



# Global Small Mid Cap Fund



## PRODUCT DISCLOSURE STATEMENT

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### INVESTMENT MANAGER:

Paradice Investment Management Pty Ltd ('Paradice')  
ABN 64 090 148 619, AFSL 224158

Level 27, Chifley Tower,  
2 Chifley Square, Sydney NSW 2000  
info@paradice.com www.paradice.com

### RESPONSIBLE ENTITY:

Equity Trustees Limited ('Equity Trustees')  
ABN 46 004 031 298, AFSL 240975

Level 1, 575 Bourke Street  
Melbourne VIC 3000 Australia  
Telephone: + 61 3 8623 5000 www.eqt.com.au

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### About this PDS

**This Product Disclosure Statement ('PDS') has been prepared and issued by Equity Trustees Limited ('Equity Trustees', 'we' or 'Responsible Entity') and is a summary of the significant information relating to an investment in the Paradice Global Small Mid Cap Fund ('Fund'). It contains a number of references to important information contained in the Paradice Global Small Mid Cap Fund Reference Guide ('Reference Guide'), which forms part of this PDS.**

**You should consider both the information in this PDS and the information in the Reference Guide, before making a decision about investing in the Fund.**

**The information provided in this PDS is general information only and does not take account of your personal objectives, financial situation or needs. You should obtain financial advice tailored to your personal objectives, financial situation and needs.**

The PDS is available at [www.eqt.com.au/insto](http://www.eqt.com.au/insto) or you may request a free copy of this PDS by calling Equity Trustees on 03 8623 5000 or Paradice on 02 8227 7400.

Capitalised terms used in this PDS are also defined in the Reference Guide.

The offer to which this PDS relates is only available to Wholesale Clients in Australia. This PDS does not constitute an offer of securities in the US or to any US Person as defined in Regulation S under the US Securities Act of 1933 as amended ('US Securities Act'). Equity Trustees may vary this position and offers may be accepted on merit at Equity Trustees' discretion. The units in the Fund have not been, and will not be, registered under the US Securities Act or

the laws of any State unless otherwise approved by Equity Trustees. The Fund is not registered as an investment company under the US Investment Company Act of 1940, as amended. The Fund may not be offered or sold in the US to or for the account of any US Person (as defined) except in a transaction that is exempt from the registration requirements of the US Securities Act and applicable US state securities laws.

If you make this PDS available to another person, you must give them the entire PDS, including the Application Form.

### The Reference Guide

Throughout this PDS, there are references to additional information contained in the Reference Guide. The Reference Guide is available at [www.eqt.com.au/insto](http://www.eqt.com.au/insto). You can also request a copy by calling Equity Trustees on 1300 555 378 or Paradice on +61 2 8227 7400.

The information contained in the Reference Guide may change between the day you receive this PDS and the day you acquire the product. You must therefore ensure that you have read the Reference Guide current at the date of your application.

### Updated information

Information in this PDS is subject to change. We will notify you of any changes that have a materially adverse impact on you or other significant events that affect the information contained in this PDS. Any updated information which is not materially adverse may be obtained online at [www.eqt.com.au/insto](http://www.eqt.com.au/insto) or by calling Equity Trustees. A paper copy of the updated information will be provided free of charge on request.



# 1. About Equity Trustees Limited

## The Responsible Entity

### Equity Trustees Limited

Equity Trustees Limited, ABN 46 004 031 298 AFSL 240975 ('Equity Trustees'), a subsidiary of EQT Holdings Limited (ABN 22 607 797 615) a company listed on the Australian Securities Exchange (ASX:EQT), is the Fund's responsible entity and issuer of this PDS. Equity Trustees' responsibilities and obligations as the Fund's responsible entity are governed by the Fund's constitution ('Constitution'), the Corporations Act and general trust law. Equity Trustees has appointed Paradise Investment Management Pty Ltd as the investment manager of the Fund. Equity Trustees has appointed a custodian to hold the assets of the Fund. The Custodian has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests.

## The Investment Manager

### Paradise Investment Management Pty Ltd

Paradise was established in 1999. As Australia's first boutique investment firm specialising in smaller companies, Paradise

quickly became known for its ability to deliver solid long term returns within this niche marketplace. Recognising investor demand for portfolios focusing on mid and large cap investment strategies, Paradise expanded its investment offerings to incorporate these options. The Australian Small Cap product was launched in 2000, the Australian Mid Cap product was launched in 2006 and the Australian Large Cap product followed in 2007. In 2010, Paradise established an office in Denver and more recently in San Francisco, USA, from where the most recent offering, the Paradise Global Small Mid Cap product, is managed.

Today, Paradise manages approximately \$13 billion of assets in Australian and global equities, for institutional and high net worth clients. Paradise is 100% owned by employees of the company and encompasses a team of 32 people – 18 of whom are dedicated investment professionals with an average investment experience of over 20 years.

# 2. How the Paradise Global Small Mid Cap Fund works

The Fund is a registered managed investment scheme. The Fund is governed by the Constitution. The Fund comprises assets which are acquired in accordance with the Fund's investment strategy. Direct investors receive units in the Fund when they invest. In general, each unit represents an equal interest in the net assets of the Fund. However, it does not give investors an interest in any particular asset of the Fund.

You may be able to invest indirectly in the Fund via an IDPS by directing the IDPS Operator to acquire units on your behalf. IDPS Operator will be the unitholder entered in the Fund's register and will be the only person who is able to exercise the rights and receive the benefits of a unitholder. Please direct any queries and requests relating to your investment to your IDPS Operator. Unless otherwise stated, the following explanation applies to direct investors. Different conditions may apply to Indirect Investors, so please refer to Section 9. 'Other information'.

## Applying for units

You can acquire units by completing the attached application form ('Application Form'). The minimum initial investment amount for the Fund is \$20,000 Please note that cash cannot be accepted.

The price at which units are acquired is determined in accordance with the Constitution ('Application Price'). The Application Price on a Business Day (as defined in the Reference Guide) is, in general terms, equal to the Net Asset Value ('NAV') of the Fund, divided by the number of units in issue and adjusted for transaction costs ('Buy Spread'). At the date of this PDS, the Buy Spread is 0.30%.

The Application Price will vary as the market value of assets in the Fund rise or fall.

No interest is earned on application monies.

## Making additional investments

You can make additional investments into the Fund at any time, by sending us your additional investment amount together with a completed Application Form. The minimum additional investment into the Fund is \$10,000.

## Distributions

The Fund usually distributes income semi-annually at the end of June and December. Equity Trustees may amend the distribution frequency without notice.

An investor's share of any distributable income is calculated in accordance with the Constitution and is generally based on the number of units held by the investor at the end of the distribution period.

Investors can have their distribution reinvested back into the Fund or directly credited to a nominated Australian domiciled bank account. Investors who do not indicate a preference will have their distributions automatically reinvested. Applications for reinvestment will be taken to be received prior to the next valuation time after the relevant distribution period. There is no Buy Spread on distributions that are reinvested.

In some circumstances, where an investor makes a large withdrawal request (i.e. the withdrawal request is in respect of 5% or more of the units on issue), their withdrawal proceeds may be taken to include a component of distributable income.

Indirect Investors should review their IDPS guide for information on how and when they receive any income distribution.

## Access to your money

Investors can withdraw their investment by faxing a written request or mailing a request to the Fund's administrator, National Australia Bank Limited, for the attention of the Registry Services Team via the following number: 1300 365 601 or to Registry Services, GPO Box 1406, Melbourne VIC 3001. The minimum withdrawal amount is generally \$5,000. Once we receive your withdrawal request, we may act on your instruction without further enquiry if the instruction bears your account number or investor details and your (apparent) signature(s) or your authorised signatory's (apparent) signature(s).

Equity Trustees will generally allow investors to access their investment within 7 days of receipt of a withdrawal request by transferring the withdrawal proceeds to such investors' nominated bank account. However, the Constitution allows Equity Trustees to make payment up to 30 days after receipt of a request (which may be extended in certain circumstances).

The price at which units are withdrawn is determined in accordance with the Constitution ('Withdrawal Price'). The Withdrawal Price on a Business Day is, in general terms, equal to the NAV of the Fund, divided by the number of units in issue and adjusted for transaction costs ('Sell Spread'). At the date of this PDS, the Sell Spread is 0.30%. The Withdrawal Price will vary as the market value of assets in the Fund rise or fall.

## 2. How the Paradise Global Small Mid Cap Fund works (continued)

Equity Trustees reserves the right to fully withdraw your investment if your investment balance in the Fund falls below \$20,000 as a result of processing your withdrawal request. Equity Trustees can deny a withdrawal request or suspend consideration of a withdrawal request in certain circumstances, including where accepting the request is not in the best interests of investors in the Fund or would cause the Fund to cease to be liquid or where the Fund is not liquid (as defined in the Corporations Act). When the Fund is not liquid, an investor can only withdraw when Equity Trustees makes a withdrawal offer to investors in accordance with the Corporations Act. Equity Trustees is not obliged to make such offers.

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

### Unit pricing discretions policy

Equity Trustees has developed a formal written policy in relation to the guidelines and relevant factors taken into account when exercising any discretion in calculating unit prices (including determining the value of the assets, liabilities and buy/sell spreads). A copy of the policy and, where applicable and to the extent required, any other relevant documents in relation to the policy (such as records of any decisions which are outside the scope of the unit pricing policy or inconsistent with it) will be made available to investors free of charge on request.

### Additional information

If and when the Fund has 100 or more direct investors it will be classified by the Corporations Act as a 'disclosing entity'. As a disclosing entity, the Fund will be subject to regular reporting and disclosure obligations. Investors would have a right to obtain a copy, free of charge, of any of the following documents:

- the most recent annual financial report lodged with ASIC ('Annual Report');
- any subsequent half-yearly financial report lodged with ASIC after the lodgment of the Annual Report; and
- any continuous disclosure notices lodged with ASIC after the Annual Report.

Equity Trustees will comply with any continuous disclosure obligation by lodging documents with ASIC as and when required.

Copies of these documents may be obtained from ASIC through ASIC's website.

### Further reading

You should read the important information in the Reference Guide under '1. Investing in the Paradise Global Small Mid Cap Fund', '2. Managing your investment' and '3. Withdrawing your investment' for further information about:

- how to invest;
- application cut-off times;
- cooling-off rights;
- unit pricing and valuations;
- authorised signatories;
- reports;
- withdrawal cut-off times;
- payment of withdrawals;
- withdrawal request terms; and
- withdrawal restrictions,

before making an investment decision. The Reference Guide is available at [www.eqt.com.au/insto](http://www.eqt.com.au/insto). The material relating to these matters may change between the time when you receive this PDS and the day when you acquire the product.

## 3. Benefits of investing in the Paradise Global Small Mid Cap Fund

Global Small and Mid Cap companies are the largest investment universe with the least amount of broker research coverage. We believe that there is an opportunity to find value no matter where we are in the economic cycle. By building a diversified portfolio of global investments that exhibit four key characteristics (undervaluation, business quality, strong financial metrics and shareholder-friendly boards) the Fund aims to generate strong, long term risk-adjusted returns.

Global small cap companies have generally outperformed global large cap companies over long periods of time as well as having substantial operating leverage and revenue growth opportunities over the medium to long term. But remember, past performance of a particular stock or sector is not a reliable guide to future performance.

Other significant benefits of investing in the Fund include:

- access to Paradise's global investment expertise;
- active risk management (through the form of risk spreading);
- access to investment opportunities that individual investors often cannot achieve;
- generally investing for less cost than ordinary investors can achieve individually;
- the ability to generally add to or withdraw your investment daily;
- the right to receive any distributions we make from the Fund (usually semi-annually);
- the benefit of capital gains (or losses) when you dispose of your units; and
- a robust compliance and governance structure with a trusted responsible entity and legal rights under the Constitution of the Fund.

## 4. Risks of managed investment schemes

All investments carry risks. Different investment strategies may carry different levels of risk, depending on the assets acquired under the strategy. Assets with the highest long term returns may also carry the highest level of short term risk. You should consider the significant risks below when deciding whether to invest in the Fund. You may want to consider these risks in light of your risk profile. Your risk profile will vary depending on a range of factors, including your age, the

investment time frame (how long you wish to invest for), your other investments or assets and your risk tolerance.

Neither Equity Trustees nor Paradise guarantees the success or the performance of the Fund, the liquidity of the Fund's investments, the repayment of capital or any particular rate of capital or income return. The value of the Fund's investments will vary. You may lose money by investing in the Fund and your investment in the Fund may not meet your objectives.

## 4. Risks of managed investment schemes (continued)

The level of returns will vary and future returns may differ from past returns. Laws affecting managed investment schemes may also change in the future. The structure and administration of the Fund is also subject to change.

In addition, we do not offer advice that takes into account your personal financial situation, including advice about whether the Fund is suitable for your circumstances. If you require personal financial advice, you should contact a licensed financial adviser.

### Currency risk

The Fund will invest in securities denominated in currencies of other countries. If these currencies change in value relative to the Australian dollar, the value of the Fund's investments can fluctuate. Paradise does not hedge the currency exposure in any way.

### Derivatives risk

Paradise may, but is not required to, use derivatives for risk management purposes for the Fund. The use of derivative positions to hedge the risk of physical securities will involve 'basis risk', which refers to the possibility that derivative positions may not move perfectly in line with the physical security. Fluctuations in the price of derivatives reflect movements in the underlying assets, reference rate or index to which the derivatives relate. As a consequence, the derivative positions cannot be expected to perfectly hedge the risk of the physical security.

Other risks associated with derivatives may include:

- loss of value because of a sudden price move or because of the passage of time;
- potential illiquidity of the derivative;
- the Fund being unable to meet payment obligations as they arise;
- the counterparty to any derivative contract not being able to meet its obligations under the contract; and
- significant volatility in prices.

Paradise does not currently use over the counter derivatives. Note that neither Equity Trustees nor Paradise guarantees that the Fund's derivatives strategy, if used, will be successful.

### Emerging markets risk

The Fund may also hold a portion of its investments in emerging markets, which are markets in certain countries which may not be as developed, efficient or liquid as in Australia. Therefore, the value of securities in these markets may often be more volatile and the markets for securities may be less liquid. Emerging markets risk is also caused by exposure to economic structures that are less diverse and mature and to political systems that are less stable than those of developed countries. In addition, issuers in emerging markets may experience a greater degree of change in earnings and business prospects than would companies in developed markets. The Fund's emerging markets exposure will generally not exceed 35% of the Fund's market value in aggregate to countries in the S&P Emerging Broad Market Index.

### Fund risk

Risks particular to the Fund include that it could terminate, the fees and expenses could change, the investment manager or responsible entity could be replaced and the investment professionals could change. There is also a risk that investing in the Fund may give different results than investing directly in the underlying assets of the Fund themselves because of income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other investors.

### Inflation risk

Inflation risk is the risk that returns will not be sufficiently higher than inflation to enable an investor to meet their financial goals.

### Interest rate risk

Changes in official interest rates can directly and indirectly impact (negatively or positively) on investment returns. Generally, an increase in interest rates has a contractionary effect on the state of the economy and thus the valuation of stocks. For instance, rising interest rates can have a negative impact on the Fund's or company's value as increased borrowing costs may cause earnings to decline. As a result, the unit value or share price may fall.

### International investing risk

The Fund will hold investments in global securities. Certain countries may impose restrictions on the ability of locally domiciled companies to make payments of principal, dividends or interest to investors located outside the country, due to blockage of foreign currency exchanges or otherwise. Generally, there may be less publicly available information about foreign companies due to less rigorous disclosure or accounting standards and regulatory practices. In addition, the Fund could be subject to risks associated with adverse political and economic developments in certain countries, which could cause the Fund to lose money on these investments.

### Legal risk

There is a risk that laws, including tax laws, might change or become difficult to enforce. This risk is generally higher in emerging markets. Legal and regulatory risk may affect the performance of individual investments held by the Fund.

### Liquidity risk

There may be times when there may be a limited secondary market for the securities in which the Fund may invest and that may affect the ability of the Fund to realise investments or to meet withdrawal requests (e.g. in a falling market where companies may become less liquid). Small and mid capitalisation companies tend to be less liquid than larger capitalisation companies. Paradise and Equity Trustees attempt to mitigate the liquidity risk factor by generally investing in securities that are believed to offer sufficient liquidity to allow investors to withdraw from the Fund as set out in this PDS. Note that neither Equity Trustees nor Paradise guarantees the liquidity of the Fund's investments or of investments in the Fund.

### Market risk

The market price of investments may go up or down, sometimes rapidly or unpredictably. Assets may decline in value due to factors affecting markets generally or particular industries represented in the markets. The value of an investment may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, supply and demand for particular securities or instruments, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. During a general market downturn, multiple asset classes may decline in value simultaneously.

Further, changes in tax, legal and economic policy, political events and technology failure can all directly or indirectly create an environment that may influence the value of the investments of the Fund and your investment in it.

## 4. Risks of managed investment schemes (continued)

### Security selection risk

Paradice may make investment decisions that result in low returns. This risk is mitigated to some extent by the knowledge and experience of Paradice.

### Security specific risk

There may be instances where a company or managed investment scheme will fall in price because of company/managed investment scheme specific factors (eg where a company's or manager's major product is subject to a product recall). The value of investments can vary because of changes to management, product distribution or the company's business environment.

### Small company risk

The Fund invests primarily in small capitalisation companies. While small capitalisation companies may offer greater potential for capital appreciation than larger, more established companies, they may also involve greater risk of loss and price fluctuation. The market for securities of small capitalisation issuers may be less liquid and more volatile than securities of larger companies. This means that the Fund could have greater difficulty buying or selling a security of a small capitalisation issuer at an acceptable price, especially during periods of market volatility.

## 5. How we invest your money

**Before choosing to invest in the Fund you should consider the likely investment returns, the risks of investing and your investment time frame.**

### Investment objective

To outperform the Benchmark by 3% pa over a three to five year period (after management costs and before tax).

*Please note that the investment return objective is not intended to be a forecast. It is merely an indication of what the Fund aims to achieve over the medium to long term on the assumption that equity markets remain relatively stable throughout the investment term. The Fund may not be successful in meeting this objective. Returns are not guaranteed.*

### Benchmark

S&P Global BMI (US\$1bn - \$5bn Market Cap Range) Index in AUD.

### Minimum suggested time frame

The minimum suggested investment time frame for the Fund is three to five years.

### Risk level of the Fund

High.

This Fund has been assigned a 'higher risk' designation based on its exposure to a diversified global portfolio of small and mid cap markets equities. This grading is not intended to be a guarantee of any actual level of risk or an indication of likely returns.

### Investor suitability

The Fund is primarily designed for investors seeking superior medium to long term capital growth from exposure to a diversified global portfolio of quality small and mid cap companies. Investors need to be comfortable with the short term fluctuations inherent in small and mid cap equity investments.

### Investment style and approach

Paradice believes that investment markets are inefficient as a result of excesses in collective market emotion, short-termism and too much market focus on profit and loss statements. Paradice focuses on identifying securities that exhibit four key characteristics – undervaluation, business quality, strong financial metrics and shareholder-friendly management teams.

Paradice strives to buy assets with at least a 30% discount to its assessment of intrinsic value. The intrinsic value of a security is what the security would be worth if a buyer was to purchase 100% of the business. Paradice employs discounted cash flows and real world transaction multiples to arrive at its assessments of intrinsic value. As a value investor, Paradice earns the vast majority of its investment returns through the unwinding of the discount.

While undervaluation is the lynchpin of Paradice's process, investment candidates must also exhibit unique business quality with solid financial strength and management teams that we believe know how to grow business value. Business quality is revealed in those businesses that have leading market shares, solid margins, strong free cash flow generation and improving returns on investment capital. Paradice searches out companies that exhibit limited amounts of financial and operating leverage. Paradice believes this financial strength is both an offensive and defensive measure.

Strong balance sheets are offensive such that management teams can utilise this strength in an economic downturn to improve the earnings power of the business. Paradice searches out those conservative management teams that understand business quality, the power of a strong balance sheet and what it takes to grow business value over time.

At the end of this rigorous analytical process, companies are ranked by the degree of the discount of the current market price to the team's estimate of the company's intrinsic value. Paradice invests where it believes it can get the best risk/ reward characteristics. Paradice assembles the portfolio by taking bigger positions in companies where the discount is greatest and smaller positions in companies with narrower discounts. Sizing of investment is also subject to adjustments for appropriate diversification by geography and sector and liquidity.

### Asset allocation and investment restrictions

To achieve the investment objective, the Fund will generally invest in global small and mid capitalisation companies (excluding Australian and New Zealand companies) that have a weighted average market capitalisation of less than US\$5 billion and cash (refer below).

The Fund will be denominated in Australian dollars and currency exposures will be generally unhedged.

The Fund will generally have a minimum of 40 securities and a maximum of 80 securities.

### Labour, environmental, social and ethical considerations

Equity Trustees and Paradice do not take into account labour standards or environmental, social or ethical considerations for the purpose of selecting, retaining or realising investments of the Fund.

### Fund performance

Up to date information on the performance of the Fund will be available by visiting [www.paradice.com.au](http://www.paradice.com.au). A free of charge paper copy of the information will also be available on request by calling Paradice on 02 8227 7400.

*Any of the above details could change at any time and without notice. Where we consider the changes are significant, we will notify you of the changes (and, where required, give you 30 days' prior notice).*

## 6. Fees and 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, reduces 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.

Your employer may be able to negotiate to pay lower contributions 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](http://www.moneysmart.gov.au)) has a managed investment fee calculator to help you check out different fee options.

The information in the following table can be used to compare costs between this and other managed investment schemes. Fees and costs are deducted from the assets of the Fund and reduce the investment return to unit holders. For information on tax please see Section 7 of this PDS.

Type of fee or cost	Amount
<b>Fees when your money moves in or out of the Fund</b>	
Establishment Fee	Nil
Contribution Fee	Nil
Withdrawal Fee	Nil
Exit Fee	Nil
<b>Management Costs<sup>1</sup></b>	
The fees and costs for managing your investment	<p><b>Management fees:</b> 1.40% pa of the NAV of the Fund<sup>2</sup></p> <p><b>Performance fees:</b> 15% of the amount by which the Fund's performance exceeds the Benchmark (after deduction of management fees, excluding any performance fee accrual)<sup>3</sup></p>

<sup>1</sup> All fees quoted above are inclusive of Goods and Services Tax ('GST') and net of any Reduced Input Tax Credits ('RITC').

<sup>2</sup> Management fees can be negotiated with very large Wholesale Clients. See 'Differential fees' below. See below for more details as to how Management Costs (including any indirect costs) are calculated.

<sup>3</sup> This represents the performance fees which are payable as an expense of the Fund to Paradise. See 'Performance Fee' below for more information.

### Additional Explanation of Fees and Costs

#### What are the Management Costs?

Management costs comprise the additional fees and costs that a unitholder incurs by investing in the Fund rather than by investing directly in the assets. They include any indirect costs of investing in the assets.

The management fees are 1.40% p.a. of the NAV of the Fund and comprise fees payable to Equity Trustees for overseeing the operations of the Fund and fees payable to Paradise for managing the assets of the Fund. Management fees are accrued daily and paid from the Fund monthly in arrears and reflected in the unit price. As at the date of this PDS, ordinary expenses such as custodian fees, administration and audit fees, and other ordinary expenses of operating the Fund are covered by the management fee payable to Paradise and are not an additional charge to you.

The management fees shown above do not include extraordinary expenses (if they are incurred in the future) such as litigation costs, resolving disputes, the costs of convening investor meetings, change of responsible entity or termination of the Fund. If extraordinary expenses are incurred in the future, they will be an additional cost to the Fund.

In addition, management fees do not include transactional and operational costs (i.e. costs associated with investing the underlying assets, some of which may be recovered through Buy/Sell Spreads).

#### Performance Fee

Paradise will be paid a performance fee equal to 15% (inclusive of GST and net of any RITC) of the dollar value of the outperformance of the Fund, calculated daily and payable monthly in arrears. Outperformance is the difference between the Fund's return (after deduction of management fees, excluding any performance fee accrual) and the Benchmark return. The Benchmark is the S&P Global BMI (US\$1bn - \$5bn Market Cap Range) in AUD.

If the Fund does not outperform the Benchmark, after deduction of management fees, no performance fee is payable in respect of that period, and no performance fee will begin to accrue in subsequent periods until the period underperformance ('Performance Deficit') has been made up.

To ensure that the proportionality between the Performance Deficit and the value of the Fund remains consistent where an application or a withdrawal occurs, at a time when the Fund has a Performance Deficit, the Performance Deficit will generally be reduced by the proportion of the Fund's gross asset value that the application/withdrawal represents.

Based on the current calculation methodology for the performance fees, we have estimated that the typical ongoing performance fees payable per annum may be \$120 (inclusive of GST and net of any RITC) assuming an average account balance of \$50,000 during the year. The calculation is based on average outperformance since inception of the Fund (17 January 2013) to 30 June 2017 of 1.6% per annum (after deduction of management fees and excluding any performance fee accrual). However, this is not a forecast as the actual performance fee for the current and future financial years may differ. We cannot guarantee that performance fees will remain at their previous levels or that the Fund will outperform the Benchmark in future periods.

It is not possible to estimate the actual performance fee payable in any given period, as we cannot forecast what the performance of the Fund will be, but it will be reflected in the management costs for the Fund for the relevant year. Information on current performance fees will be updated from time to time and available at [www.eqt.com.au/insto](http://www.eqt.com.au/insto).

#### Transactional and operational costs

In managing the assets of the Fund, the Fund may incur transaction costs such as brokerage, settlement costs, bid-offer spreads, clearing costs and applicable stamp duty when assets are bought and sold. This generally happens when the assets of the Fund are changed in connection with day-to-day trading or when there are applications or withdrawals that cause net cash flows into or out of the Fund.

## 6. Fees and costs (continued)

The Buy/Sell Spread reflects the estimated transaction costs incurred in buying or selling assets of the Fund when investors invest in or withdraw from the Fund. The Buy/Sell Spread aims to ensure that other investors are not impacted by the transaction costs associated with a particular investor buying or selling units in the Fund. The Buy/Sell Spread is an additional cost to the investor but is incorporated into the unit price and not separately charged to the investor.

The Buy/Sell Spread is paid into the Fund and not paid to Equity Trustees or Paradise. At the date of this PDS, the Buy Spread is 0.30% upon entry and the Sell Spread is 0.30% upon exit. You would incur a \$15 Buy Spread for each \$5,000 contribution to the Fund. Likewise you would incur a \$15 Sell Spread for each \$5,000 withdrawal from the Fund.

The Buy/Sell Spread can be altered by Equity Trustees at any time to reflect the actual costs incurred by the Fund. Equity Trustees may also waive the Buy/Sell Spread in part or in full at its discretion. Generally, there will be no Buy Spread incurred on any distributions that are reinvested.

Transactional costs which are incurred other than in connection with applications and withdrawals arise through the day-to-day trading of the Fund's assets and are reflected in the Fund's unit price. As these costs are factored into the value of the Fund's assets and reflected in the unit price, they are an additional implicit cost to the investor and are not a fee paid to Equity Trustees or Paradise. These costs can arise as a result of bid-offer spreads (the difference between an asset's bid/buy price and offer/ask price) being applied by trading counterparties to securities traded by the Fund.

During the financial year ended 30 June 2017, the total transaction costs for the Fund was estimated to be 0.09% of the Fund's NAV, of which 100% of the transaction costs was recouped via the Buy/Sell Spread, resulting in nil net transactional costs. In dollar terms, and assuming a \$50,000 investment in the Fund, the net transactional costs of the Fund would be \$0. However, such costs for future years may differ.

### Example of annual fees and costs for the Fund

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

Example – Paradise Global Small Mid Cap Fund		Balance of \$50,000 with total contributions of \$5,000 during the year*
Contribution Fees	Nil	For every \$5,000 you put in, you will be charged \$0*.
<b>Plus</b> Management Costs	1.40% pa	<b>And</b> , for every \$50,000 you have in the Fund you will be charged \$700 each year.
<b>Plus</b> Performance Fees	15% pa	And, for every \$50,000 you have in the Fund you will be charged \$120**.
<b>Equals</b> 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, then you would be charged fees of: <b>\$820***</b>
		<b>What it costs you will depend on the fees you negotiate.</b>

\* Please note that the Fund has a minimum additional investment amount of \$10,000.

\*\* The performance fees stated in this table shows the typical ongoing performance fees payable per annum assuming an average account balance of \$50,000 during the year to provide a better indication of the amount of the amount of fees that could be paid. The calculation is based on average outperformance since inception of the Fund (17 January 2013) to 30 June 2017 of 1.6% per annum ( $\$50,000 \times 1.6\% \times 15\% = \$120$ ). The performance of the Fund, and the performance fee, may be higher or lower or not payable in the future. As a result, the management costs may differ from the figure shown in the table. It is not a forecast of the performance of the Fund or the amount of the performance fees in the future. See also above (next to the heading 'Performance Fees') our estimated typical ongoing performance fees payable per annum. The actual performance fees for the current financial year and for future financial years may differ. Past performance is not a reliable indicator of future performance.

\*\*\* This example assumes the \$5,000 contribution occurs at the end of the year, therefore management costs are calculated using the \$50,000 balance only. The example does not include the Buy/Sell Spreads and transaction and operational costs discussed elsewhere in this section. The example assumes no abnormal expenses are incurred and fees are not individually negotiated with Paradise.

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

### Further reading

You should read the important information in the Reference Guide under 'Additional information on fees and costs of the Paradise Global Small Mid Cap Fund' about the fees and costs associated with investing in the Fund before making an investment decision. The Reference Guide is available at [www.eqt.com.au/insto](http://www.eqt.com.au/insto). The material relating to these matters may change between the time when you receive this PDS and the day when you acquire the product.

## 7. How managed investment schemes are taxed

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**Warning: Investing in a registered managed investment scheme (such as the Fund) is likely to have tax consequences. You are strongly advised to seek your own professional tax advice about the applicable Australian tax (including income tax, GST and duty) consequences and, if appropriate, foreign tax consequences which may apply to you based on your particular circumstances before investing in the Fund.**

## 8. How to apply

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To invest please complete the Application Form attached to this PDS and make payment via electronic bank transfer\* (see details in the Application Form). You can send your Application Form to Registry Services, GPO Box 1406, Melbourne VIC 3001 or via fax to 1300 365 601.

Please note that cash cannot be accepted.

*\*The transferring party must be Real Time Gross Settlement (RTGS) compliant.*

### Who can invest?

The Fund is available to Wholesale Clients only. Applicants must be 18 years of age or over.

Investors investing through an IDPS should use the application form provided by the IDPS Operator.

### Cooling-off period

No cooling-off period applies to the offer made in this PDS as the units are only available directly to Wholesale Clients.

The right to cool-off may also not apply if you are an Indirect Investor, even if you are a Retail Client. Indirect Investors should seek advice from their IDPS Operator or consult the IDPS Guide or similar type document as to whether cooling-off rights apply.

### Enquiries and complaints

If you have any enquiries regarding the management of the Fund, please visit [www.paradice.com](http://www.paradice.com).

If you are not satisfied with any aspect of our services regarding the management of the Fund, please contact Equity Trustees. Equity Trustees seeks to resolve potential and actual complaints over the management of the Fund to the satisfaction of investors.

If you wish to lodge a formal complaint please write to:

The Fund is an Australian resident for tax purposes and does not pay tax on behalf of its investors. Australian resident investors are assessed for tax on any income and capital gains generated by the Fund to which they become presently entitled or, where the Fund has made a choice to be an Attribution Managed Investment Trust ('AMIT'), are attributed to them.

Compliance Team  
Equity Trustees Limited  
GPO Box 2307  
Melbourne VIC 3001  
Email: [compliance@eqt.com.au](mailto:compliance@eqt.com.au)

Equity Trustees will respond within 14 days of receiving the letter and will seek to resolve your complaint as soon as practicable but not longer than 45 days after receiving the complaint.

If we are unable to resolve your complaint, you may be able to seek assistance from the Financial Ombudsman Service ('FOS'). To find out whether you are eligible (and if so, to make a complaint) contact FOS on 1300 780 808, [info@fos.org.au](mailto:info@fos.org.au) or GPO Box 3, Melbourne VIC 3001. Please include Equity Trustees FOS membership number with your enquiry. It is 10395.

FOS can assist you if Equity Trustees cannot. FOS may not consider a dispute where the value of a person's claim exceeds \$500,000. FOS is only able to make a determination of up to \$309,000 per managed investment claim (excluding compensation for costs and interest payments).

### Further reading

You should read the important information in the Reference Guide about applications in the Reference Guide section 1 'Investing in the Paradise Global Small Mid Cap Fund' and section 2 'Managing your investment'. You should also read '4. Enquiries and complaints' section for further information about:

- keeping in touch; and
- the Financial Ombudsman Service,

before making a decision to invest. The Reference Guide is available at [www.eqt.com.au/insto](http://www.eqt.com.au/insto). The material relating to keeping in touch and the Financial Ombudsman Service may change between the time when you read this PDS and the day when you acquire the product.

## 9. Other information

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### Consent

Paradice has given and, as at the date of this PDS, had not withdrawn:

- its written consent to be named in this PDS as the investment manager of the Fund; and
- its written consent to the inclusion of the statements made about it and which are specifically attributed to it, in the form and context in which they appear.

Paradice has not otherwise been involved in the preparation of this PDS or caused or otherwise authorised the issue of this PDS. Neither Paradice nor its employees or officers accept any responsibility arising in any way for errors or omissions, other than those statements for which it has provided its written consent to Equity Trustees for inclusion in this PDS.

Neither Equity Trustees nor Paradice guarantees the success or the performance of the Fund or the repayment of capital or any particular rate of capital or income return.

### Further reading

You should read the important information in the Reference Guide '6. Other important information' section for information about:

- your privacy;
- the Constitution;
- the Anti-Money Laundering and Counter-Terrorism Financing laws ('AML/CTF') laws;
- Indirect Investors;
- information about underlying investments;
- Attribution Managed Investments Trusts;
- Foreign Account Tax Compliance Act; and
- Common Reporting Standard,

before making a decision to invest. The Reference Guide is available at [www.eqt.com.au/insto](http://www.eqt.com.au/insto). The material relating to these matters may change between the time when you receive this PDS and the day when you acquire the product.