Fund
- paid directly into your nominated Bank Account.

Reinvestment of distributions

Reinvesting distributions compounds your returns.

Distributions are automatically reinvested unless you instruct us otherwise in the Application Form. If you do not nominate a Bank Account for payment of distributions, we will treat this as a request to reinvest your distributions.

If we attempt to pay a distribution by your nominated method and the payment fails (eg we are unable to credit your nominated Bank Account), we will attempt to contact you to arrange payment. When you invest, you agree that if this happens and we have been unable to contact you after reasonable attempts have been made, you will be taken to have requested us to reinvest the failed distribution and all future distributions to which you are entitled (until we receive alternative instructions from you). Where we make this change, any amounts we have been holding will be reinvested at the price that applies on the day we reinvest them.

Reinvestment of distributions will normally be effective the first day following the end of the distribution period. For details of the unit price used for reinvestments, please refer to 'Unit prices' in this section of the PDS.

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.

6. 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. Refer to the 'Taxation' section of this PDS.

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 with those of other investment funds.

Type of Fee or Cost ⁶	Amount	How and when paid
Fees 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
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
Management costs		
The fees and costs for managing your investment	At the date of this PDS, management costs consist of the following components:	
	Issuer fee ⁷	1.20% pa Issuer fees are paid from the assets of the Fund and reflected in the unit price of your investment. Issuer fees are calculated on the value of the Fund daily and generally deducted from the Fund at the end of the month.
	Performance fee	20% of the Fund's performance (before fees) in excess of the performance hurdle ⁸ The performance fee is paid from the assets of the Fund and reflected in the unit price of your investment. The fee is calculated each Business Day based on the investment performance and value of the Fund on that day. If we are entitled to a performance fee, it is paid to us as at 30 June each year.
	Estimated expense recoveries ⁹	Nil Expenses are generally reimbursed to us out of the assets of the Fund after the end of each month.
	Estimated indirect costs ¹⁰	Nil Reflected in the unit price of the Fund and are not charged to you as a fee or retained by us.
	Estimated total management costs¹¹	1.20% pa plus the performance fee (if any)
Service fees¹²		
Switching fee The fee for changing investment options	Nil	Not applicable

⁶ Fees in this PDS can be individually negotiated if you are a wholesale client under the Corporations Act.

⁷ This is the fee for managing the assets of the Fund and overseeing the operations of the Fund.

⁸ The performance hurdle is the performance of the Fund's benchmark (S&P/ASX Small Ordinaries (TR) Index) plus the issuer fee. Refer to 'Additional explanation of fees and costs' for more information.

⁹ At the date of this PDS, we pay recoverable expenses (if any, excluding any GST payable on our fees) out of our issuer fee. However, if we decide to deduct expenses in addition to the issuer fee in the future, we will give you 30 days' written notice.

¹⁰ This is an estimate of the Fund's indirect costs for the last financial year.

¹¹ The actual total management costs may vary from this estimate.

¹² There are other service fees (see 'Incidental fees and costs' below).

Example of annual fees and costs for the Fund

This table gives an example of how the 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 managed investment products.

Example – Balance of \$50,000 with a contribution of \$5,000 during the year¹³

Contribution fees	Nil	For every additional \$5,000 you put in you will not be charged any contribution fee.
Plus Management costs	Estimated total management costs \$50,000 x 4.83% ¹⁴ = \$2,415	And, for every \$50,000 you have in the Fund, you will be charged \$2,415 each year.
Equals Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you invest an additional \$5,000 during that year, you would be charged fees and incur costs of: \$2,415 ¹⁵ What it costs you will depend on the fees you negotiate.

Additional explanation of fees and costs

Management costs

Management costs are made up of the issuer fee, the performance fee, and any expense recoveries and indirect costs. Unless otherwise stated, all fees quoted in the PDS are quoted on a GST inclusive basis and net of any applicable Reduced Input Tax Credits (RITCs).

Issuer Fee

The issuer fee is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. If we increase the issuer fee we will give you 30 days' written notice. The maximum issuer fee allowable under the constitution is 2% pa.

Performance fee

The performance fee is equal to 20% of the amount (if any) by which the Fund's investment performance (before fees) exceeds the performance hurdle.

A performance fee is:

- payable to the responsible entity if the Fund's investment performance exceeds the performance hurdle.

The performance hurdle is the performance of the benchmark (S&P/ASX Small Ordinaries (TR) Index) for that day plus the Issuer fee (1.20% pa at the date of this PDS)

- only charged on the proportion of performance above the performance hurdle
- only payable when any applicable performance deficit has been recouped and
- if payable, accrued daily and reflected in the unit price of the Fund.

Based on the Fund's average performance fee for the last 5 financial years¹⁶, our estimate of the ongoing performance fee is 1.39% pa. Based on this estimate and an investment of \$50,000 the performance fee would be \$50,000 x 1.39% = \$695. The actual performance fee is likely to vary from this estimate. The maximum Performance fee allowable under the constitution is 40%. For the latest performance fees, please visit www.pendalgroup.com, click on 'Products' and refer to the 'Fees and Costs' document under 'Important Information'.

The performance fee is calculated each Business Day based on daily performance and value of the Fund on that day and, where positive, accrued daily and reflected in the Fund's unit price. Where the daily calculated performance fee is negative it is applied to reduce any accrued performance fee from the previous day, or, where there is no accrued performance fee from the previous day, carried forward as a 'performance deficit'. Any performance deficit will need to be offset by future positive performance fees before any performance fee becomes payable. This means the performance deficit must be recovered in dollar terms before any performance fee can be accrued and reflected in the unit price.

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.

If a performance fee is payable, it is payable annually as at 30 June. Performance fees are payable in relation to the performance of the Fund as a whole during each year and do not necessarily reflect the performance of any individual unitholder's investment.

¹³ 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.

¹⁴ This amount includes the issuer fee of 1.20% plus the actual performance fee charged by the Fund for the last financial year of 3.63%. The actual performance of the Fund is likely to vary year to year and therefore the total cost of a \$50,000 investment is likely to differ. For an estimate of the ongoing performance fee please refer to the 'Additional explanation of fees and costs'.

¹⁵ Additional fees may apply. Please note that this example does not capture all the fees and costs described in this section that may apply to you, such as incidental fees and costs and the buy-sell spread (see 'Dollar example of buy-sell spread' below).

¹⁶ This period reflects the minimum suggested investment timeframe for the Fund of 5 years.

Expense recoveries

We are also 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. Such recoverable expenses include registry costs, printing costs of PDSs, annual reports and statements, and certain direct expenses such as overseas custodian charges and audit fees. At the date of this PDS, we pay these recoverable expenses (excluding any GST payable on our fees) out of our issuer fee. However, if we decide to deduct expenses in addition to the issuer fee in the future, we will give you 30 days' written notice.

Indirect costs

Indirect costs are certain costs which we reasonably estimate have reduced, 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, these are reflected in the unit price of the Fund and are not charged to you as a fee or retained by us.

The indirect costs estimate in the fees and costs table is based on information available to us as at the date of this PDS and represents the indirect costs over the last financial year. 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'.

Transactional and operational costs

Transactional and operational costs such as brokerage, bid-offer spreads on securities traded, settlement costs, clearing 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.

Transaction costs that are incurred in relation to investors entering or exiting the Fund are recouped via the Fund's buy-sell spread (being the difference between the Fund's entry and exit unit prices).

For the last financial year, the estimated total transactional and operational costs for the Fund were 0.73%. Of this amount, we estimate 0.08% was recouped via the buy-sell spread and 0.65% reduced the return of the Fund. These costs may vary from year to year depending on the transactional or operational costs in implementing the Fund's investment strategy and/or investors entering or exiting the Fund.

When a Fund incurs transactional and operational costs these are paid out of the Fund's assets and reflected in its unit price and are not charged to you as an additional fee or cost.

Buy-sell spread

The buy-sell spread is an adjustment to the unit price so that there is a difference between the entry and exit price for the Fund. The buy-sell spread is an additional cost to you and is generally incurred whenever you invest or withdraw funds. As the cost is built into the unit price, the buy-sell spread will not appear on any statement we issue. The buy-sell spread also reflects the market impact of purchasing and selling the underlying assets in the market. There is no buy-sell spread for distributions that are reinvested.

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 (such as brokerage) incurred when the Fund is purchasing or selling assets. The buy-sell spread also reflects the market impact of purchasing and selling the underlying assets in the market. The purpose of imposing the buy-sell spread is to ensure these costs are fairly borne by investors joining and leaving the Fund and that other investors (ie those not joining or leaving at a particular time) are not disadvantaged.

The current total buy-sell spread is 1.20% of the value of the Fund's assets, represented as the difference between the entry price and the exit price. A buy spread of 0.60% is applied on each application and a sell spread of 0.60% is applied on each withdrawal. 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.

Dollar example of buy-sell spread

This table gives an example of how the buy-sell spread for the Fund can affect your investment if you invested \$50,000 in the Fund at a total buy-sell spread of 1.20% (the buy-sell spread at the date of the PDS).

Spread	Calculation	Amount	How and when paid
Buy spread	\$50,000 × 0.60%	\$300	Generally, you incur this cost when you invest and when you
Sell spread	\$50,000 × 0.60%	\$300	withdraw from the Fund. ¹⁷

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 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 (at our discretion) to wrap platforms, master trust 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.

¹⁷ Additional fees may apply. Please note that this example does not capture all the fees and costs described in this section that may apply to you, such as incidental fees and costs.

Fees paid to financial advisers and other persons

Direct remuneration

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 of 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.

Ability to negotiate fees — wholesale clients

If you are classed as a wholesale client (such as a professional investor) under the Corporations Act, in accordance with Australian Securities and Investments Commission (ASIC) policy, all fees described in this PDS may be individually negotiated. There is no set manner or method of negotiating fees. Please contact our Client Services team for further information.

When we can introduce new fees not currently charged?

The constitution of the Fund provides that we can charge the following fees. At the date of this PDS we do not charge these fees but, if we introduce them, we will give direct investors 30 days written notice.

Fee	Description	Maximum allowable
Contribution fee	The fee on each amount contributed to your investment by you	6%

Incidental fees and costs

In addition to the fees and costs set out above, standard Government fees, duties and bank charges may also apply to investments and withdrawals (including dishonour fees and conversion costs) and are paid by the investor.

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
- issuer fees are either not collected by the related fund or if they are, they are rebated in full to the Fund; and
- where the related fund charges expense recoveries outside the issuer fee, these will also be rebated to the Fund.

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

7. General information

Taxation

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 and have elected that the Fund be an Attribution Managed Investment Trust (AMIT). The AMIT election will continue to apply in future years, provided the Fund continues to meet certain eligibility criteria.

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.

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

Tax on income

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).

Tax on withdrawals

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.

The constitution of the Fund

What is the constitution of the Fund?

The Fund is a registered managed investment scheme established under a document called a constitution. Under the constitution, the responsible entity of the Fund is responsible for operating the Fund and selecting investments in accordance with the 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 contact our Client Services team.

What are the main rights of investors under the constitution?

The rights and obligations of investors in the Fund are governed by the constitution for the Fund, this PDS, the Corporations Act (as varied by ASIC) and the general law relating to trusts. Some of the provisions of the constitution are discussed elsewhere in this PDS. Others affecting your rights include:

- the nature of the units and whether classes of units are authorised. Every unit confers a beneficial interest in the Fund as a whole (but not a specific interest in any particular asset of the Fund)
- how we must calculate unit prices and the value of the Fund
- what you are entitled to receive when you withdraw or the Fund is wound up
- your right to share in any income and how we calculate it.

The constitution is designed to limit your liability to the value of your units, but the courts are yet to determine the effectiveness of limits of this kind.

Your rights to requisition, attend and vote at meetings of unit holders are mainly contained in the Corporations Act.

What are our main duties and rights under the constitution?

There are also provisions governing our powers and duties as responsible entity, including that we:

- can issue units to you before your application money is received, as long as you pay interest on the outstanding amount of application money to the Fund
- have wide powers to invest, borrow and generally manage the Fund
- have discretion to refuse transfers and applications
- can change the constitution, but we need approval at a meeting of unit holders if the change will adversely affect rights
- can terminate the Fund at any time and will give you notice of any intention to do so. If we terminate the Fund, you share pro rata in the net proceeds available from the sale of investments
- can retire, in which case a new responsible entity will be appointed.

As responsible entity of the Fund we must comply with all obligations set out in the constitution. We are also subject to duties under the law including duties to act honestly, exercise care and diligence, and treat investors of the same class equally.

What are our liabilities and indemnities under the constitution?

The constitution limits our liabilities in relation to the Fund. For example:

- we are not liable for acting in reliance in good faith on professional advice
- if we comply with our duties and act in accordance with the relevant laws and the constitution, we are not liable to you for any loss in connection with the Fund.
- In addition, we are entitled to be indemnified out of the assets of the Fund for liabilities we incur in connection with the proper performance of our duties for the Fund.

8. More about the Fund

Can the Fund borrow money?

Yes. However, it is not intended that the Fund will undertake long-term borrowings. Short-term borrowings may occur in the daily management of the Fund.

Related party transactions and conflicts of interests

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.

Protecting your privacy

For information on how we protect your privacy including details on:

- How we use your information
- How we collect your information
- When we disclose your information
- How you can access your information
- Receiving marketing information,

please visit www.pendalgroup.com/privacy. A copy of this information is also available from our Client Services team free of charge on request.

Complaints resolution

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'.

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

'Fund' means the Pental MicroCap Opportunities Fund ARSN 118 585 354

'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.