



*Managed by*

***Cadence Asset Management Pty Ltd***

*ACN 106 551 062*

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## **Important Information**

### **The Issuer and the Fund**

This Information Memorandum is issued by Cadence Asset Management Pty Ltd ABN 68 106 551 062, AFSL Number 252745 (Trustee) as Trustee of Cadence Capital (Fund).

This Information Memorandum has not been and is not required to be lodged with ASIC under the Corporations Act 2001 (Corporation Act). Thus, ASIC has not reviewed or considered this Information Memorandum and takes no responsibility for it or its contents.

### **This Information Memorandum**

This Information Memorandum provides information for potential or existing investors concerning the operation of the Fund. This information includes information concerning how investments can be made in the Fund, how the Fund is managed by the Trustee and the potential benefits and risks that attach to those investments. Investments in the Fund are available only to investors who meet the eligibility criteria detailed in the Information Memorandum.

Any person wishing to invest in the Fund is required to complete and sign the Application Form, which forms part of this Information Memorandum, at the back of this document.

This Information Memorandum is provided for the information of potential or existing investors only. It does not constitute an offer of units in the Fund. When you apply for units in the Fund, you are making an offer to the trustee to acquire units. The Trustee is not bound to accept your offer. You agree to be bound by the Trust Deed of the Fund when applying for units.

### **General Information Only**

You should read this document carefully before you invest and make sure you understand it and what further information or material you or your adviser might require. You will find general information only in this Information Memorandum. This information doesn't take into account your particular investment objectives, financial situation or needs. Before you invest, you should consider whether the Fund is appropriate for you and whether you should speak with your financial adviser. You should also consider the tax implications of investing in the Fund. Your financial adviser and/or tax adviser will be able to help you with these matters.

If you are printing an electronic copy of this document, you must print all pages. If you make this document available to another person, you must give them the entire electronic file or print out.

We may change the information and terms in the document subject to the Fund's Trust Deed and our legal obligations and will only notify you of the changes as required. If

we are aware of any change to this document that is materially adverse to an investor, we will either replace the document or issue a supplement to it.

### **Investment Risk**

It is important to note that all investments can rise and fall and there is no guarantee that you will get back what you originally invested in the Fund. Investment in the Fund is subject to investment risk, including possible delays in repayment and loss of income and capital invested.

If you have any questions about investing or about any of the Cadence funds, you should speak to your financial adviser. You should obtain professional advice from an appropriately qualified adviser before proceeding with any investment.

Please refer to the Certain Risk's section on Page 12 of this document.

### **Returns and Performance**

Past performance figures are not necessarily indicative of future returns and should be used as a general guide only. Returns on investments necessarily are volatile and subject to change. These returns are likely to vary from year to year. No allowance has been made for taxation.

Future returns may bear no relationship to the historical information displayed. Returns in a Fund can be particularly volatile in the short term and may be negative. No Relevant Person makes any guarantee or representation in regards to the performance of any of the funds, nor the specific rate of return to investors or the return of capital.

There is no guarantee that implementation of the investment objectives or strategy with respect to the assets of the Fund will not result in substantial impairment or loss of assets in the Fund.

### **Reading this Information Memorandum**

When reading this document, please note that:

- references to 'you' or 'your' are to investors (And, where the context requires, prospective investor) in the Fund;
- references to us, we and our and like expressions refer from time to time to the Trustee and Manager of the Fund;
- references to Relevant Person means the Trustee, its officers and employees and its authorised agents and delegates.

You should note in particular the features of the Fund and the investments in it in the following section, Summary of Terms.

# **1. Summary of Terms**

## **The Fund**

Cadence Capital (the “Fund”) is a trust formed under the laws of New South Wales by a Trust Deed dated 3<sup>rd</sup> November 2003 by the Trustee. The Fund’s principal office is located at Level 11, 131 Macquarie Street, Sydney NSW, Australia.

## **Manager**

The Manager of the Fund is Cadence Asset Management Pty Limited, who is also the Trustee. Cadence Asset Management Pty Limited is a corporation formed under the laws of New South Wales, Australia with principal offices at Level 11, 131 Macquarie Street, Sydney NSW, Australia.

## **Investment Objective And Strategy**

The three principal investment objectives of the Fund are:

- to ensure that the Fund is managed on an absolute return basis,
- to achieve a high real rate of return within risk parameters acceptable to the Manager, and
- to provide investors with a co-investment opportunity alongside the founding members investments in the Cadence strategy.

The Manager seeks to achieve this by actively managing a portfolio of globally listed securities. When opportunities to invest in suitable securities cannot be found, the Manager may reduce the level of exposure employed and accumulate a significant cash position. In addition, if the Manager is able to identify securities that satisfy the investment strategy, short selling of these securities may be undertaken.

See Section 2, “Investment Objective and Method of Operation”.

## **Principle Terms**

- Minimum investment of \$500,000 (AUD) (unless the Manager agrees otherwise).
- Quarterly fixed management fee equal to 0.25% (1.00% on an annual basis) of funds under management.
- Different Classes of Units have different performance fee methodologies. Unit holders can chose the Class of Units that they would prefer to subscribe to and therefore which performance fee methodology they would prefer to have applied:

Class A Units have an annual performance fee equal to 20% of the net annual profit (including net realised and unrealised gains). The performance fee is subject to a “high water mark” which is calculated and tracked on a unit-by-unit basis.

Class B Units have an annual performance fee equal to 20% of the outperformance of each unit's net annual profit (including net realised and unrealised gains) above the movement in the All Ords. Accumulation Index over that same period. This is calculated and tracked on a unit-by-unit basis.

- Subscriptions can be accepted monthly but preferred quarterly (and at such other times as are permitted by the Manager). Each periodic subscription will be into a different class/series of Units so that the "high water mark" can be correctly calculated and tracked on a unit-by-unit basis, if required.
- Redemptions are permitted after twelve months (unless the Manager agrees otherwise), then on the last day of each quarter on at least 30 days written notice.
- Investors will receive unaudited monthly performance reports and audited annual financial statements.
- The financial year is from 1 July to 30 June.

### **Tax Status**

The Fund should not be subject to any Australian income taxes as it is the Manager's intention to distribute the net income of the Fund to unit holders on an annual basis. The distribution of net income may form part of the assessable income of unit holders. *Shareholders should consult their own advisers as to the tax consequences of an investment in the Fund.*

### **Eligible Investors**

The Fund's units will be offered only to 'wholesale clients' (for the purposes of Chapter 7 of the Corporations Act), being professional, experienced and sophisticated investors. Refer section "Eligible Investors".

### **Purchase of Units**

Any investor desiring to subscribe for units in the Fund should a copy of the application form attached to this explanatory memorandum and send it to: TMF Fundadministrators (Australia) Pty Ltd, PO Box A2224, Sydney South NSW 1235, Australia (Fax: +61 2 8988 5857 or alternatively emailed to SSG.AUS@tmf-group.com)

## **2. The Fund**

An investment in the fund is an investment in an unregistered managed investment scheme.

An investment in the Fund is designed only for professional, experienced and sophisticated persons who are able to bear the risk of substantial impairment or loss of their investment in the Fund.

## **3. Investment Objective and Method of Operation**

### **3.1 Investment Objectives**

The three principal investment objectives of the Fund are:

- to ensure that the Fund is managed on an absolute return basis,
- to achieve a high real rate of return within risk parameters acceptable to the Manager, and
- to provide investors with a co-investment opportunity alongside the founding members investments in the Cadence strategy.

### **3.2 Investment Philosophy**

The Manager's investment philosophy is underpinned by a number of long held investment beliefs.

- We believe a combination of fundamental and technical analysis has a greater probability of producing higher returns than either fundamental or technical analysis alone,
- We see the 'Entry and Exit' strategy (technical) to be as important as the investment decision (fundamental). Our process of scaling into and out of positions is highly disciplined,
- The Manager considers our 'open mandate' to be invested or not invested as a key tenet in our approach to managing money, that is, the allocation between equities and cash based on bottom up fundamental analysis and technical analysis is critical, and
- We believe we can generate alpha from both long positions and short positions.

Fundamental Analysis:

- On a daily basis we visit and analyse companies to determine whether they are cheap or expensive

Technical Analysis

- Ideally we want to be long individual stocks that are trending up
- We want to be in cash or short selective stocks when they are trending down

As a consequence our investment process allocates between cash and equities depending on how individual stocks in our portfolio are performing. We also want to

have some spare capacity to borrow when opportunities exist. We would like to participate in the market when opportunities present themselves and to stop participating completely when they don't.

A large portion of our wealth is invested in our strategy, which indicates our level of conviction in the strategy, and our focus on implementing it.

### **3.3 Investment Process**

The Manager is a long-short Australian equities fund, with a long bias, that invests in equities listed globally. The fund has an open mandate. Over past years it has been quite active in under researched and misunderstood small and mid-cap equities listed on the Australian Stock Exchange. The Manager uses both fundamental and technical trend analysis in making investment decisions. ***It is the Manager's belief that the use of both fundamental and technical trend analysis has a greater probability of producing higher returns than either fundamental or technical trend analysis alone.*** Investments are classified as either trading stock or research driven core investments. The fund uses a bottom-up approach to investment for research driven core investments.

The Manager will target 20 to 40 research driven core investments and anything from 0 to 40 trading opportunities in the portfolio at any point in time. The Manager monitors fund concentration through continual monitoring of exposures at both an individual stock level and at a sector level. Gross exposure of the fund will generally be between 70% and 140%. Net exposure will generally be between 50% and 100%.

The maximum leverage the Manager will employ in the portfolio is \$0.40 of debt for every \$1 of equity, or 40% debt. Since the fund's inception it has never borrowed more than 33 cents of debt for every \$1 of equity.

#### **3.3.1. Idea Generation**

Ideas are generated from a number of sources including, the financial press, Exchange announcements, company visits (proactive and reactive), speaking to brokers, company results, broker research, in-house research, macro views on specific sectors, all types of corporate activity, and price action in specific stocks. Idea details are recorded and tracked in the Cadence Dashboard (date, company, analyst, source of the idea, stock price, and summary details of the opportunity) – these are reviewed by the Portfolio Manager (PM) and the fund analyst. Where there is interest in a potential position these are then discussed by the investment team. An audit trail of all past ideas are in the system, and in some cases colour coded, so that they can be followed up at points in time in the future (eg. when a stocks technical characteristics complement the fundamental characteristics).

All company visits are also recorded in detail in the Cadence Dashboard (date, company, analyst, proactive or reactive visit, small/mid/large cap, company file in existence, summary details of investment opportunity) – these are reviewed by the Portfolio Manager. Where there is interest in a potential position these are then discussed by the investment team.



The idea generation, company visits and the conversion into positions in the portfolio are tracked and monitored as monthly Key Performance Indicators (KPI's).

Once an investment opportunity is identified it must undergo further analysis. A potential core investment requires both fundamental and technical analysis. A trading opportunity requires only technical analysis.

### **3.3.2. Fundamental Analysis**

For Core investments fundamental analysis is undertaken. This includes discussions with management, industry research, and the generation of an in-house financial model for the potential investment. Following a company visit or further investigation into a stock idea, a stock analysis sheet is completed for each potential core position - this sheet summarizes all the relevant fundamental and technical information. Once this sheet is complete the analyst will decide on whether the stock displays the characteristics of an ideal Cadence long position or an ideal Cadence short position. Most stocks analysed fall in the middle ground in that they do not display all the characteristics for either a long or a short position.

The Manager looks to accumulate historical information and estimates for the next two years on:

- EPS growth
- P/E multiples
- PEG multiples
- Operating cash flow and Free cash flow yields per share
- Enterprise valuations
- Balance sheet strength, particularly debt and cash levels

### **3.3.3. Technical Analysis**

Technical analysis tools include:

- The short term (3 month), medium term ( 1 year) and long term (5 year) share price and volume indicators – ideal long trending up, ideal short trending down.
- Average weekly volume of shares traded

### **3.3.4. Portfolio Construction**

The Entry and Exit strategy applied is disciplined and unique. Cadence uses technical analysis on rolling 3 month, 1 year and 5 years price action. Positions are entered following the trend. Positions are not entered against the trend.

- Ideas or positions start as a 1% position in our Portfolio i.e. a low risk investment
- We only add to positions that are going up for long ideas and down for short ideas
- We cut our losing positions and over time allow our winning positions to get bigger
- Through bottom up analysis we migrate into cheap sectors and out of expensive sectors following the trend

- We do not add to our losing positions or cut our winning positions to maintain 'equal weightings' in our portfolio
- The process of entering and exiting individual stock positions defines our equity and cash exposure

The strategy for short positions is disciplined. When shorting we are conscious that markets fall at roughly 3 times the pace of rising markets, and that losses in shorts are unlimited. Hence the process of Entry and Exit for shorts has the following variations:

- Stocks cannot be sold at a higher price than previously sold,
- Shorts are added to more quickly, as a short diminishes in value as it follows the trend downwards,
- An assessment of the risks of the short is always undertaken prior to shorting. These include – call back, liquidity, market cycle etc.

### **3.4 Permitted Investments and the Use of Debt**

The Fund will invest principally in ordinary stocks, but may also invest in preference shares, warrants, options, rights and convertible securities. The Fund is also permitted to invest in certain money market and other investment securities. The Manager will use debt when it believes that doing so will enhance performance or where clear short-term market opportunities present themselves. The amount of leverage employed will not exceed \$0.40 of debt for every \$1 of equity employed.

## **4. Background of the Manager**

The employees of the Manager primarily responsible for making the Fund's investment decisions are Karl Siegling and Chris Garrard. Wayne Davies is the Chief Operating Officer of the Manager.

Karl Siegling has a Bachelor of Commerce and LLB degree from the University of Melbourne Australia, a Graduate Diploma in Applied Finance & Investment from the Securities Institute of Australia and an MBA from INSEAD in Fontainebleau, France.

Karl Siegling joined the equities research team of Deutsche Morgan Grenfell in 1994 after gaining 2 years experience in trading currency and bond options. Karl then worked as an industrial equities analyst over a period of five years, analysing the retail, transport and food sectors. Prior to joining Wilson Asset Management International (where he assisted in managing the portfolio), Karl was the Managing Director of eFinancial Capital Limited (a Pooled Development Fund listed on the Australian Stock Exchange). eFinancial Capital Limited invested in early stage, unlisted securities, in the financial services and technology sectors. Wilson Asset Management International engaged Karl Siegling in August 2002 where his focus was on in depth company research.

## **5. Management Fees and Expenses**

Management fees will comprise of two components:

1. **Fixed Management Fee**

The Manager will receive a fixed quarterly fee of 0.25% (1.0% per annum) of the Fund's net assets at the end of the calendar quarter.

2. **Performance Fee**

The Manager will calculate performance fees on a unit-by-unit basis.

The performance fee is calculated differently for different classes of Units. Unit holders can chose the Class of Units that they would prefer to subscribe to and therefore which performance fee methodology they would prefer to have applied:

**Class A Units:**

The Manager will receive an annual performance fee equal to 20% of the amount by which each Unit's Net Asset Value increases for the year to June 30. This will be paid annually. The performance fee will be subject to a "high water mark" which will be calculated and tracked for each subscription made (i.e on a unit-by-unit basis). In the event that a redemption occurs part way through a year the Manager will receive, subject to its "high water mark", a performance fee equal to 20% of the amount by which a Unit's Net Asset Value increases during that year up to the date of the redemption.

**Class B Units:**

The Manager will receive an annual performance fee equal to 20% of the outperformance of each Unit's Net Asset Value increase for the year to June 30 above the movement of the All Ords Accumulation Index for the same period. This will be paid annually and will only be paid if the Unit's Net Asset Value actually increase for the year to June 30. In the event that a redemption occurs part way through a year the Manager will receive a performance fee equal to 20% of the outperformance of those Unit's Net Asset Value increase for the period up to the date of redemption, above the movement of the All Ords Accumulated Index for that same period. This will only be paid if the Unit's Net Asset Value actually increase for the period up to the date of redemption.

The Manager reserves the right to review the performance fee on an annual basis, in the event of major movements in the market environment.

In this memorandum the term "high water mark" is applicable to Class A units and means the highest value that those units in the Fund have reached as at the end of a prior performance calculation period. Accordingly, in the event that the value of those units drops below the initial unit price on investment, or a prior high water mark, the Manager cannot earn a performance fee in subsequent years until that high water mark has been exceeded and only on the value that the units appreciate above the high water mark.

3. **Expenses**

Administration expenses such as audit, accounting, fund administration, secretarial and reporting charges will be met by the Fund. Please note also, that transaction expenses of the Fund such as brokerage, stock loan, stamp duty, bank charges and custodian fees will be charged to the Fund.

## **6. Certain Risks**

An investment in the Fund involves a high degree of risk and is suitable only as an investment for persons of substantial means who have no need for liquidity with respect to such investment. Prospective investors should carefully consider the risk factors set forth below as well as other risks specified in this Memorandum before making a decision to invest in the Fund.

### **Illiquidity**

The Fund's investments are expected to consist primarily of readily marketable securities. Nonetheless, because of the limitation on redemption rights and the fact that units in the Fund are not tradeable, an investment in the Fund is a relatively illiquid investment and may involve a certain degree of risk. A subscription for units in the Fund should be considered only by persons financially able to maintain their investment and who can afford the loss of a substantial part of such investment.

### **Short Sales, Options**

While the use of 'short sales' can substantially improve the return on invested capital, their use may also increase any adverse impact to which the investment portfolio of the Fund may be subject. The selling or purchasing of an unhedged option runs the risk of losing the entire investment or of causing significant losses to the Fund in a relatively short period of time.

### **Leverage**

The use of leverage can substantially enhance the performance of the Fund. Conversely, the use of leverage runs the risk of losing a larger proportion of the equity component of a particular investment in the event of adverse price movements. The use of leverage tends to lead to higher volatility in unit price movements.

### **Limited Diversification**

Since the Fund's portfolio will be concentrated in a limited number of companies and will not necessarily be widely diversified, the investment portfolio of the Fund may be subject to more rapid change in value than would be the case if the Fund were to maintain a wide diversification among companies or industry groups.

### **Nature of Investments**

The Fund's business will involve a high degree of financial risk. Markets in which the Fund invests are subject to a high degree of volatility and therefore the Fund's performance may be volatile. There can be no assurance that the Fund's investment

objective will be realised or that Unitholders will receive any return on their investment. The Manager in its sole discretion may employ such investment and trading strategies and methods as it determines to adopt. The Fund may also invest in securities for which no active trading market exists and the value of any such securities shall be determined by the Manager. As a result of these investment risks, an investor may lose all or a substantial amount of his investment in the Fund.

### **Market Risk**

Any investment made in a specific group of securities is exposed to the universal risks of the securities market. However, there can be no guarantee that losses equivalent to or greater than the overall market will not be incurred as a result of investing in such securities.

### **Hedging Transactions**

The Fund may utilise financial instruments such as derivatives for investment purposes and to seek to hedge against fluctuations in the relative values of the underlying assets and the portfolio positions as a result of changes in exchange rates, interest rates, equity prices and levels of other interest rates and prices of other securities. Such hedging transactions may not always achieve the intended effect and can also limit potential gains.

While the Fund may enter into such transactions to seek to reduce risks, unanticipated changes in currency, interest rates and equity markets may result in a poorer overall performance of the underlying assets. For a variety of reasons, the underlying assets may not obtain a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the underlying assets to risk of loss.

### **Economic Conditions**

Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws can affect substantially and adversely the business and prospects of the Fund. None of these conditions is within the control of the Manager and no assurances can be given that the Manager will anticipate these developments.

### **Counterparty Default**

The Fund will, in certain circumstances, be fully subject to the default of a counterparty including its Prime Broker.

### **Performance Fee**

The performance fee may create an incentive for the Manager to make Fund investments that are riskier or more speculative than would be the case in the absence of a fee based on the performance of the Fund. Please note that Mr Siegling the Portfolio Manager responsible for the Fund is an investor in the Cadence strategy.

*The foregoing risk factors do not purport to be a complete explanation of the risks involved in this offering. Potential investors must read the entire memorandum including all attachments and must consult their own professional advisers, before deciding to invest in this fund.*

## **7. Custodian/ Prime Broker**

The Fund has appointed Deutsche Bank AG, acting through its London Branch ("DB"), as Prime Broker under the terms of a Prime Brokerage Agreement (the "Agreement"). The functions which DB will perform under the Agreement are the provision of custody, settlement, financing and reporting services to the Fund regarding the purchase and sale of Securities (as defined in the Agreement) entered into by the Fund with either third parties, DB or affiliates of DB. Financing purchases and sales includes both cash and Securities advances to the Fund at the discretion of DB.

DB will be responsible for the safekeeping of all Securities delivered to it in accordance with the applicable rules of the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") and the terms of the Agreement.

DB will be granted a security interest over the interests in and rights in relation to the Securities recorded in the Securities Account (as defined in the Agreement) as being held for the benefit of the Fund. The beneficial ownership thereof will remain vested in the Fund and such interests in and rights in relation to Securities will be held in one or more segregated Securities Accounts, separately from DB's own assets and should (subject to any conflicting local legal and regulatory requirements in the jurisdiction of any relevant sub-custodian), whilst so held, be unavailable to the creditors of DB in the event of its insolvency.

Where DB arranges for Securities to be held through sub-custodians in overseas jurisdictions, there may be different settlement, legal and regulatory requirements that may apply from those applying in the United Kingdom, together with different practices for the separate identification of such Securities, and the Fund's rights relating to those Securities may differ accordingly.

Any cash transferred to or held by DB will not be treated as client money, but will be held as collateral and will not be subject to the client monies protections conferred by the Financial Conduct Authority ("FCA") rules relating to client money. As a consequence, the Fund's money will be held by the Prime Broker as banker and not as a trustee or agent and the Prime Broker will not be required to place the Fund's money in a segregated client account; the Fund's money will instead be used by DB in the course of its business, and the Fund will therefore rank equally with DB's other account holders in relation thereto.

Interests in and rights in relation to Securities recorded in the Securities Account as being held for the benefit of the Fund will be held on trust for the Fund and will be recorded and held in such a manner that they can be identified at any time as belonging to the Fund and so as to be readily identifiable as such and as separate from DB's own securities. DB may (subject to local legal and regulatory requirements) hold Securities with a sub-custodian in a single account that is identified as belonging to customers of

DB. DB will identify in its books and records that part of the Securities held by a sub-custodian as is held for the Fund.

DB may, at all times, appropriate for its own account and deal with Securities recorded in the Securities Account as being held for the benefit of the Fund. Securities so appropriated will continue to be recorded in the Securities Account, however such Securities will become proprietary assets of DB, and DB will be contractually obliged to deliver Equivalent Securities to the Fund pursuant to the Agreement.

DB will exercise reasonable skill, care and diligence in the selection of any sub-custodian, and shall be responsible to the Fund for the duration of the sub-custody agreement for satisfying itself as to the ongoing suitability of the sub-custodian to provide custodial services to the Fund. The level of assessment conducted with regard to the selection and supervision of an affiliated Fund as sub-custodian will be at least as rigorous as that performed on any non-affiliated Fund when determining its suitability. DB will maintain an appropriate level of supervision over the sub-custodian and will make appropriate enquiries periodically to confirm that the obligations of the sub-custodian continue to be competently discharged.

DB will be responsible for the acts of any sub-custodian or nominee which is an affiliated Fund (and therefore for losses to the Fund arising as a result of such acts) to the same extent as for its own acts, including any act or omission, fraud, negligence or wilful default. Where DB has appointed a sub-custodian which is not an affiliated Fund, it will not be liable for any act or omission, or for the insolvency, of such sub-custodian or for any loss arising therefrom.

The Fund has agreed to indemnify DB against any expenses, costs, losses, damages and liabilities which DB may sustain in connection with providing services under the Agreement.

DB will not provide investment advisory or discretionary management services to the Fund. DB will act strictly in accordance with instructions received from the Fund. Deutsche Bank AG has been assigned a credit rating and as at the date of this prospectus the financial resources of Deutsche Bank AG exceed US\$200 million. Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin - Federal Financial Supervisory Authority) and authorised and subject to limited regulation by the FCA and the Prudential Regulation Authority. DB is a service provider to the Fund and is not responsible for the preparation of this document or the activities of the Fund and therefore accepts no responsibility for any information contained in this document.

The Fund reserves the right to change the prime brokerage and custodian arrangements described above by agreement with DB and/or, in its discretion, to appoint additional or alternative prime broker(s) and custodian(s). The Agreement between the Fund and DB may be terminated by either party serving written notice of termination on the other.

There are risks involved in dealing with custodians or prime brokers who settle trades. Under certain circumstances, including certain transactions where the Fund's assets are pledged as collateral for leverage from a prime broker/custodian, or where the Fund's assets are held at a prime broker/custodian, the securities and assets deposited with the

prime broker/custodian may be exposed to a credit risk with regards to such parties. In addition, there may be practical or timing problems associated with enforcing the Fund's rights to its assets in case of an insolvency of any such party.

There is no guarantee that DB or any other prime broker/custodian that the Fund may use from time to time, will not become insolvent. In an insolvency or liquidation of a prime broker/custodian that has custody of Fund assets, there is no certainty that the Fund would not incur losses due to its assets being unavailable for a period of time or ultimately less than full recovery of its assets, or both. Because substantially all of the Fund's assets are custodied with a single prime broker and in some cases include a single major Australian bank, such losses could be significant and materially impair the ability of the Fund to achieve its investment objective.

## **8. Terms of Investment**

Entry to the Fund is permitted monthly on the first day of the month. Entry to the Fund will be preferred quarterly. Subscription documents must be received at least 3 days prior to month end. The Manager, at its discretion, may allow entry to the Fund at other times. The Manager also reserves the right to close the Fund to new investment at any time, at its absolute discretion. There is no entry charge. Each periodic subscription will be into a different class/series of Units. Different classes/ series of Units can have different performance fees applicable to them.

Redemptions are permitted twelve months after the initial allocation of units in the Fund and then quarterly following 30 days written notice. The Manager, at its discretion, may allow redemption before the initial twelve month period has expired. There is no redemption charge.

Investors will receive monthly unaudited performance reports, fund valuations on request and audited annual financial statements.

Copies of the Trust Deed are available upon request.

## **9. Unit Pricing**

Unit prices are determined on a monthly basis, and are calculated in accordance with the methodology described in detail in the Explanatory Memorandum. Each individual class/ series of Units will have its own Unit Price and where applicable its own "high water mark".

### ***Issue Price***

Units subscribed for will be priced at the Net Asset Value per unit at that date.

### ***Redemption Price***

The Redemption Price per unit for any class/ series of Units is equal to the Net Asset Value per unit of that class/ series of Units less any accrued management fees,



performance fees and other costs currently payable per unit for that class/ series of Units.

Investors should be aware that the price of units may fall as well as rise, in line with fluctuations in the market value of investments held by the Fund.

## **10. Eligible Investors**

The units are not being offered to and cannot be applied for by persons other than a person who satisfies one of the following:

- subscribes at least \$500,000 for Units in the Fund;
- is a holder of an Australian Financial Services licence;
- is a body corporate registered under the Life Insurance Act 1945 or the Financial Corporations Act 1974;
- is a trustee of a superannuation fund constituted by or under law of the Commonwealth or of a State, territory or foreign country;
- is a trustee of a superannuation fund that has net assets of not less than \$10,000,000;
- is a friendly society within the meaning of the Life Insurance Act 1945;
- is a person who, for the purpose of investment in securities, controls an amount of not less than \$10,000,000 (being an amount held by an associate of the person or under a trust that the person manages);
- is an investment company within the meaning of Part 4.4 of the Corporations Law;
- is an exempt dealer or an exempt investment adviser who is acting as a principal;
- is any other person who can be classified as a 'wholesale client' for the purposes of Chapter 7 of the Corporations Act.

Application will not be accepted from any other person.

## **11. Taxation**

It is the Manager's intention to distribute the net income of the Fund to unitholders on an annual basis on 30 June. This should result in the Fund not being liable to pay income tax. The distribution of net income will form part of the assessable income of unitholders.

It is the Manager's intention to permit the reinvestment of income in additional units in the Fund. However, the Manager reserves the right to restrict in whole, or in part, the extent to which unitholder can reinvest income distributions. This restriction will be invoked when it is the Manager's judgement that the Fund's investment performance would be impaired, by allowing the Fund to become too large.

It is anticipated that to the extent that the Fund receives franked dividends from its investments, these franking credits should pass through to the unitholders as part of the income distribution of the Fund.

Investors should seek independent professional advice regarding their own taxation position prior to investing in the Fund.

## **12. Anti-Money Laundering**

As part of the Fund's responsibility for the prevention of money laundering and terrorism financing, the Fund, Manager and their respective agents will require a detailed verification of the applicant's identity from any person delivering a completed subscription application to the Fund. This is required to ensure that the Fund complies with the regulations of the Anti Money Laundering and Counter Terrorism Financing Act 2006.

The Manager will request verification of identity from all prospective investors to the extent required under its internal Anti- Money Laundering and Counter Terrorism Financing policy and procedures document. On receipt of subscription applications the Fund may notify applicants if additional proof of identity is required. Applicants who are existing customers and believe they have supplied documentation verifying their identity to the Manager in the past may contact the Manager to determine whether any additional information is necessary. Failure to provide the necessary evidence may result in applications being rejected until such time as the required documents have been received by the Manager.

The Manager and its respective agents will be held harmless and will be fully indemnified by a potential subscriber against any loss arising as a result of a failure to process a subscription request if such information as has been requested by any of them has not been satisfactorily provided by the applicant.

By subscribing, applicants consent to the disclosure by the Fund, Manager and their agents of any information about the applicant, to regulators and other relevant parties upon request, in connection with money laundering and similar matters, both in Australia and in other jurisdictions.

## **13. How to Invest**

Investors should complete the **Application Form** accompanying this Information Memorandum and forward it together with **required identification** (see below) and **payment** to:

TMF Fundadministrators (Australia) Pty Ltd  
PO Box A2224  
Sydney South  
NSW 1235, Australia  
Australia Fax: +61 2 8988 5857  
(or alternatively emailed to [SSG.AUS@tmf-group.com](mailto:SSG.AUS@tmf-group.com))

Funds should be deposited / transferred into the following account:

Name: Cadence Asset Management Pty Ltd ATF Cadence Capital Trust

BSB: 332-027

Account Number: 554075514

Reference: Investor Name

## **Required Customer Identification**

The nature of the primary identification documents to be provided by customers will depend on the type of investor. This information is required to be received before the monies are to be invested into the Fund. In the event that a customer is unable to provide satisfactory identification documents, the application is to be refused.

**(a) Individual Investors** - Where the Investor is an individual, the following information and documentation with respect to that individual should be provided:

(i) Personal Identity

A certified true copy of the Investor's current valid passport(s)/driver's license/national identity card displaying the true name, signature, date of birth and photograph of the Investor. The name of the Investor provided in the Subscription Agreement must match the name of the Investor on the certified true copy passport, driver's license or national identity card. *See below regarding certification of identity documents.*

(ii) Address Verification

Verification of the residence address of the Investor. Examples of documents which are acceptable to verify the address of an individual are originals or certified true copies of any ONE of the following:

- utility bill (electricity, gas, telephone, mobile telephone, etc.)
- notice of determination for tax credit;

**(b) Limited Partnerships ("LPs") or Limited Liability Companies ("LLCs")-** Where the Investor is an LP or LLC, the following information and documents with respect to that LP or LLC should be provided:

- a certified true copy of the partnership agreement or limited liability company operating agreement;
- a mandate from the LP or LLC authorizing the establishment of the relationship (either generally or specific to the relevant fund) and conferring authority on those who issue instructions (e.g. authorized signatory list);
- the identity of the general partner/managing member or authorized signatories of those authorized to issue instructions for the LP/LLC. Where the general partner or managing member is an entity, then the entity has to be identified in accordance with the requirement set forth in this document (depending on what type of entity is involved), and also the individual(s) acting for such entity;
- verification of registered address – this should be included in the partnership agreement or limited liability company operating agreement, if not, further verification of the registered address should be provided

for example an extract from a public registry or other appropriate document.

(c) **Corporate Entities**

(i) **Private Corporations-** Where the Investor is a private corporation, the following information and documents are required:

- certified true copy of the certificate of incorporation or similar document;
- a list of directors' names;
- an authorized signatory list including the name(s) and specimen signature(s) of the person(s) who have signing authority;
- the identity of at least two directors, independently verified in accordance with paragraph (a) above (i.e. the Personal Identity and Address Verification of all directors)

Note:

- if the private corporation has a corporate director, then such entity has to be identified in accordance with the requirements set forth in this document and the Personal Identities and Address Verification of all directors (i.e. being individuals) of that corporate director must be provided.
  - If the private corporation has only one director, then the personal identity and address verification of that one director is sufficient.
- a list of names and addresses of shareholders holding 10% or more of the issued share capital of the private corporation, and in the case of individual shareholders, their occupations and dates of birth;
  - where a significant shareholder (owning 25% or more of the issued share capital of the Investor) is a body corporate and particularly where it concerns a nominee or "front" company, information regarding the ultimate beneficial ownership of that particular company must be provided. Where the ultimate beneficial owner(s) is/are individual(s), documentation concerning the Personal Identity and Address Verification with respect to the individual(s) in accordance with paragraph (a) is required.

(ii) **Investment Fund-** Where the Investor is an Investment Fund, the following information and documents are required:

- certified true copy of the certificate of incorporation or similar document;
- a list of directors' names;
- an authorized signatory list;
- the identity of all directors, independently verified in accordance with paragraph (a) above (i.e. the Personal Identity and Address Verification of all directors);
- Written confirmation by the administrator of the fund that 1. no shareholders own more than 10% of the issued capital; 2. the administrator has anti-money laundering policies and procedures in place reasonably designed to verify the identity of its shareholders and their sources of funds. This letter should also

include information concerning the regulatory oversight under which the administrator operates and the legislation that is applied to their KYC/AML procedures.

**(d) Trusts** - Where the Investor is a Trust the following information and documents should be provided:

- full name and type of Trust
- full name, occupation, business and/or residential address and, where available, telephone and facsimile numbers of the settlor (if no settlor is named in the trust deed or declaration of trust, then the identity of the person(s) who established the trust should be obtained);
- purpose of the trust;
- name and address of the trustee;
- a copy of the trustee's license (or equivalent);
- a list of directors of the trustee;
- the identity of at least two directors (if only one then personal identity and address verification of that one is sufficient) of the trustee independently verified in accordance with paragraph (a) above (i.e. the Personal Identity and Address Verification of the directors);
- an authorized signature list;
- a certified true copy of the Trust Deed.
- either full name of each beneficiary or if the trust identifies beneficiaries by reference to membership of a class- details of the class

Where the trustee is one or more individuals, the following information and documents should be provided:

- full name, occupation, business and/or residential address and, where available, telephone and facsimile numbers of the settlor (if no settlor is named in the trust deed or declaration of trust, then the identity of the person(s) who ultimately established the trust should be obtained)
- purpose of the trust;
- name(s) of the trustee(s);
- the identity of two of the trustees (if only one then personal identity and address verification of that one is sufficient) independently verified in accordance with paragraph (a) above (i.e. the Personal Identity and Address Verification of the trustee(s));
- a certified true copy of the Trust Deed.

**(e) Private Foundations** -Where the Investor is a private endowment or foundation (as opposed to, for example, a University or other educational establishment or foundation), the following information and documents should be provided:

- full name, occupation, business and/or residential address and, where available, telephone and facsimile numbers of the founder of the foundation;

- the Personal Identity and Address Verification of the founder (in accordance with paragraph (a) above);
- a certified true copy of the certificate of incorporation or similar document;
- a list of directors' names;
- an authorized signatory list which must include the name(s) and specimen signature(s) of the person(s) who signed the relevant Subscription Agreement or redemption request;
- the identity of at least two directors (if only one then personal identity and address verification of that one is sufficient), independently verified in accordance with paragraph (a) above (i.e. the Personal Identity and Address Verification of the directors);

Note:

- if the private endowment or foundation has a corporate director, then such entity has to be identified in accordance with the requirements set forth in this document and the Personal Identities and Address Verification of all the directors (i.e. being individuals) of that corporate director must be provided.

### **Certification of Documents**

Wherever reference is made to certified copies, these should be certified by a suitable person. Suitable persons include:

- Police Officers;
- Chartered & Certified Public Accountants;
- Notaries Public/Practicing Attorneys/Solicitors/Lawyers/Commissioners for Oaths/ Justice of the Peace;
- Embassy/Consular staff;

The certifier should sign the copy (printing his/her name underneath) and clearly indicate his/her position or capacity, and include a contact address and phone number. The certifier must indicate that the document is a true copy of the original, and for copies of passports/driver's licenses/national identity cards, include wording which confirms that "the individual whose identity is represented in the passport/driver's license/national identity card has appeared personally before the party providing the certification on the date of certification, that the attached document is a true copy of the original and that the picture thereon is a good likeness of the holder".

Please also note that the copy should be clear and legible.

The Manager will confirm receipt of the investment and will advise the number of units to be issued, the class/ series of units and the unit price.



## FUND DIRECTORY

<b>Principal Office:</b>	Cadence Capital Level 11 131 Macquarie Street Sydney NSW 2000 Australia
<b>Investment Manager:</b>	Cadence Asset Management Pty Ltd ACN 106 551 062 Level 11 131 Macquarie Street Sydney NSW 2000 Australia
<b>Prime Broker/Custodian:</b>	Deutsche Bank AG (London Branch) Winchester House Great Winchester Street London EC2N
<b>Fund Auditor:</b>	Moore Stephens Level 7 20 Hunter Street Sydney NSW 2000 Australia
<b>Fund Administrator:</b>	TMF Fundadministrators (Australia) Pty Ltd Level 16, 201 Elizabeth Street Sydney, NSW 2000 Australia
<b>Fund Solicitor:</b>	Watson Mangioni Level 13 50 Carrington Street Sydney NSW 2000 Australia

Written inquiries relating to the Fund should be addressed to Cadence Asset Management Pty Limited at the address of its principal office set forth above.

This explanatory memorandum is dated July 2014