

# **The Vega Fund**

## **Information Memorandum**

**December 2018**

**IMPORTANT** This Information Memorandum contains important information and requires your careful attention. It should be read in its entirety. If you are in doubt as to its contents or the course you should consult your financial adviser, accountant, solicitor or other professional adviser immediately.

## Important information about the Fund

This Information Memorandum (**IM**) is dated December 2018.

This IM has been prepared by Vega Capital Pty Ltd (ACN: 625 263 096) (the **Manager**), to provide you (being the intended recipient of this IM), and only you, with information supplied by the Manager.

This information is provided on a confidential basis, solely for you to evaluate an investment in **The Vega Fund** (the **Fund**). However, this IM is not a recommendation to invest in, nor is an offer or invitation to you to subscribe for units in the Fund (**Units**).

The information in this IM is believed to be accurate and reliable. However, no responsibility or liability will be accepted for any errors or omissions.

The information contained in this IM is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. You should assess whether the information is suitable for you and consider talking to a professional investment adviser before deciding to invest in the Fund.

You are advised strongly to obtain independent and suitably qualified advice from your own professional advisers in respect to the information in this IM and your decision to invest in the Fund.

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this IM. Any information or representation not contained in this IM may not be relied upon as having been authorised by us or any other person in connection with this Offer.

### Qualifying applicants

The Fund is an unregistered managed investment scheme (**MIS**). Therefore, applications for Units in the Fund will only be accepted if the investment qualifies for an exemption from the requirement to provide a regulated product disclosure document under the *Corporations Act 2001* (Cth).

An exemption from the requirement to provide a regulated product disclosure document applies to applications from 'wholesale investors' (as that term is defined in section 761G of the Corporations Act). Generally, investors of this category will need to demonstrate they have net assets of at least \$2.5 million, or gross income of at least \$250,000 per annum for each of the past two years, as certified by a Qualified Accountant, or make an investment in the Fund of at least \$500,000.

An exemption from the requirement to provide a regulated product disclosure document also applies to applications in respect of 'small-scale personal offerings'. That is an offer made directly to a potential investor that is known to the promoter of the scheme, and that results in 20 or less investors providing \$2 million in any 12 month period.

The Fund will not provide a disclosure document, (prepared under Chapter 7, Part 7.9 of the Corporations Act, or any other part), in relation to an investment in the Fund.

### **Terms of an investment**

The information in this IM, or subsequent information given to you either orally or in writing by us, or any related bodies corporate, directors, officers, employees, agents, representatives and advisers (the parties) is supplied on the terms set out in this IM.

Although every care has been taken in the preparation of the information included in this IM, we, to the maximum extent permitted by law, do not accept any liability or responsibility (whether in tort or otherwise) for, and make no representation or warranty, express or implied, as to the accuracy or completeness of such information.

### **Updated information**

Information in this IM may be subject to change from time to time. If the change relates to a matter or information that we reasonably consider to not be materially adverse to a decision to invest, then we are not obliged to provide you notice of the change.

You may at any time request an up to date version of this IM from us. We recommend that you do so before making an investment. You may request an electronic copy of any updated information at any time, free of charge.

### **Offers outside Australia**

The offer of Units in the Fund made in this IM is available to persons receiving this IM within Australia (including in electronic form). This IM does not constitute an offer or invitation in any place outside Australia where, or to any person whom, it would be unlawful to make such an offer or invitation.

All references to dollar amounts and application prices in this IM are in Australian currency.

### **Theoretical calculations**

Theoretical calculations in this IM should not be taken as an indicator of future performance of the Fund.

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## Investment summary

The following table provides a summary of the Fund's key features:

Fund features	Description
Investment objective	To generate high absolute returns averaging at least 15 per cent per annum.
Suggested investment period	3 to 5 years or more.
Trustee and Manager	Vega Capital Pty Ltd (ACN 625 263 096)
APIR Code	VGC2877AU
Inception date	1 July 2018
Term of Fund	The Fund is an open-ended fund.
Minimum initial investment	\$100,000
Minimum additional investments	\$100,000 and provided additional investments do not require disclosure under Part 7.9 of the Corporations Act.
Minimum redemption	None, provided the Minimum Account Balance is maintained.
Minimum Account Balance	\$100,000
Income	Income will comprise various components, including interest, dividends, trust distributions and realised gains.
Distributions	Generally six-monthly following June and December each year.
Redemptions	By 2pm on the last Business Day of each calendar month.
Unit pricing	Units in the Fund will be valued monthly and available at <a href="http://www.vegacapital.net">www.vegacapital.net</a>
Reporting	Confirmation of transactions in units and annual distribution and tax statements. The Manager will provide a monthly performance report as well as commentary available at <a href="http://www.vegacapital.net">www.vegacapital.net</a>
Entry Fee and Exit Fee	Nil
Management Fee	1.5% per annum (plus GST)
Performance Fee	20% of the performance above return on the S&P 500 total return index.
Buy/sell spread	0.25% / 0.25% (buy/sell)
Cooling Off	No cooling off period applies
Broker	Interactive Brokers
Administrator	MacKenzie Managed Funds Pty Ltd
Foreign exchange dealer	Compass Global Markets & Associated Foreign Exchange Australia Pty Limited
AFSL	Vega Capital is a Corporate Authorised Representative

	(No. 1274255) of Lanterne Fund Services Pty Ltd (ABN 49 098 472 587) AFS License No. 238198.
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## What is the Vega Fund?

Vega is a quantitative and macroeconomic driven managed fund which has a focus on absolute returns. Its strategy combines theories from financial mathematics and macroeconomics to manage a portfolio of derivative assets.

## What is the Vega Fund strategy?

The strategy of Vega involves the buying and selling of liquid exchange traded options written on broad-based global stock market indices to generate double digit returns p.a. over a 3-5 year time horizon.

The Manager has developed a series of algorithms which, in conjunction with other algorithms within the public domain (such as the Black Scholes Merton option pricing model), allow for the identification of profitable investment opportunities in option and securities markets.

The strategy earns high risk adjusted returns by selecting options with the highest likely returns and then minimises potential losses through macroeconomic analysis, diversification and hedging practices.

These models have been tested on over 10 years of out-of-sample historical data to ensure robustness. The table below demonstrates the results of the fund over the back test periods. As per standard, the below returns are pre-fee and do not include taxes.

<b>Backtest performance - End June 2018</b>						
<b>The Vega Fund</b>	<b>Inception</b>	<b>10 year</b>	<b>7 year</b>	<b>5 year</b>	<b>3 year</b>	<b>1 year</b>
<b>Returns p.a.</b>	20.1%	22.3%	14.1%	11.8%	5.9%	9.4%
<b>Standard deviation</b>	15.4%	15.6%	11.6%	8.8%	9.3%	9.4%
<b>Sharpe</b>	1.2	1.3	1.1	1.1	0.4	0.8
<b>Alpha p.a.</b>	12.5%	12.3%	1.0%	-1.2%	-5.6%	-3.6%
<b>S&amp;P500 TR Index</b>	<b>Inception</b>	<b>10 year</b>	<b>7 year</b>	<b>5 year</b>	<b>3 year</b>	<b>1 year</b>
<b>Returns p.a.</b>	7.6%	10.0%	13.2%	13.0%	11.5%	13.0%
<b>Standard deviation</b>	15.3%	15.3%	12.0%	10.7%	12.2%	8.9%
<b>Sharpe</b>	0.4	0.5	0.9	1.0	0.8	1.2
<b>Maximum drawdown</b>	<b>Inception</b>	<b>Years 7-10</b>	<b>Years 5-7</b>	<b>Years 3-5</b>	<b>Years 1-3</b>	<b>Years 1</b>
<b>The Vega Fund</b>	-16.3%	-16.3%	-16.0%	-5.4%	-12.1%	-8.5%
<b>S&amp;P500 TR Index</b>	-55.3%	-55.3%	-23.3%	-7.3%	-13.0%	-10.1%

The above information should be considered as example of how returns can vary significantly over time but not as a guarantee that future losses or volatility levels will not be larger than that of the past.

## Who should invest?

The fund is suited to sophisticated investors with a long term view towards wealth creation. Investors should view an investment in The Vega Fund as at least a 3-5 year commitment. Our analysis however has shown that wealth generation is greater the longer the investment horizon.

We anticipate that The Vega Fund could comprise part of diversified portfolio offering upside during bull markets and downside protection bear markets.

## Investment philosophy and process

Vega's investment philosophy is built upon a proven, long-term approach to macro-economically driven investments in global derivatives. This approach is based on three tenets:

**Quantitative Analysis:** The Vega Fund uses proprietary financial models which have been built and individually specified for various geographies. The models can be grouped into market models and technical models which aim to assess risk levels in geographies and markets.

**Macro-economic Analysis:** The Vega Fund uses economic models which have been built and individually specified for various geographies. The models aim to assess risk levels in geographies and markets.

**Trade Selection:** Once the investment universe has been identified through quantitative and macroeconomic analysis, the Fund assesses each potential investment based on its own individual merit.

Investments are evaluated by:

- Potential risk/reward (value).
- The level of mispricing.
- The likelihood of realizing a profit or loss.
- Liquidity.
- Investment duration.

Vega's investment process is performed by a series of algorithms are subjected to daily oversight by the Manager before any trades are executed.

The main steps in Vega's automated processes are:

- i) Identify and value a universe of liquid global derivatives written over market indices.
- ii) Cull the universe by eliminating derivatives which are statistically unlikely to realise a profit or whose risk characteristics are too high (for example far in-the-money options, far out-the-money options or options near maturity).
- iii) Rank the universe by factors such as the level of mispricing, potential return and liquidity.
- iv) Using the ranking of each option, a new portfolio of options suited to the current macroeconomic environment (as determined by Vega's economic risk assessment algorithm) is created.

- v) This new portfolio is compared automatically to the current Vega Fund portfolio to assess if it has better prospects.

Once Vega has established or updated its options portfolio, there are further processes which are also completed automatically.

- I) Establishment or adjustment of a hedging portfolio to counter the excess risk of the option portfolio. For example, if our option portfolio was heavily short volatility then we may buy futures on the CBOE Volatility Index to offset our exposure.
- II) Continuous return potential, portfolio duration, risk exposure and margin requirement monitoring.

The Vega fund is not hedged to fluctuations in currencies.

### **Active risk management**

The Fund's investment positions are constantly monitored and re-evaluated based on market movements and economic developments. The Fund optimizes the portfolio by establishing new positions, closing out existing positions which have reduced in potential or have become too risky.

The Fund can enter, exit or amend position exposures quickly due to the use of highly liquid derivatives.

### **Investment policy**

The Fund primarily invests in options written on broad based indices listed on recognised stock markets in both developed and emerging markets around the world. The portfolio's industry, country or regional weightings may differ significantly from Benchmark weightings. However, the investment manager will endeavour to structure the portfolio in a manner that provides for prudent diversification.

The Fund may invest in common equity stocks, indices and exchange traded funds listed on recognised stock markets in both developed and emerging markets around the world (other than in Australia). The portfolio's industry, country or regional weightings may differ significantly from Benchmark weightings.

The Fund may also invest in global fixed and floating-rate debt instruments and debt obligations (including convertible bonds) of governments or government-related issuers worldwide and various currencies worldwide.

The Fund may invest (but is not required or limited to investing) in US Treasury securities, government/sovereign bonds, government-related bonds, supranational bonds, inflation-linked government bonds, foreign currencies, municipal bonds, collateralised debt obligations (CDOs) and collateralised loan obligations (CLOs), cash and cash equivalents, exchange traded funds/notes, mutual funds, other open-ended investment structures and derivatives.

The Fund's investment strategy may involve holding "short" portfolio exposures through the utilisation of derivative instruments or via the borrowing and subsequent "short-selling" of exposures.

The Fund may utilise derivatives over any asset class (including but not limited to equities, fixed income securities and commodities (physical and financial)) for hedging purposes, investment purposes and/or efficient portfolio management. These derivatives may be dealt on either regulated markets or over-the-counter, and may include, among other things,



swaps (such as credit default swaps or total return swaps), forwards and cross forwards, futures contracts and options.

The Fund may utilise the following derivative instruments without limitation, singularly or jointly, to fulfil the Fund's investment strategy:

- Forward currency exchange contracts (including, cross-currency forward currency exchange contracts)
- Over-the-counter and exchange traded options (including currency options and options on interest rates).
- Swaps (including credit default swaps (single name and index/basket), total return swaps, interest rate swaps, currency swaps, cross currency swaps and options on swaps).
- Futures and options on futures (including futures on interest rates, bonds, fixed income indexes and currencies)
- Structured notes or securities (including, but not limited to, credit linked notes), including where coupon or principal payments are linked or indexed to non-U.S. exchange rates, index returns, yield curve shapes, or other eligible investments.

The Fund may take advantage of opportunities in other derivative instruments which are not presently contemplated for the Fund or which are not currently available, but which may be developed in the future, to the extent such opportunities are consistent with the Fund's investment objective.

The Fund's mandate is managed in a total return framework. The investment objective is to provide high absolute returns averaging at least 15 per cent per annum over the long run. A market cycle is usually considered to be a period of three to five years.

There is no maximum or minimum percentage exposure to any individual security.

## Returns

Returns will be generated:

- By maintaining sufficiently large positions in a group of derivatives over broad based liquid market indices; and
- From the offsetting behaviour of certain asset classes under specific conditions.

The Fund aims to employ approximately 30-80 per cent of its portfolio at any one time. 0-30 per cent of the portfolio may be employed for hedging purposes at any one time with the remainder of funds being held in cash assets.

Whilst the manager expects the Fund to perform well over the medium to long term, over short term horizons investors should expect mixed results in which the Fund may outperform or underperform. Derivatives are well known to be volatile assets and whilst the manager undertakes efforts to temper portfolio volatility, over short term horizons, there is a limit to how much of a reduction can be achieved without impairing long term performance. As such, the portfolio is subject to short term fluctuations in its quotation.

The effectiveness of the Fund's strategy depends on the accuracy in which the Fund's algorithms can anticipate the correct economic climate and optimize the option portfolio to take advantage of the view.

The Fund attempts to minimize broker commissions by only trading when a significant opportunity arises or for hedging purposes. No attempt to predict short-term changes in the price level of any asset class or security will be made.

More information about the investment process is available on our website at [www.vegacapital.net](http://www.vegacapital.net).

## Authorised investments

Authorised investments of the Fund include:

Global Cash	<ul style="list-style-type: none"> <li>– Cash management funds.</li> <li>– Bank Bills.</li> <li>– Term Deposits.</li> <li>– Fixed Interest securities of any maturity.</li> </ul>
Global Commodities	<ul style="list-style-type: none"> <li>– Direct or indirect holding in listed commodity (physical and financial) securities of any and all geographies.</li> </ul>
Global Fixed Interest	<ul style="list-style-type: none"> <li>– Fixed Interest securities of any currency denomination of any and all geographies.</li> <li>– Fixed Interest funds of any currency denomination of any and all geographies.</li> </ul>
Global Equities	<ul style="list-style-type: none"> <li>– Direct or indirect holding in listed equity securities or equity index or exchange traded fund of any and all geographies.</li> </ul>
Options and Derivatives	<ul style="list-style-type: none"> <li>– Option and derivative contracts over the above assets classes</li> </ul>
Other assets	<ul style="list-style-type: none"> <li>– Includes deferred purchase agreements, contracts for difference and other contracts or securities of any nature.</li> </ul>

## The Manager

### Scott Shuttleworth

Vega Capital was established in 2018 by Scott Shuttleworth to focus solely on the management of The Vega Fund.

Scott Shuttleworth is the Founder and Portfolio Manager of Vega Capital with seven years of experience in investment and risk management. Prior to founding Vega, Mr Shuttleworth was an Analyst at Montgomery Investment Management specialising in equities research for a circa AUD\$1b domestic portfolio. Prior to this, he was a commercial and corporate credit analyst at GE Capital.

Mr Shuttleworth holds a Bachelor of Science in Economics from the University of Western Australia as well as a Master of Science in Financial Mathematics from University of New South Wales in Sydney. Mr Shuttleworth completed his thesis in Option Pricing and pursued significant research post his postgraduate studies which became the foundation of the Vega Capital investment philosophy.

Mr Shuttleworth manages the Fund portfolio on a day to day basis.

The Manager is an independent investment management company with an objective to deliver stable absolute returns to investors, regardless of the prevailing economic or financial market environment.

## What are the risks?

### General comments about risk

Investors should understand that all investments involve risk. There can be no guarantee against loss resulting from an investment in the Fund, nor can there be any assurance that the Fund's investment objectives will be attained.

Given the investment strategy of the Fund, an investment in the Fund may not be suitable for all Investors. You should only invest money in Units in the Fund that represent genuine 'risk capital'.

### Some specific risks to consider

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

Some common types of investment risks relevant to an investment in the Fund are outlined in the table below.

Type of risk	Explanation
Market risk	<p>Markets are subject to a host of factors, including economic conditions, government regulations, market sentiment, local and international political events and environmental and technological issues.</p> <p>Market risk may have different impacts on each investment and investment style.</p>
Investment risk	<p>The Fund seeks to generate higher returns than traditional cash investments. The risk of an investment in the Fund is much higher than an investment in a typical bank account or term deposit.</p> <p>Amounts distributed to unitholders may fluctuate, as may the Fund's unit price. The unit price may vary by material amounts, even over short periods of time, including during the period between a redemption request being made and the time the redemption unit price is calculated.</p>
Security specific risk	<p>Individual securities such as shares are exposed to corporate influences such as changes in a company's business environment and profitability which may cause the value of the company's securities to increase or decrease. This in turn may impact the value of the Units.</p>
Manager risk	<p>As the strategy is very discretionary, performance is entirely dependent of the ability of the Manager to successfully identify and implement transactions.</p> <p>The Fund could experience losses if the judgement of the Manager about markets, future volatility, interest rates, industries, sectors and regions is incorrect, or if the attractiveness, relative values, liquidity, effectiveness or potential appreciation of particular investments made for a portfolio proves to be incorrect.</p> <p>There is no guarantee that the Fund will achieve its performance</p>

	<p>objectives, produce returns that are positive, or compare favourably against its peers.</p> <p>The Manager may change its investment strategies and internal trading guidelines over time, and there is no guarantee that such changes would produce favourable outcomes.</p>
Model risk	<p>Where the Manager uses a financial model as part of the investment or risk management processes, there is no guarantee that the model will perform as expected. The model may not generate expected returns, nor provide the assumed levels of risk management. Where a model is used for forecasting or loss estimation purposes there is no guarantee that these forecasts or estimations are accurate.</p>
Movements in exchange rates	<p>For investments in international assets, a rise in the Australian dollar, relative to other currencies, may negatively impact investment values and returns.</p>
System Failure	<p>If the Fund is using an Internet-based or other electronic system to place trades, some part of the system could fail. In the event of a system failure, it is possible that, for a certain period, the Fund may not be able to enter new orders, execute existing orders, or modify or cancel orders that were previously entered. A system failure may also result in loss of orders or order priority.</p>
Counterparty default risk	<p>Counterparty risk is the risk to each party of a contract that the counterparty will fail to perform its contractual obligations and/or to respect its commitments under the terms of such contract, whether due to insolvency, bankruptcy or other cause.</p> <p>When over-the-counter (OTC) or other bilateral contracts are entered into (inter alia OTC derivatives, repurchase agreements, security lending, etc.), the Fund may find itself exposed to risks arising from the solvency of its counterparties and from their inability to respect the conditions of these contracts.</p> <p>The Fund will hold a balance in one or more trading accounts with financial market intermediaries and brokers. These balances are subject to the credit quality of the counterparties.</p>
Valuation risk	<p>The carrying value of the Fund's investments used to generate the Fund's unit price may not reflect their liquidation value. This may be due to a range of factors, including buy/sell spreads, liquidity pressures, market sentiment at the time of liquidation, and the volume of securities being liquidated. This may mean that the Fund's unit price does not reflect the value that will be achieved when processing a redemption.</p>
Derivative risk	<p>The value of derivatives is linked to the value of the underlying assets and can be highly volatile. Potential gains and losses from derivative transactions can be substantial.</p> <p>The use of derivatives may expose the Fund to risks including counterparty default, legal and documentation risk, and the risk of increased sensitivity of the Fund's unit price to underlying market variables. The use of derivatives may have the effect of magnifying both gains and losses.</p>

Margin risk	<p>When investing in some derivatives, market exchanges and brokers may require investors to deposit margin capital. If the investor fails to maintain an adequate level of margin capital, a position may be liquidated involuntarily by the exchange or broker.</p> <p>Margin requirements are not static and may be subject to large changes in short periods of time. As such, the Fund is exposed to the risk that margin requirement increases may be in excess of the Funds available capital reserves. In this scenario, the Fund may need to liquidate positions at unfavourable prices which can affect investment returns.</p>
International investments risk	<p>Investing internationally will give exposure to different or potentially greater risks that are not associated with investing in Australia.</p> <p>International investments may be affected by political and economic uncertainties, lower regulatory supervision, movements in foreign currency and interest rates and more volatile, less liquid markets</p>
Emerging market risk	<p>Investing in countries that have less developed political, economic, legal and regulatory systems carries a higher level of risk. Investments in emerging markets may be impacted by factors such as political/economic instability, lack of liquidity or transparency or safekeeping issues.</p>
Product illiquidity risk	<p>This is the risk that an investment may not easily be converted into cash with little or no loss of capital and minimum delay.</p> <p>Under certain extreme circumstances the products used in the Fund can become illiquid and untradeable. Such an eventuality could damage the ability to limit losses or take profits.</p>
Unit illiquidity risk	<p>Under certain circumstances the Manager may consider it necessary to limit or freeze withdrawals from the Fund. Although the products are usually liquid traded securities and the balance of the Fund is held in cash, some unforeseen market situation may lead to the inability to liquidate assets and redeem Units.</p>
Fund risk	<p>There are risks of investing in the Fund rather than investing directly in individual securities. Risks include, but are not limited to, the risk that:</p> <ul style="list-style-type: none"> <li>– the Fund terminates;</li> <li>– the fees and expenses will typically be higher compared to investing directly in individual securities and such fees and expenses may increase;</li> <li>– investments and withdrawals by one or more investors may have an impact on other investors; or</li> <li>– there is a change in the manager or trustee.</li> </ul>
Interest rate risk	<p>When interest rates rise, bond prices fall. The opposite is also true: bond prices rise when interest rates fall. In general, securities with longer maturities are more sensitive to these price</p>

	<p>changes compared to securities with shorter maturities.</p> <p>Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets. Interest rates may directly or indirectly affect the relative value of a currency.</p>
Investing in other collective investment vehicles	Investments in other collective investment schemes may subject the Fund to additional risks than if it would have invested directly into the underlying securities, including lack of liquidity.
Lower-rated securities risk	Securities rated below investment grade or which are non-rated, generally have more credit risk than higher-rated securities. The prices of high yield, fixed-income securities fluctuate more than higher quality securities. Below investment grade securities are also generally less liquid than higher-quality securities.
Regulatory and legal risk	Governments or regulators may pass laws, create policy, or implement regulation that affects the Fund or the assets of the Fund. Such initiatives impact either a specific transaction type or market and may be either country specific or global. Such changes may result in the Fund failing to achieve its investment objectives. Similarly, laws affecting unregistered managed investment schemes (including taxation and corporate and regulatory laws) may change in the future, affecting investors' rights and investment returns.

The above should not be considered an exhaustive list of the risks which investors should consider before investing in a Fund.

The future performance of the Fund is not guaranteed. Past performance is not a guide to future performance. No matter how skilled the Manager is, or how strong the Fund's performance has been in the past, there is always a chance you could receive back less than you invested.

Investment returns are volatile and can go up and down.

## Risk management

It is impossible to mitigate risks entirely. The descriptions below explain where steps are taken to manage the risks but Investors should understand that the risks will remain to varying degrees.

Two of the main risks for the Fund include:

- The Fund may get the direction of the markets wrong; and
- The Fund may be exposed to sudden increases in volatility.

With respect to the first category of risk, the Fund typically exhibits a position delta of below 100 per cent (and generally in the range of 25 per cent to 50 per cent). This means that for every dollar of movement in the underlying security, the derivative value will move by 25 per cent to 50 per cent (all else equal).

With respect to the second category of risk, during periods of low economic risk the Fund is typically exposed to large sudden increase in volatility. The Fund reduces this risk by using futures on the CBOE Volatility Index as well as through the direct purchase and sale of individual and combinations of derivatives on various market indices and securities. The

number of future contracts or options bought is managed to limit the portfolio downside to even a sudden large increase in volatility to between 10-20 per cent (however this cannot be guaranteed).

Furthermore, the Manager at any point may hedge any risk noted above or any other risk which is considered by the Manager to be excessive via any means (for example, via any financial or physical product). Investors should also be advised that the relationship between financial products can be volatile, and despite the Manager's best efforts, there is the risk that an attempted hedge may not be effective.

The Manager believes that the best mitigant for risk is to manage the portfolio with respect to the level of risk in the economy and markets via appropriate quantitative and qualitative models and frameworks. The above risk management practices however are employed as a further level of safeguarding against the impairment of investor capital.

Other more specific risk management strategies include:

- The use of stop-loss orders;
- The use of buffer margins and the cash account to moderate the potential leverage available to the Fund;
- Limitation of margin usage for any single position;
- Periodic stress-tests, leading to reduction in specific positions as required;
- Automatic stop-loss trading pauses after significant falls in the overall value of the Fund; and
- The ability to close out all positions and hold everything in cash.

## Costs, fees and disbursements

This section sets out the fees and other costs that you will or may be charged in relation to your participation.

The following table provides a summary of the fees and other costs that you will or may incur as a result of investing in the Fund. You should read all the information about fees and costs because it is important to understand their impact on your investment decision.

Type of fee or cost	Amount	How and when paid
<b>Entry Fee</b> This fee is payable on the application of each Unit	Nil	Not applicable
<b>Exit Fee</b> This fee is payable on the redemption of each Unit	Nil	Not applicable
Costs and disbursements and abnormal operating expenses	Up to 0.75% per annum (excluding any Extraordinary Costs)	Paid or reimbursed only as incurred
<b>Management Fee</b> This fee is in consideration for our management of the	Currently we charge a management fee of 1.5% (plus GST) per annum on	The Management Fee is calculated, accrues and is payable monthly

Fund's assets	the net market value of the Fund's assets	The Management Fee is expressed as a percentage of the gross market value of the Fund's assets  The Management Fee is deducted directly from the Fund's assets and is reflected in the Unit Price monthly
<b>Performance fee</b>  This fee is payable if the return on the Fund's assets exceeds the nominated benchmark return	The Manager is entitled to a performance fee as calculated in Schedule 2 of the Fund's Constitution	The Performance Fee is calculated and accrues monthly and is payable six monthly  The Performance Fee is deducted directly from the Fund's assets
<b>Transaction Costs</b> and the "buy/sell spread"	Estimated as 0.25% of the Application Money on buy and 0.25% of the Redemption value on sell	Payable at the time of issue or redemption (as applicable)

Please note: All amounts stated are exclusive of GST and any reduced input tax credits (RITC).

### Costs and disbursements

We expect to incur various ongoing expenses for the Fund, including (but not limited to) the costs of engaging agents or delegates, costs of convening and holding meetings and costs of preparing legal documentation.

The Constitution provides that we are entitled to pay from or be reimbursed out of the Fund for all such costs and expenses properly incurred in connection with the Fund. We are also entitled to be indemnified from the Fund for any liability properly incurred in relation to the Fund. This is in addition to the fees set out above (including in addition to our Management Fee and Performance Fee).

### Abnormal operating expenses

We may seek reimbursement from the Fund in accordance with the Constitution to cover abnormal operating expenses incurred by us in connection with performing our duties and obligations. These expenses are not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any given year. They are due to abnormal events such as the cost of running a Unit Holder meeting, or legal costs incurred by changes in the Constitutions or defending legal proceedings.

### Transaction costs and the effective 'buy/sell spread'

Estimated transaction costs are allocated when an Investor buys or sells Units in the Fund which results in a 'buy/sell spread' in the purchase and exit Unit Prices. This aims to ensure that other Investors do not pay the transaction costs associated with a particular Investor buying or selling Units in the Fund.



We have discretion to waive the buy/sell spread on applications or withdrawals when transaction costs are not incurred or are in our view immaterial.

The buy/sell spread is an additional cost to you as an investor in the Fund. The spread is based on our estimates of the average transaction costs incurred by the Fund from time to time. At the time of this publication the buy/sell spread has been set at 0.25%/0.25% buy/sell.

The buy/sell spreads may be updated from time to time. The buy/sell spread for the Fund is available by contacting us.

The buy/sell spread will impact the return on your investment and, because it's built into the Fund's Unit Price, it will not be recorded separately on your statements. The buy/sell spread is not paid to us. It is held in the Fund to cover or contribute towards the anticipated transaction costs of the Fund.

### **Management Fees**

We are entitled to be paid out of the Fund an on-going fee for managing the Fund and its underlying assets of up to of 1.5% (plus GST) per annum of the net asset value of the Fund.

### **Performance Fees**

We are entitled to a Performance Fee of as calculated in accordance with the methodology set out in Schedule 2 of the Fund's Constitution over a given period.

The benchmark is the S&P 500 total return index (inclusive of dividends reinvested). For the Manager to be entitled to a Performance Fee, the following conditions must be satisfied.

- The return of the S&P 500 total return index must be exceeded by the Vega Fund; and
- Any prior accrued levels of underperformance must be made up for; and
- The return of the Vega Fund must be positive.

The Performance Fee is calculated as 20 per cent of the difference between the return of the Vega Fund and the return of the S&P 500 total return index multiplied by the Fund's Net Asset Value calculated over each respective period.

The Performance Fee is calculated and accrues at the end of each month and is payable six monthly.

In addition to being payable at the end of each six month period, an amount referable to the Performance Fee may be withheld from the proceeds of Units redeemed during a month in respect of those Units. This will ensure that continuing Investors do not bear a disproportionate share of the Performance Fee for that month.

### **Differential fees**

We may rebate or waive any fees due to us to one or more Investors. The payment and terms of rebates or waivers are entirely at our discretion.

### **Accrual of Fees**

If the Fund is terminated, or we are removed as the Manager or trustee, or if we give effect to a resolution passed by Investors to exit the Fund, we are entitled to receive our fees calculated to the date of termination or removal.

## Distributions

At the end of each financial year (i.e. 30 June) the Fund must distribute all profits for the year to Investors. Investors will have the choice as to whether they reinvest the distribution in new Units. Within the year there may be additional distributions if certain conditions are met.

Distributions are generally assessable income and can be made up of both income and realised capital gains and will vary depending on the factors that influence the performance of the Fund (such as interest rates and market conditions) and may not be paid at all.

Distributions are calculated on a cents-per-Unit basis in accordance with the Fund's Constitution.

Undistributed profits and gains accrue in the Unit Price of the Fund during the relevant distribution period. This means that if an investment is made just before the end of a distribution period, you may receive some of the investment back immediately as income.

Immediately following a distribution, the Fund's Unit Price will usually fall because the income and realised gains accumulated during the distribution period will have been distributed.

Distributions may include a part return of capital.

## Taxation of Distributions

The Fund will distribute all its taxable net income each year and is generally not taxed itself. Your share of the taxable net income becomes part of your assessable income for that income year. This is the case regardless of whether the income is paid to you in cash or reinvested into additional Units, or if the income is received by you in the next income year.

The tax you may pay depends on, among other things, the type of distributions made to you. Distributions are likely to comprise assessable income according to ordinary concepts (i.e. trading income). The Fund's income may also comprise foreign income incorporating foreign tax credits.

Some distributions may not need to be included in your tax return (i.e. non-assessable distributions) but will generally reduce the cost base of your investment in the units in the Fund for capital gains tax purposes.

Given the proposed active trading nature of the Fund, it is expected that the returns will comprise income accordingly to ordinary concept, rather than capital gains.

## Tax reporting

After the end of the financial year, we will send tax statements to investors.

### **Tax File Number (TFN) or Australian Business Number (ABN) notification**

You are not obliged to provide your TFN or ABN, but if you provide neither, and do not claim a valid exemption, we are required to deduct tax from your distributions at the highest marginal tax rate, plus the Medicare levy, to meet Australian Taxation Office requirements.

Australian companies and other entities that invest in the course or furtherance of their registered business can supply their ABN instead of their TFN to us.

## Non-residents of Australia

If you are a non-resident wishing to invest in Australia, we recommend that you seek independent professional tax advice. Tax at the prescribed rates will be withheld from distributions to non-residents to the extent that the distributions comprise Australian sourced income or certain capital gains.

## Taxation of the Fund

The tax information provided in this IM is intended to be a brief guide only and should not be relied on as a complete statement of all relevant laws. It is based on our interpretation of current laws at the date of this IM. The information is provided as a general overview of how these laws apply to you, but the application of these laws depends on your individual circumstances.

Therefore, it is recommended that you seek independent professional tax advice about your specific circumstances.

The investors will become presently entitled to all taxable net income of the Fund each year. This means that under existing Australian tax legislation (and assuming the Fund is not treated as a public trading trust), the Fund will not be liable for income tax in its own right. Rather, each investor will be required to include their proportionate share of the taxable net income in their own assessable income each year.

## Goods and Services tax (GST)

GST will not be imposed on the application for, or withdrawal of, Units in the Fund. However, it will be charged on:

- The price of most purchases made by the Fund in carrying out its investment activities; and
- Fees payable to us, and reimbursable expenses.

The Fund may be entitled to claim a refund (RITC) for part (75%) of the GST included in the price of most purchases.

## Reporting

The Manager will provide each Investor with a summary report on the performance of the Fund each calendar quarter (i.e. 30 September, 31 December, 31 March and 30 June). This report will include brief commentary as to the sources and reasons for the performance.

## The Constitution of the Fund

### What is the Constitution of the Fund?

The Fund is an unregistered managed investment scheme established under a document called a Constitution. Under the Constitution, the trustee of the Fund is responsible for operating the Fund and selecting investments in accordance with the Constitution.

The Constitution and the general law set out the framework under which the Fund operates.

The Constitution (including any amendments) has not been lodged with ASIC (and is not required to be lodged). If you wish to inspect a copy of the Constitution, please contact us.

### **What are the main rights of investors under the Constitution?**

The rights and obligations of investors in the Fund are governed by the Constitution for the Fund, this IM, and the general law relating to trusts.

Some of the provisions of the Constitution are discussed elsewhere in this IM. Others affecting your rights include:

- The nature of the Units and whether classes of Units are authorised;
- Every Unit confers a beneficial interest in the Fund as a whole (but not a specific interest in any particular asset of the Fund);
- How we must calculate Unit Prices and the value of the Fund;
- What you are entitled to receive when you withdraw, or the Fund is wound up; and
- Your right to share in any income and how we calculate it.

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

Your rights to requisition, attend and vote at meetings of Investors are mainly contained in the Constitution.

### **What are our main duties and rights under the Constitution?**

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

- Can issue Units to you before your application money is received, as long as you pay interest on the outstanding amount of application money to the Fund;
- Have wide powers to invest, borrow and generally manage the Fund;
- Have discretion to refuse transfers and applications;
- Can change the Constitution, but we need approval at a meeting of Investors if the change will adversely affect rights;
- Can terminate the Fund at any time and will give you notice of any intention to do so; and
- Can retire, in which case a new trustee will be appointed.

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

### **What are our liabilities and indemnities under the Constitution?**

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

- We are not liable for acting in reliance in good faith on professional advice; and
- If we comply with our duties and act in accordance with the relevant laws and the Constitution, we are not liable to you for any loss in connection with the Fund.

In addition, we are entitled to be indemnified out of the assets of the Fund for any liability incurred by it in performing any of its duties or exercising any of its powers in relation to the Fund (or attempting to do so).

## Can the Fund borrow money?

Yes. The Fund can undertake both short-term and long-term borrowings. Short-term borrowings may occur in the daily management of the Fund. The Fund's Constitution provides that any borrowing does not exceed set limits.

## Related party transactions and conflicts of interests

The Fund may invest from time to time in other funds of which we, or a related entity, are trustee, responsible entity or manager (related funds). There is no limit on the level of investment in related funds.

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

In the course of managing the Fund, we may face conflicts in respect of our duties in relation to the Fund, related funds and our own interests. We have policies and procedures in place to ensure that we manage these conflicts through either controlling, avoiding or disclosing the conflict. We will resolve such conflicts fairly and reasonably and in accordance with the law and our own policies.

## Applying for Units in the Fund

### Who can invest?

The Fund is available for investment by qualifying direct Investors.

The Fund is an unregistered managed investment scheme. Accordingly, applications for Units in the Fund will only be accepted if the investment qualifies for an exemption from the requirement to provide a regulated product disclosure document under the Corporations Act 2001.

An exemption from the requirement to provide a regulated product disclosure document applies to applications from "wholesale investors" (as that term is defined in section 761G of the Corporations Act). Generally, investors in this category will need to demonstrate that they:

- Have net assets of at least \$2.5 million; or
- Have gross income of at least \$250,000 per annum for each of the past two years; or
- Make an investment of at least \$500,000.

A Qualified Accountant must certify that an investor satisfies these criteria.

An exemption from the requirement to provide a regulated product disclosure document also applies to applications in respect of small-scale personal offerings. That is an offer made directly to a potential investor that is known to the promoter of the scheme, and that results in 20 or less investors providing \$2 million in any 12 month period.

The Manager does not intend to provide a regulated disclosure document, (prepared under Chapter 7, Part 7.9 of the Corporations Act, or any other part), in relation to the Fund or an investment in the Fund.

## **US Persons**

For the avoidance of doubt, US Persons are not eligible to invest in the Fund. In the absence of written notice to a Fund to the contrary, if a potential investor provides a non-U.S. address on the Application Form for investment in any Fund, this will be deemed, in addition to any other representation, warranty or declaration, the potential investor may give including in the Application Form, to be a representation and warranty from such investor that they are not a U.S. Person and that such investor will continue to be a non-U.S. Person for so long as such investor holds any Units in a Fund.

## **How do you apply for units?**

Investors should complete the Application Form accompanying this IM.

Application Forms must not be circulated to prospective investors unless accompanied by a copy of this IM.

If you need any help in considering whether the Fund is appropriate for you, please talk to your financial or other relevant professional adviser.

To invest, forward your completed Application Form, together with your payment, to

MacKenzie Managed Funds  
11-13 Bentham Street  
Adelaide SA 5000

Payment methods and details are available with the Application Form.

Application money is paid into a non-interest-bearing account upon receipt. Nevertheless, any interest earned on this account will be retained by us and may be paid into the Fund.

If we are unable to process an application because it is invalid (e.g. the Application Form is not signed), the transaction will not be processed, and the application money will remain in the account until the correct documentation is received.

If correct documentation is not received within one month, the application money will be returned to you by cheque — with no interest payable.

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

## **Minimum investment**

The minimum investment in the Fund is \$100,000.

Additional investments may be made in increments of \$100,000.

The minimum account balance that must be maintained by each investor in the Fund is \$100,000. If your investment falls below this threshold, we have the discretion to redeem your Units at the then current Unit Price.

All investments are subject to acceptance by the Manager.

## **No cooling-off period**

No cooling-off period or rights apply to an investment in the Fund.

An Application may not be withdrawn following lodgment with us.

### **Unit allocations**

We will issue Units as soon as reasonably practicable after receipt and acceptance of a valid Application together with the applicable Application Monies. We reserve the right to issue to any Applicant a lesser number of Units than that applied for, or to decline any Application.

Where no allocation is made to a particular Applicant or the number of Units allocated is less than the number applied for by the Applicant, surplus Application Monies will be returned. No interest will be payable on refunded surplus Application Monies.

No interest will be paid to Applicants on any Application Monies received. Any interest earned will not be paid to you but rather will be retained for the benefit of the Fund.

Successful Applicants will be notified in writing of the number of Units issued to them as soon as reasonably practicable following issue.

### **Additional investments**

The Manager may periodically provide you with the ability to add to your investment. There is no need to complete another Application Form. Further transactions are made based on the then current IM (if any). You can request a copy of the current IM, which will be provided free of charge.

The price at which additional Units may be issued to you will be the entry price calculated at the end of the relevant month in which we receive the request before the cut-off time.

### **How to withdraw from the Fund**

The Manager may provide you with the opportunity to request a withdrawal of some or all your investment in the Fund on a monthly basis.

You can request a withdrawal from your investment in the Fund by sending us a completed withdrawal request form. The withdrawal request must be signed by you (or your authorised signatory) and should specify:

- Investor identification details;
- The withdrawal amount, in number of Units; and
- The account name, BSB number and account number of the Bank Account to which payment is to be made.

If the Manager processes your withdrawal request, the proceeds will generally be made available within 10 Business Days of the end of the period in which the redemption request is processed. The proceeds may either be directly credited to your nominated Bank Account, or you may choose to receive a cheque.

Please note these times are a guide only.

Cheques and Bank Accounts must be in the name(s) of the account holder(s). Withdrawals are paid in Australian dollars and are subject to clearance of any application money received from you. Clearance generally takes at least 5 Business Days. You may not cancel a withdrawal request without our consent.

The Manager may treat a withdrawal request which, if accepted, would lead you to holding Units with an aggregate redemption price less than the then minimum holding for the Fund, as a request for withdrawal of all your Units.

We do not expect there to be a secondary market for the sale of existing Units in the Fund, and there is no intention on our part to establish one.

### **Suspension of redemptions**

The Investment Strategy of the Fund is to invest in assets that are generally liquid in nature. Accordingly, we anticipate that the Fund will be liquid, and that the Fund will be able to maintain or raise sufficient liquid assets to fund redemptions on an ongoing and orderly basis. However, if the Fund becomes illiquid (for example, due to a breakdown in the orderly operation of financial markets) we may suspend redemptions until liquidity is restored, at which time we will resume redemptions.

### **Unit prices**

Generally, Unit Prices for applications and redemptions of Units are calculated at the end of each month in accordance with the Fund's Constitution, by dividing the market value of the Fund by the total number of Units on issue in the Fund at that time.

Prices are based on the market value of the Fund's assets, generally as next calculated by us after each cut-off time. Asset values will usually be based on closing prices or, at our discretion, other price quotes most recently available to us at the time we make the calculation, (which may be higher or lower than the closing prices).

Entry and exit prices applicable to applications and redemptions will usually be notified to investors buying or redeeming Units in respect of that period within 10 Business Days of the end of the relevant period. If assets are to be liquidated to fund a redemption the closing Unit Price may be adjusted to reflect the actual price at which such assets were disposed of by the Fund.

Distributions will be reinvested using the entry price for the last Business Day of the distribution period, adjusted to exclude the income to be distributed for the period.

### **Changes to Unit pricing**

We can change the way in which we calculate Unit Prices. Information regarding any such change will be made available to investors. Prior notice will not ordinarily be provided.

### **Processing times**

An application or withdrawal request must be received no later than of 4:00pm (Sydney time) on a Business Day at least 5 clear Business Days prior to the end of the relevant period (the cut-off time). Please note that we can change this cut-off time by giving written notice to direct investors.

An application or withdrawal request will usually receive an entry price or an exit price (as applicable) calculated at the end of the period in which we receive the request before the cut-off time. Entry and exit prices for each calendar month will usually be notified to investors buying or selling Units at that time within 10 Business Days of the end of the relevant calendar month.

Requests received on or after the cut-off time will generally be treated as having been received before the cut-off time in the following calendar month.

### **Forms**

Application, redemption and other investor forms are available at [www.vegacapital.net](http://www.vegacapital.net).



These forms should be used to apply for units, apply for additional units, redeem units and change unit holder details.

### Invalid transaction requests

Application, withdrawal and other transaction requests may be invalid for various reasons (e.g. not signing the appropriate form or not including all required information on the form). In such cases the transaction will not be processed until valid documentation is received and will be processed using the Unit Price applying on the day that we receive the correct documentation. The usual rules about cut-off times apply.

In cases where documentation is invalid, we will aim to contact you, generally within 15 Business Days.

### Dealing with us

Your investment in the Fund may be managed by one or more of the authorised signatories (or representatives) as nominated by you from time to time. Your authorised signatories may sign applications for additional units in the Fund or redemption requests on your behalf.

Generally, you and your authorised signatories will be required to complete the Manager's investor identification program as part of the application process to comply with the AML/CTF Laws (explained further below).

### Anti-money laundering and counter-terrorism financing

The Australian Government has enacted the *Anti-Money Laundering and Counter Terrorism Financing Act 2006 (AML/CTF Act)*. The purpose of the AML/CTF Act is the regulation of financial services and transactions in a way that will help detect and prevent money laundering and terrorism financing.

The Manager is subject to the *Anti-money Laundering and Counter-Terrorism Financing Act 2006 (Cth)* and other Australian and foreign legislation (collectively the **AML/CTF Laws**) that deal with the control of money laundering or terrorism financing which may prohibit the Manager from entering into or conducting transactions involving certain persons or entities. You must provide all information and documentation which the Manager reasonably requires to comply with AML/CTF Laws.

By completing the Application Form you agree that the Manager:

- May be required to carry out a procedure to verify your identity before providing services to you, and from time to time thereafter;
- Will incur no liability to you from any action it takes to comply with AML/CTF Laws;
- May delay, stop or refuse to make a payment or conduct a transaction if the Manager believes on reasonable grounds that making the payment or conducting the transaction will breach AML/CTF Laws;
- Is not responsible for any liability or loss you suffer (including consequential loss) as a result of any action or inaction taken by the Manager as a result of the AML/CTF laws; and
- May disclose information and documentation provided to the Manager where required by AML/CTF Laws.

You must ensure that your investment in the Fund and your conduct in maintaining your investment will not result in a breach of AML/CTF Laws.

We have certain reporting obligations under the AML/CTF Laws. The legislation prevents us from informing you that any such reporting has taken place. Where legally obliged to do so, we may disclose the information gathered to regulatory and/or law enforcement agencies, including the Australian Transaction Reports and Analysis Centre (AUSTRAC), banks, service providers or to other third parties.

### Individual investors

In accordance with the new anti-money laundering and counter-terrorism financing (AML/CTF) regulatory requirements, if you are not investing through an IDPS, then you must provide us with documentation from either column A or B, along with your completed Application Form:

Column A	Column B
<p>An original or certified copy of one of the following:</p> <ul style="list-style-type: none"> <li>• A driver’s licence or permit issued under a law of a State or Territory (or foreign country) that contains a photograph of the licence/permit holder.</li> <li>• An Australian passport.</li> <li>• A passport or other document of identity for the purpose of international travel that contains a photograph and signature of the passport holder and is issued by a foreign government, the United Nations (UN) or a UN agency and if written in a language other than English, is accompanied by an English translation prepared by an accredited translator.</li> <li>• An identification card issued by a State or Territory of Australia that contains the date of birth and a photograph of the card holder.</li> <li>• A national identification card that contains a photograph and signature of the card holder and issued by a foreign government, the UN or a UN agency and if written in a language other than English, is accompanied by an English translation prepared by an accredited translator.</li> </ul>	<p>An original or certified copy of one of the following:</p> <ul style="list-style-type: none"> <li>• A birth certificate or birth extract issued by a State or Territory.</li> <li>• A birth certificate issued by a foreign government, the United Nations (UN) or a UN agency and if written in a language other than English, is accompanied by an English translation prepared by an accredited translator.</li> <li>• An Australian citizenship certificate.</li> <li>• A citizenship certificate issued by a foreign government and if written in a language other than English, is accompanied by an English translation prepared by an accredited translator.</li> <li>• A pension card issued by Centrelink that entitles the card holder to financial benefits.</li> </ul> <p>PLUS</p> <p>One of the following:</p> <ul style="list-style-type: none"> <li>• A notice relating to the provision of financial benefits issued by a State or Territory of Australia or the Commonwealth of Australia within the preceding 12 months and contains the name and residential address of the individual.</li> <li>• A notice issued by the Australian Taxation Office within the preceding 12 months relating to a debt payable to or by an individual and contains the name and residential address of the individual.</li> <li>• A rates notice issued to an individual by a local government or utilities provider within the preceding 12 months and contains the name and residential address of the individual.</li> <li>• In relation to an individual under the age of 18, a notice issued to the individual by</li> </ul>

a school principal within the proceeding three months and that records the time that individual attended the school and the name and residential address of the individual.

### **If the Applicant is a company**

The Application Form must be signed in the manner required by the Act, which is for a director and secretary, two directors (or if the company has only one director, then just that director) to sign the Application Form. There is no need to apply a company seal.

In accordance with the new AML/CTF regulatory requirements, if you are not investing through an IDPS, then you must provide us (along with your completed Application Form) with an ASIC company search that shows the full name and ACN of the company, as well as the beneficial ownership of the company if the company is a proprietary company.

If the Applicant is a proprietary company that is licensed subject to regulatory oversight of a commonwealth, state or territory statutory regulator in relation to its activities, then you must provide evidence to that effect.

### **If the Applicant is a trust (family or unit trust, superannuation fund)**

The application must be made in the name of the trustee and also note the full name of the trust on the Application Form. If the trustee is an individual, then the Application Form must be signed personally by the trustee or by its attorney.

If the trustee is a company, then sign the Application Form in the manner required by the Act, which is for a director and secretary, two directors (or if the company has only one director, then just that director) to sign the Application Form. There is no need to apply a company seal.

In accordance with the new AML/CTF regulatory requirements, if you are not investing through an IDPS, then you must provide us with the following documentation, along with your completed Application Form:

- For a registered managed investment scheme or a government superannuation fund, we will require:
  - an ASIC search confirming the registration of the managed investment scheme, or
  - an extract from relevant legislation confirming registration of the government superannuation fund.
- For an unregistered managed investment scheme that only has wholesale clients and does not make small scale offerings under 1012E of the Act, we will require evidence to that effect.
- For all other trusts (including wrap trusts, master trusts or IDPSs), we will require the original trust deed or a certified copy or certified extract of the trust deed confirming the full name of the trust.

The trustee of the Applicant must also provide the same documentation as is required for an Applicant who is an individual or a company (as relevant).

### **If the Applicant is a partnership**

In accordance with the new AML/CTF regulatory requirements, if you are not investing through an IDPS, then you must provide us with either of the following documentation, along with your completed Application Form:

- The partnership agreement (certified copy or certified extract of the partnership agreement); and
- A certified copy or certified extract of minutes of a partnership meeting.

Each member of the partnership must also provide the same documentation as is required for an individual Applicant (as stated above).

### **Applications by existing Investors**

Existing Investors whose personal details remain unchanged only need to complete their name, Investor number and the amount of the additional investment they wish to make in the Trust. However, existing Investors who wish to apply for Units in a different legal capacity must complete the appropriate sections of the Application Form in full and provide us with the identification document required in relation to the new capacity in which they now wish to invest.

### **Foreign Account Tax Compliance Act**

The Trustee is required to identify certain US persons in order to meet account information reporting requirements under local and international laws. If you or (where you are an entity) any office bearer of the entity and/or any individual who holds an interest in the entity of more than 25% (a Controlling Person) are a US citizen or US tax resident, you must contact us on the above details at the time of accepting the terms and conditions in this IM.

When you contact us you will be asked to provide additional information about your US tax status and/or the US tax status of any Controlling Person which will constitute certification of US tax status for the purposes of the application to which the terms and conditions in this IM relate. Unless you notify us that you and/or any Controlling Person are a US citizen or US tax resident as specified above, accepting these terms and conditions constitutes certification that you and/or any Controlling Person are not a US citizen or US tax resident.

### **Common Reporting Standard**

The Common Reporting Standard (CRS) is the single global standard for the collection, reporting and exchange of financial account information on foreign tax residents. Under it, Australian banks and other financial institutions are required to collect and report to the ATO financial account information of non-residents, effective from 1 July 2017. The ATO will exchange this information with the participating foreign tax authorities of those nonresidents.

We will determine whether the Fund is required to report your details to the ATO based on our assessment of the relevant information received in the Application Form and other applicable documents, or through additional requests for information.

## Privacy

By completing the Application Form you are providing personal information within the meaning of the Privacy Act 1988 (Cth). We collect, hold and use personal information for the primary purpose of administering the Fund and your investment. We may also use your personal information for related purposes such as informing you about changes in product features, marketing new products and other topical information. We aim to collect your personal information in a fair and lawful manner, which is not unreasonably intrusive. We will not usually collect sensitive information and will only do so where we have your consent.

We may disclose your information to:

- The custodian or administrator of the Fund, which provides custody and administration services to us, and other persons to enable us to administer the financial products or financial services we provide to customers, including lawyers or auditors, entities providing finance, insurance, maintenance, registration and other services;
- Third parties you authorise to act on your behalf; and
- Government agencies such as the ATO, ASIC and AUSTRAC under corporations, taxation, social security, or anti-money laundering laws.

If you do not provide all the information we require we may not be able to establish and administer the financial product or deliver the financial service you have requested. In some cases, we may be required by anti-money laundering laws to collect additional information on application or at a later time.

You can find out what personal information we collect and hold, update that information and opt-out of receiving direct marketing information from us by contacting us. You can also ask for a copy of our Privacy Policy if you want to know more or obtain it directly from our website.

## Complaints resolution

Complaints resolution is a priority for us. If you have any concerns or complaints with respect to our administration of the Fund, please contact us and we will do our best to resolve it quickly and fairly.

The Manager will:

- Promptly acknowledge in writing any complaint received from you; and
- Liaise with you to confirm details of the complaint and, if practicable, to address and/or resolve the complaint.

If the complaint cannot be readily addressed or resolved in a timely manner the Manager will:

- Follow up your complaint by investigating, properly considering and deciding what action (if any) to take or offer, having regard to your complaint; and
- Communicate its decision to you as soon as practicable and in any event not more than 28 days after receipt of the complaint and inform you of any remedies available and any avenue of appeal.

## Contacting us

If you have any queries regarding the Fund, or any of the participants in the Fund, please contact us:

Phone: 1800 960 707

Email: [sshuttleworth@vegacapital.net](mailto:sshuttleworth@vegacapital.net)

Postal address: Level 5, Suite 508, 55 Holt Street, Surry Hills NSW 2010

Web: [www.vegacapital.net](http://www.vegacapital.net)

## Glossary

Applicant	A person who submits an Application
Application	An application for Units under this IM
Application Form	An application form in the form approved by the Manager
Application Monies	The total amount of funds tendered by an Application together with their Application
Application Price	As at the date of this IM means \$1.00 for each Unit applied for
ASIC	Australian Securities and Investment Commission
Business Day	A day (other than a Saturday or Sunday) on which banks are open for general banking business in Adelaide
Constitution	The deed by which the Fund is constituted
Fund	The Vega Fund
IM	This information memorandum
Investor	A person holding Units in the Fund
Trustee	The trustee of the Fund, currently Vega Capital Pty Ltd (ACN: 625 263 096)
Manager	The manager of the Fund, currently Vega Capital Pty Ltd (ACN: 625 263 096)
Redemption Offer	An offer that may be made by the Manager to redeem Units held by Investors
Unit	A unit in the Fund
Unit Price	The value per Unit at which a Unit may be issued or redeemed in accordance with the Fund's Constitution
US Person	Any person that is a United States person within the meaning of Regulation S under the United States Securities Act of 1933 or as defined by the U.S. Commodity Futures Trading Commission for this purpose
"we", "our", "us"	Vega Capital Pty Ltd (ACN: 625 263 096)