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# Ibbotson **Diversified Alternative Trust**

**Additional Information Document**

10 December 2014

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# Ibbotson Diversified Alternatives Trust | Additional Information Document (AID) | 10 December 2014

This document has been issued by Ibbotson Associates Australia Limited (ABN 54 071 808 501; AFSL 228986) ('Ibbotson').

Information in this **Additional Information Document** forms part of the Product Disclosure Statement (PDS) for the Ibbotson Diversified Alternatives Trust (Trust). The PDS has been drafted in accordance with the ASIC Regulatory Guide 240 Hedge Funds: Improving Disclosure to assist investors in understanding the Trust and in making an informed investment decision.

**You should read this Additional Information Document together with the PDS before making a decision to invest in the Trust.**

This **Additional Information Document** and the PDS are available online at [www.ibbotson.com.au](http://www.ibbotson.com.au) or you can request a free copy by calling Ibbotson on +61 2 9276 4550.

This **Additional Information Document** contains general information only and does not take into account your personal investment objectives, financial situation or particular needs. It is recommended that you seek professional advice tailored to your personal circumstances before making a decision. Neither Ibbotson, nor any other related body corporate, guarantees the performance of the Trust or the return of capital or income. Your investment in the Trust is subject to investment risk. This could involve delays in repayment and loss of income or loss of capital invested.

details of the investments held by the Trust, asset values, unit prices, portfolio weights, investment returns, commentary and any material changes (including changes to risks, investment strategy or key services providers).

Reports are sent to investors monthly and quarterly. The reports detail Trust performance against performance benchmarks, commentary and attribution analysis. Ibbotson also provides additional reporting as agreed with individual investors.

## Annual Reporting

On an annual basis, Ibbotson provides information to all investors on the liquidity, leverage and the maturity profile of liabilities and assets within the Trust and key service providers including derivative counterparties. This information is available on the Ibbotson website ([www.ibbotson.com.au](http://www.ibbotson.com.au)) or upon request from Ibbotson.

As well as providing regular written communication, Ibbotson's Distribution Team can be contacted from 9:00am to 5:00pm Monday to Friday AEST to assist with any questions or queries.

## Reporting by Underlying Investments

Ibbotson receives Trust performance information for all underlying investments on a monthly or more frequent basis. More detailed information is received on an annual basis.

## Summary of Disclosure Principles for Hedge Funds

### 1. Investment Strategy

The Trust meets ASIC Disclosure Principle 1.

Ibbotson aims to deliver consistent investment returns by applying a disciplined investment process built around in-depth investment research, a focus on asset allocation and innovative portfolio construction. This involves developing an investment strategy, including an appropriate asset allocation and a combination of high quality investments, underlying managers and passive market portfolios, to achieve the investment objectives.

#### 1.1 Details of Trust's Investment strategy

The Trust is invested in alternative assets and strategies regarded by Ibbotson as diversifying investments for investors that already own shares and government bonds. The size of allocations to each investment is based on the expected extent of these diversification benefits, the risks of each investment, liquidity and the expected reward net of

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## ASIC Benchmarks for Hedge Funds

### 1. Valuation and Custody of Assets

The Trust has met ASIC Benchmark 1.

Ibbotson's policy requires valuations of the investments held and the Trust as a whole to be provided by an independent third party service provider. The custody and administration functions of the Trust have been outsourced to JP Morgan Chase Bank (Sydney Branch), N.A ('JP Morgan'). Valuations are calculated and provided independently by JP Morgan. Ibbotson monitors and conducts independent verification of valuations on a daily basis.

Please refer to Disclosure Principle 4 - Valuation and Custody of Assets on page 5 for more information.

All underlying investments have independent fund administrators. Any directly held investments are valued on the basis of their respective transaction prices on stock exchanges or third party independently sourced prices.

### 2. Periodic Reporting

The Trust has met ASIC Benchmark 2.

Ibbotson provides regular reporting and information to investors.

#### Monthly Reporting

A Trust profile is available monthly on the Ibbotson website ([www.ibbotson.com.au](http://www.ibbotson.com.au)) or upon request from Ibbotson. The Trust profile provides

fees for these risks. The Trust is constructed and managed to meet the specified risk/return investment objectives.

The Trust gains this exposure by investing in a variety of investment structures, primarily managed investment schemes including Ibbotson managed trusts, listed investment companies and exchange traded products. Derivatives may be used to gain or hedge market exposures.

### Location and Currency Denomination of Assets

The Trust is invested globally, with the majority of its exposure in developed markets. The underlying investment structure may be domiciled in Australia, UK, USA, Guernsey or other countries. Although the currency exposure of assets is global, the majority of this currency exposure is hedged back to Australian dollars.

### Role of Leverage, Derivatives and Short Selling

The Trust is permitted to borrow under its Constitution, although there is no current intention to utilise borrowings to magnify returns. The Trust is exposed to strategies that may use leverage to magnify returns.

Derivatives that may be used directly by Ibbotson include:

- ▶ Currency swaps;
- ▶ Currency forwards;
- ▶ Currency futures;
- ▶ Currency options;
- ▶ Interest rate swaps;
- ▶ Interest rate forwards;
- ▶ Interest rate futures;
- ▶ Interest rate options;
- ▶ Equity swaps;
- ▶ Equity index futures;
- ▶ Equity index futures options;
- ▶ Equity options;
- ▶ Equity index options; and/or
- ▶ Deferred purchase agreements.

The list of derivative instruments is continuously reviewed. New instruments may be included without notice to investors.

Ibbotson believes that by using derivatives, the Trust's investment strategy can be implemented more efficiently and cost effectively. Ibbotson also believes that effective use of derivatives can enhance the Trust's performance without inherently increasing risk and/or protect the Trust against extreme market movements.

The Trust does not intend using short selling as a direct investment strategy. However, the Trust may be exposed to underlying managers which use short selling strategies to generate returns.

### 1.2 How Strategy Will Produce Returns

Ibbotson biases the Trust to investments it believes are priced to generate attractive risk-adjusted

returns and which offer diversification benefits. Gains are expected to come from strategies that exploit attractive opportunities and face limited competition as well as asset classes that are attractively valued relative to their risks. Ibbotson's expectation is that the majority of the returns for the Trust will come from capital return rather than income.

### 1.3 Diversification Guidelines or Limits

The Trust may hold a broad range of investments and asset classes, including:

- ▶ unlisted unit trusts;
- ▶ unlisted investments;
- ▶ shares listed on recognised stock exchanges;
- ▶ real estate investment trusts listed on recognised stock exchanges;
- ▶ exchange traded funds;
- ▶ listed investment companies;
- ▶ hedge funds;
- ▶ foreign currencies;
- ▶ fixed income;
- ▶ cash and cash equivalents;
- ▶ global infrastructure;
- ▶ derivatives (including futures); and
- ▶ alternative assets and alternative strategies.

The Trust is diversified across a range of investments with larger allocations to investments with moderate risk and greater potential for diversification. Investments which are regarded as potentially high risk or which may have less attractive diversification qualities will generally have smaller allocations. Ranges are reviewed and may change over time as new investment opportunities are identified or there are changes in the fundamental drivers of risk and return of types of investments. The Trust maintains exposure to at least 3 different types of investments at all times, with no single type of investment representing more than 50% of the Trust. The Trust is expected to be invested within the ranges stated below:

Sector	Range %
Global Listed Infrastructure	0 – 50
Insurance Linked Securities	0 – 50
Macro and Managed Futures Hedge Funds	0 – 50
Hedge Funds	0 – 25
Alternative Debt	0 – 25
Listed Private Equity	0 – 15
Commodities	0 – 15
Equity Volatility	0 – 15
Cash	0 – 20
Other <sup>1</sup>	0 – 15

### Notes

1. The alternatives investment universe is dynamic. The inclusion of 'Other' facilitates the identification of emerging strategies that we/the investment manager consider

desirable for the Trust to invest in. Where we invest in such assets we will provide further details in the Trust Profile published on a monthly basis.

The Trust's assets may temporarily be invested outside of these ranges in times of market volatility.

While these ranges are not mandatory, monitoring and compliance is subject to the same process that applies to all Ibbotson trusts. Exceptions are monitored, and an action plan implemented to bring exposures back within these ranges.

Ibbotson may make changes without prior notice in some cases. Investors will be informed of any material change to the Trust as required by law.

### 2.1 Specific Risks Associated With the Investment Strategy

Please refer to 3.7 for risks associated with investing in the Trust.

### 2.2 Key Aspects of the Trust's Risk Management Strategy and How Risks are Managed

Ibbotson recognises risk is multifaceted and subjective in nature. The monitoring of risk is not designed to be precise or reliant on one particular metric. Ibbotson recognises that precision and the heavy reliance on one risk measure can lead to potentially poor risk management. The appropriate monitoring of risk requires experience, judgment and a number of qualitative and quantitative measures. Ibbotson recognises these characteristics of risk and therefore applies a sceptical, conservative and practical approach to risk management utilising a wide array of measures.

The following measures form part of Ibbotson's overall risk management strategy:

#### Quantitative:

- ▶ Drawdown (that is the peak-to-trough decline expressed as a percentage of the previous peak) targeted to be 5–10% most of the time and a maximum of 20%.
- ▶ Beta range can be from 0.0 to 0.4, and from 0.2 to 0.3 most of the time.
- ▶ Beta is a measure of the sensitivity of Trust returns to changes in the price of shares, as measured by a sharemarket index. A positive beta indicates that the Trust's returns are likely to rise when there is a rise in share prices. A negative beta indicates that the Trust's returns are likely to be negative when there is a rise in share prices. A beta of close to zero indicates a very weak relationship with share price changes. A beta close to 1.0 indicates a similar sensitivity to share price changes as a trust invested 100% in shares.
- ▶ Volatility: 3–10% p.a., 4–7% p.a. most of the time.
- ▶ Concentration: no single investment to be more than 50% of the Trust by capital or total Trust maximum drawdown based on the larger of historic data or forecasts, expect

single investments to comprise no more than 30% of the total Trust risk most of the time.

- ▶ Diversification: minimum 3 different types of investments.

#### **Qualitative:**

- ▶ Core holdings need to be moderate risk, with low to moderate sensitivity to equity returns.
- ▶ Ibbotson monitors relationships between each of the Trust's core holdings in terms of specific scenarios under which correlations will be very high.

### **2.3 Changing the Investment Strategy**

The continual review of underlying managers and alternative investment opportunities is fundamental to Ibbotson's investment process. Ibbotson identifies investments that may meet the Trust's objectives by evaluating the drivers of underlying cashflows, price behaviour, liquidity, and costs including fees and expenses. The Trust is tilted to those investments Ibbotson believes meet the Trust's return objective, offer attractive reward for risk, have acceptable risk of loss, are not highly-correlated with other investments held in the Trust, and are managed by experienced, well-resourced specialists.

Investors will be advised of material changes to the Trust, including changes to investment strategy as soon as practicable and as the law requires. Investors will generally be notified via email.

### **2.4 Underlying Investments**

Ibbotson uses its capital markets research process to select investment strategies or asset classes it believes will provide diversification, appropriate reward net of fees for risk and that meet the liquidity requirements of the Trust. Ibbotson uses its manager research process to identify managers that are well placed to provide exposure to these strategies, asset classes and investment structures that provide efficient ways to gain exposure. For more details of the current portfolio refer to the latest Trust Profile on the Ibbotson website ([www.ibbotson.com.au](http://www.ibbotson.com.au)).

The Trust has exposure to a range of investments:

- ▶ **Hedge Fund Beta:** A broadly-diversified set of rules-based strategies invested in equities, fixed income, currency, and commodities.
- ▶ **Insurance-Linked Securities:** Diversified exposure to lower-risk insurance-linked securities related to natural extreme events.
- ▶ **Equity Market Volatility:** Exposure to expected share market volatility as a hedge.
- ▶ **Listed Private Equity:** A diversified global portfolio of listed private equity funds and managers.
- ▶ **Global Listed Infrastructure:** A defensive portfolio of global listed utility and infrastructure companies.
- ▶ **Multi-Manager Hedge Fund:** An Ibbotson-selected portfolio of discretionary and systematic global macro and trend-following

hedge funds. Investment in the Ibbotson Global Trading Strategies Trust.

- ▶ **Cash:** Australian short-term cash deposits and cash equivalent securities.

Ibbotson may make changes without prior notice in some cases. Investors will be informed of any material change to the Trust as required by law.

Please refer to 3.4 for information on due diligence performed on underlying investments.

## **3. Investment Manager**

The Trust meets ASIC Disclosure Principle 2.

### **3.1 Management Team**

Ibbotson's Australian based Alternatives Team is responsible for advising local clients, managing Ibbotson alternative investment trusts and conducting the relevant capital markets and manager research. This local team utilises a global group of alternative investments specialists for idea generation, cross checks, joint manager and capital markets research. It also utilises the other Australian based teams (fixed income, equities and property, strategy, operations) for joint capital markets and manager research (for example Australian equity long short, Australian direct property, Australian direct debt).

#### **Key Portfolio Manager, Craig Stanford**

- ▶ **Role:** Head of Alternatives
- ▶ Industry experience: 18 years

Craig Stanford leads the Ibbotson Alternatives Team in Australia. Craig is responsible for setting Ibbotson's alternatives investment policy and for managing Ibbotson's range of alternative investment trusts. He is the portfolio manager for the Trust and co-portfolio manager for the Ibbotson Alternative Trusts (the Global Trading Strategies Trust and the Alpha Strategies Trust). Craig has primary responsibility for the selection and monitoring of hedge fund and special situation illiquid strategies and managers, as well as for portfolio construction and portfolio management for Ibbotson's Alternative Trusts. Craig has over 18 years experience in the investment management industry, with ten of those years spent researching hedge fund managers and managing institutional fund of hedge fund portfolios. He has a Bachelor of Commerce (Honours) and is a CFA Charterholder.

#### **Alternate Portfolio Manager, Michael Coop**

- ▶ **Role:** Head of Multi Asset Strategies
- ▶ Industry experience: 27 years

Michael Coop is Head of Multi Asset Strategies in Australia. Michael's responsibilities include research into niche, emerging and illiquid assets and investment strategies and related manager research and portfolio implementation. Michael is the alternate portfolio manager for the Trust, co-portfolio manager for the Ibbotson Alternative Trusts (the Global Trading Strategies Trust and the Alpha Strategies Trust) and advises clients on

alternative investments. Michael has 27 years investment experience as a fund manager, strategist and asset consultant. He has a Master of Science (Finance), a Bachelor of Commerce (Economics), a Diploma from the UK Institute of Investment Management and Research and a Graduate Diploma from the Financial Services Institute of Australasia.

Craig and Michael are both members of the global Morningstar Investment Management Alternative and Real Assets sub-committee, which contains other members of Ibbotson and Morningstar consulting teams with specialist expertise in alternative investments.

## **4. Fund Structure**

The Trust meets ASIC Disclosure Principle 3.

### **4.1 Investment Structure**

Ibbotson is the responsible entity and investment manager of the Trust and is responsible for all aspects of the management, operation, investment and promotion of the Trust.

### **4.2 Key Service Providers and Monitoring**

Please see table on the following page for further information on Ibbotson's key service providers.

### **5.1 Related Party Relationships**

The Trust may be invested in other Ibbotson trusts, including but not limited to the following:

- ▶ Ibbotson Global Trading Strategies Trust – to gain its exposure to macro and managed futures hedge funds; and
- ▶ Ibbotson Cash Trust – to gain exposure to cash.

Ibbotson's management fees for any of these trusts have been waived to avoid any double charging.

Ibbotson, or any one of its related body corporates, may invest in the Trust in its capacity as the responsible entity or trustee of other managed investment schemes and/or superannuation funds. Any investment would be at commercial fee rates which may represent lower fees than those currently specified for the Trust.

### **5.2 Due Diligence Process Performed on Underlying Funds**

Quantitative and qualitative analysis is used to assess underlying funds including considerations of the investment organisation, investment strategy, investment process, people and performance. The qualitative process includes site visits, face to face meetings with key investment and management personnel as well as cross checks from third party service providers and industry sources.

There is a rigorous structured peer review of due diligence by Ibbotson.

For an underlying manager to be assigned a 'buy' rating, the portfolio manager must make a recommendation including the rationale for the recommendation. This is subject to approval in accordance with Ibbotson's investment governance process. If the recommendation is approved, the

process of implementation can commence. The process is designed to ensure the portfolio manager has accountability for decisions, as well as Ibbotson having a strong peer review process, being the committee structure consisting of the most experienced investment professionals in the business.

### 5.3 Fees and Costs of Underlying Trusts

The Trust is invested into the Ibbotson Global Trading Strategies Trust. Ibbotson's management fees for this trust have been waived to avoid double charging. The Ibbotson Global Trading Strategies Trust gains exposure to the economic returns of a basket of hedge funds. The fees charged by these underlying hedge funds are reflected in the net return received by investors.

Ibbotson anticipates that the ongoing fees of the underlying hedge fund exposure via Ibbotson Global Trading Strategies Trust will average approximately 0.40% p.a as a percentage of the Trust's total assets with performance related fees averaging approximately 0.3% p.a. if underlying investments in Ibbotson Global Trading Strategies Trust meet Ibbotson's expectations of returns and exposure is maintained at its current level.

### 5.4 Jurisdictions Involved

The majority of the Trust's assets are expected to be located in developed market jurisdictions (UK, Australia, USA, Guernsey and Ireland).

### 5.5 Risks of the Structure

These risks should be read together with the Risks set out in the PDS.

In the Trust's investment profile shown in its PDS, if it has a 'Medium' or 'Medium to High' risk profile it may experience periods of negative (and/or volatile) returns but not as frequently as trusts with a 'High' risk profile. This Trust may also offer greater potential for capital growth than trusts with a 'Low' risk profile;

Before investing, it is important that you understand the risk involved in the investment you are considering, your tolerance to that risk and your investment time horizon.

#### Other risks

In addition to the more significant risks described in the PDS, the following risks may impact your investment and affect managed investment schemes generally:

#### Country Risk

There is a risk that a country where assets are located in which the Trust invests could become politically or economically unstable, which may prevent assets (such as shares) being sold or the proceeds being repatriated to Australia. This risk is generally higher in countries classified as emerging markets.

#### Leverage Risk

Ibbotson does not use leverage to magnify the returns from the Trust. However, the underlying investments of the Trust may be leveraged.

Leverage magnifies both gains and losses. Investors in the Trust do not have a contingent liability and will not be required to contribute additional funds in the event that underlying leveraged investments generate a loss.

#### Pricing Risk

Less liquid investments may be priced infrequently and, in order to ensure timely unit pricing, their valuations may be based on estimates.

#### Underlying Manager Risk

As well as monitoring the risks of the Trust, Ibbotson also ensures that the risks of investing in underlying managers overseas are also monitored on a regular basis. The due diligence process includes an assessment of potential risks and issues related to the domicile of the underlying manager and the investment vehicle including local regulation, enforceability of contracts and currency convertibility.

Please refer to 1.5 on how these risks in the Trust are monitored.

#### Stock lending risk

Performance returns can be enhanced by participation in a stock lending program. Risks associated with stock lending include the loss of collateral value in the event of borrower default (similar to Counterparty or Default risk described in the PDS), loss of voting rights and operational risks.

Service Provider	Role	Description	Monitoring of Service Levels
JPMorgan Chase Bank, Sydney Branch N.A (JPMorgan)	Custodian and Administrator	JPMorgan is the custodian and administrator of the Trust. Services provided by JPMorgan are explained in the PDS. A Custody and Administration Agreement as well as a Service Level Agreement governs the provision of services.	Ibbotson monitors the quality of custody and administration services provided by JPMorgan on an ongoing basis, based on the Service Level Agreement in place. Monitoring is conducted formally on an annual basis with an annual questionnaire response received from JPMorgan. Ibbotson also relies on independent audit opinion on the internal systems and controls operating in JPMorgan. The custodian and administrator is required at all times to maintain net tangible assets of at least \$10 million. Monitoring is conducted informally on a quarterly and fortnightly basis with regular meetings held.
Various	Underlying managers	Ibbotson may appoint underlying managers to manage certain assets of the Trust. Ibbotson has entered into Investment Management Agreements with these underlying managers which deal with the investment management responsibilities for the underlying management.	Ibbotson monitors underlying managers on an ongoing basis with performance analysis conducted daily, monthly and quarterly. In addition, all underlying managers are subject to ongoing due diligence and site visits by Ibbotson's portfolio managers. Quarterly reviews involve reviewing manager's return, risks, portfolio exposures, trades and the key elements of Ibbotson's manager research process. Monitoring is conducted formally on an annual basis with an annual questionnaire response received from underlying managers.

## Short selling risk

Short selling refers to the process of selling stocks that you do not own (stocks are borrowed first before short selling) and then buying them back at a future date, with an expectation that the price of those stocks will fall. The Trust may be exposed to short selling where the market permits this trading strategy. Establishing a short position involves a higher level of risk than investing in a stock. When a Trust invests in a stock, the maximum loss is generally limited to the amount invested. With short positions, there is theoretically no limit to the loss that may be incurred because the loss will continue to increase as the price of the stock increases.

## Stock specific risk

Stock specific risk is the uncertainty of the return of a stock, arising from factors that are specific to the organisation that issues those stocks. It is generally not related to events that affect other comparable organisations or the market as a whole.

## 6. Valuation and Custody of Assets

The Trust meets ASIC Disclosure Principle 4.

### 6.1 Ibbotson's Valuation Policy

Unit pricing, valuation and allocation of trades for the Trust have been outsourced to the custodian and administrator, JPMorgan. Ibbotson monitors the custodian and administrator on an ongoing basis. For example, Ibbotson performs daily quality control and reasonability checks and tests on unit prices calculated by the custodian and administrator.

Although the functional elements of the unit pricing process are carried out by JP Morgan, Ibbotson is responsible for the accuracy of unit prices.

A formal Service Level Agreement (SLA) is in place which includes the delivery of services relating to the unit pricing functions. Ibbotson monitors the performance of the unit pricing functions carried out by JP Morgan on a daily basis as well as analysing, reviewing and approving the unit prices prior to release.

Ibbotson has a Pricing Policy which sets out the manner in which Ibbotson will ensure accurate and timely unit prices are produced, how the exercise of unit pricing discretions may be undertaken (as permitted under the Trust's Constitution) and how Ibbotson deals with any unit pricing errors.

### 6.2 Assets and Allocation Ranges

Please refer to 1.7 for type of assets the Trust holds.

Asset allocation for this Trust is defined by a combination of asset allocation ranges and target allocations.

Asset allocation ranges refer to the mix of investments consistent with the long term objectives of the Trust. The target is dynamically set

within the range by Ibbotson, with the objective of enabling the Trust to respond to changing market conditions.

Please refer to 1.3 for further information on underlying investment ranges.

### 6.3 Geographic Location of the Assets

The Trust is invested globally with the majority of its exposure in developed markets. There are no internal guidelines relating to geographic location. It is expected that the Trust's underlying assets will be globally diversified with the US, Europe, Japan and Australia constituting the majority of the portfolio assets by location.

### 4.5 Alternative Investments

Ibbotson defines alternative investments as either assets or strategies with returns that are expected to behave differently to those of equity and government bond markets over the medium to long term. In making this assessment, Ibbotson considers the underlying drivers of cashflows for asset classes and net market exposures for strategies.

Please refer to 1.6 for further information on the Trust's investment strategy and 1.7 for information on the underlying investments.

### 4.6 Custodial Arrangements

The custody and administration functions of the Trust have been outsourced to JP Morgan. Refer 3.2 for further explanation of the contractual arrangements and monitoring. Ibbotson does not have a policy regarding the custodial arrangements of the underlying funds. (See 3.4 Due Diligence Process Performed on Underlying Funds.)

## 7. Liquidity

The Trust meets ASIC Disclosure Principle 5.

### 7.1 Description Of Any Illiquid Assets That Constitute More Than 10% Of The Trust's Net Asset Value

The Trust has a 25% target allocation in the Ibbotson Global Trading Strategies Trust, which is managed by Ibbotson and provides exposure to a diversified portfolio of global macro and trend-following hedge funds.

The Ibbotson Global Trading Strategies Trust has monthly liquidity.

### 7.2 Ibbotson's Liquidity Management Policy

The Trust is managed to provide daily liquidity to investors. Key aspects of Ibbotson's liquidity management policy are:

- ▶ At least 50% of the Trust's assets will have daily liquidity and 100% of the Trust's assets will have less than quarterly liquidity.
- ▶ Ibbotson performs liquidity risk analysis and also considers the impact of possible adverse scenarios when underlying assets may be less liquid than usual. This analysis is factored into the investment sizing decisions in the Trust's portfolio.

A similar policy applies to the Ibbotson Global Trading Strategies Trust to ensure its assets are sufficiently liquid to provide monthly liquidity to its investors. Adverse scenarios are considered include extreme market losses, reduction in market liquidity, currency fluctuations and investor redemptions.

Ibbotson utilises a proprietary liquidity analysis model as part of its liquidity management policy.

## 8. Leverage

The Trust meets ASIC Disclosure Principle 6.

The Trust is permitted to borrow under its Constitution, although there is no current intention to utilise borrowings to magnify returns. The Trust is exposed to strategies that may use leverage to magnify returns.

### 8.1 Sources of Leverage

The Trust does not have access to leverage in the form of loans or investment by margin for securities traded on exchanges. The use of currency forwards to hedge currency exposure back to Australian dollars could result in a form of leverage in the event that losses on the Trust's investments and currency forwards exceed the gains from converting the value of foreign currency investments back to Australian dollars.

### 8.2 Assets Used as Collateral

No assets are used as collateral.

### 8.3 Maximum Anticipated or Allowed Level of Leverage

Leverage potentially arising from losses on currency forward contracts is expected to be no larger than 5% of the Trust's assets based on expected levels of foreign currency hedging and historic behaviour of the Australian Dollar.

There is no leverage facility for the Trust. The due diligence process includes an assessment of the suitability and risks of leverage utilised by the underlying managers. It is anticipated that the use of leverage by underlying managers will produce better risk adjusted outcomes for investors. We do not set a limit on leverage by the underlying managers. The maximum anticipated leverage across all underlying managers is 320% but we estimate leverage across all underlying managers is currently 260%. These leverage levels are at a point in time and will vary as the portfolio structure changes. If the Trust had \$100,000 invested with the underlying managers when leverage across all underlying managers was at its maximum anticipated leverage of 320%, the Trust could acquire investment exposure with a value of \$320,000 - and (ignoring the effect of fees, including any performance fees) a one per cent decrease in value in a month would mean a loss of \$3,200 or 3.2% for the Trust, and a one per cent increase in value in a month would mean a gain of \$3,200 (or 3.2%) for the Trust. The leverage used by underlying managers is non-recourse meaning investors cannot lose more than their initial investment.

## 9. Derivatives and Structured Products

The Trust meets ASIC Disclosure Principle 7.

### 9.1 The Purpose and Rationale For the Use Of Derivatives Including How They Form Part Of The Strategy

Derivatives are used for a variety of reasons in the Trust which can include:

- ▶ adjusting Trust holdings, which might include sector or country weights, the duration of a bond portfolio and/or the currency exposure of a portfolio to manage and reduce risks to the Trust;
- ▶ replicating Trust strategies; and,
- ▶ lowering costs with better trade execution.

The use of derivatives in the Trust is governed by Ibbotson's Derivative Risk Statement which may be obtained free of charge by contacting Ibbotson.

### 9.2 Types Of Derivative Or Structured Products

Derivatives used directly by Ibbotson include:

- ▶ Currency swaps
- ▶ Currency forwards
- ▶ Currency futures
- ▶ Currency options
- ▶ Interest rate swaps
- ▶ Interest rate forwards
- ▶ Interest rate futures
- ▶ Interest rate options
- ▶ Equity swaps
- ▶ Equity index futures
- ▶ Equity index futures options
- ▶ Equity options
- ▶ Equity index options
- ▶ Deferred purchase agreements

The list of derivative instruments is continuously reviewed. New instruments may be included if approved by the Ibbotson Investment Policy Committee.

### 9.3 Criteria For Engaging Derivative Counterparties

Ibbotson manages counterparty risk by:

- ▶ only entering into derivative contracts with counterparties which have a long term credit rating of 'A' (or the equivalent) or better, as rated by an approved ratings agency, or be guaranteed by an 'A' rated entity, at the time agreements are executed; and
- ▶ ensuring, with the assistance of legal counsel, that legal documentation governing derivative contracts is appropriate and enforceable.
- ▶ If after agreements are executed the counterparty's long term credit rating is:
  - ▶ downgraded to 'A-' (or an equivalent rating), the counterparty will be reviewed on an ongoing basis to ensure its continued suitability, or
  - ▶ downgraded below 'A-' (or an equivalent rating), the counterparty will be terminated and replaced with a suitable counterparty within a reasonable time, subject to a

maximum of 180 days from the date of the downgrade.

### 9.4 Key Risks With Collateral Requirements Of The Derivative Product Counterparties

Two types of liquidity risk are inherent to derivatives use: (1) The risk that Ibbotson may not be able to, or cannot easily, unwind the instrument, or renew it with the same counterparty or enter into equivalent arrangements with another counterparty on terms currently applicable because of inadequate market depth or because of disruptions in the market place (a form of market risk). (2) The risk that Ibbotson will not be able to meet its future financial obligations resulting from its derivative activities, such as meeting a liability payment due on termination of a derivative contract (referred to as settlement risk). Techniques used to assess, monitor and control the type 1 liquidity risk identified above include:

- ▶ Due consideration of the liquidity of the underlying asset class;
- ▶ Due consideration, when selecting a counterparty, of the likelihood of being able to renew the instrument on equivalent terms;
- ▶ Ensuring Ibbotson has an early termination right in the derivative contract;
- ▶ Establishing relationships with alternative counterparties;
- ▶ Ensuring equity index futures are listed and traded at high volumes.

Techniques used to assess, monitor and control the type 2 liquidity risk identified above include:

- ▶ Borrowing to fund short term liquidity needs - this could include notional leverage available within a derivative contract or ensuring there is available credit outside the derivative contract –; and,
- ▶ Regular monitoring of the Trust's liquidity to ensure there is sufficient capacity to meet future obligations including those resulting from derivative positions as and when they fall due.

### 9.5 Whether They Are OTC Or Exchange Traded

The Trust holds forward foreign exchange contracts that are OTC derivatives.

### 9.6 The Investment Policy In Relation To Approved Types Of Derivatives Use and Limits On Exposure

The use of derivatives in the Trust is governed by Ibbotson's Derivative Risk Statement, which may be obtained free of charge by contacting Ibbotson.

The list of derivative instruments is continuously reviewed. New instruments may be included at any time.

The due diligence process includes consideration of the suitability and risks of derivatives used by the underlying managers.

## 10. Short Selling

The Trust meets ASIC Disclosure Principle 8.

It is not envisaged that the Trust will engage in short selling.

The due diligence process includes consideration of the suitability and risks of short selling by potential underlying managers. We do not set a limit on short selling by the underlying managers.

## 11. Redemptions

The Trust Meets ASIC Disclosure Principle 9.

### 11.1 How To Submit Your Request

All requests to redeem must be sent by facsimile to Ibbotson at the fax number provided in the contact details on the last page. Please contact Ibbotson on the contact details shown on the last page for a copy of the form required when making a redemption.

### 11.2 Making A Redemption

For redemption requests received prior to 10:15 am (Sydney time) on a Business Day, you will generally receive the exit price calculated as at the close of business that day. For redemption requests received after 10:15 am (Sydney time), you will generally receive the exit price calculated as at the close of business on the next Business Day.

Ibbotson may negotiate later cut-off times with investors who are wholesale clients (as the Corporations Act defines that term).

### 11.3 Risk Factors Or Limitations That May Affect The Ability Of Investors To Withdrawing

Under the Trust's Constitution, if the Trust is liquid, redemptions are to be paid within 180 days from receipt of a redemption request. However, Ibbotson will endeavour to pay redemption requests as soon as possible. Normally redemption proceeds will be paid within 6 Business Days following receipt of your written request.

If the Trust is not liquid (as defined in the Corporations Act), you may only redeem from the Trust in accordance with the terms of a redemption offer made by Ibbotson. Under the Corporations Act, a trust is illiquid if it has less than 80% liquid assets (generally cash and marketable securities).

In exceptional circumstances, redemptions may take longer than the periods described above. This may occur where it is impractical to calculate the unit prices, where other investors may be disadvantaged by a redemption, where a delay is in the best interests of all investors or as otherwise permitted by the Constitution and the law.

Where underlying Trust assets can only be realised after a substantial notice period, this could also lead to a longer redemption period. If the liquidity of underlying Trust assets prohibits payment of part or all of your redemption proceeds in cash, then you may be required to receive part or all of your redemption proceeds in specie, meaning you may

need to retain units in an illiquid trust until such time as the underlying assets can be realised.

#### 11.4 How Investors Can Exercise Their Withdrawal Rights

You may apply to redeem any or all of your units on any Business Day. The minimum amount that may be redeemed from the Trust is \$20,000 or the balance of your investment in the Trust, if the redemption request results in a balance of less than \$20,000. Ibbotson has discretion to waive or vary the minimum redemption amount prior to redemption.

Under the Trust's Constitution, if the Trust is liquid, redemptions are to be paid within 180 days from receipt of a redemption request. However, Ibbotson will endeavour to pay redemption requests as soon as possible. Normally redemption proceeds will be paid within 6 Business Days following receipt of your request.

If the Trust is not liquid (as defined in the Corporations Act), you may only redeem from the Trust in accordance with the terms of a redemption offer made by Ibbotson. Where underlying assets can only be realised after a substantial notice period, this could also lead to a longer redemption period. If the liquidity of an underlying asset prohibits payment of part or all of your redemption proceeds in cash, then you may be required to receive part or all of your redemption proceeds in specie, meaning you may need to retain units in an illiquid trust until such time as the underlying assets can be realised. Under the Corporations Act, a trust is illiquid if it has less than 80% liquid assets (generally cash and marketable securities).

#### 11.5 Withdrawal Funding From An External Liquid Facility

Withdrawals are funded by the sale of investments held by the Trust.

#### 11.6 If Withdrawal Rights Change

Should withdrawal rights be suspended or change for any reason, investors will be notified as soon as practicable and as required by law. Notification will generally be provided by e-mail.

### Additional Information

#### 1. Investment in The Trust

The following information forms part of Section 2 of the PDS.

##### How To Submit Your Request

All requests to invest or switch must be sent by facsimile to Ibbotson at the fax number provided in the contact details on the last page.

All requests to invest must be made using the relevant application form applicable to you which accompanies the PDS and which is available from the Ibbotson website [www.ibbotson.com.au](http://www.ibbotson.com.au). Please contact Ibbotson on the contact details shown on the last page for a copy of the forms required when making an application, redemption or a switch.

##### Transferring Units

You may transfer units to another person at any time providing appropriate consent has been obtained. However, you may be required to complete appropriate anti-money laundering forms. Please contact Ibbotson, on the contact details shown on the last page, for further information.

##### Unit Prices

The unit price is calculated by dividing the Net Asset Value ('NAV') of the Trust by the number of units on issue in the Trust at the relevant time plus an allowance for transaction costs (including the buy/sell spread). Please refer to page 7 of the PDS for more information on buy/sell spreads.

Where the Trust has more than one class of unit, the unit price of each class of unit is calculated by dividing the NAV of that class of unit by the number of units on issue in that class at the relevant time plus an allowance for transaction costs. The NAV of a class is calculated as if there was a separate Trust corresponding to the class of unit.

Units are priced on a 'forward' or 'next price' basis. Under this method, unit prices are struck using values available at the next valuation cut-off time after the processing time.

Under the Constitution, discretion may be exercised which can impact unit prices. The manner in which these discretions are exercised are outlined in Ibbotson's unit pricing policy. Investors may obtain a copy of Ibbotson's unit pricing policy (and any records ASIC requires) from Ibbotson free of charge upon request.

##### Indirect Investors

**This section only applies to investors who are investing in the Trust through an IDPS, i.e. as an Indirect Investor in the Trust. If you are investing through an IDPS, your application should be made using the forms provided by your IDPS operator only. Do not use the forms provided by Ibbotson. Please consult your adviser or IDPS operator if you are uncertain if this applies to you.**

If you are investing through an IDPS, you are directing your IDPS operator to arrange for your monies to be invested in the Trust on your behalf. Accordingly, you:

- ▶ are not a direct investor in the Trust;
- ▶ are not registered as an investor in the Trust;
- ▶ do not receive distributions of income, tax statements or reports directly from Ibbotson (as these will be made to your IDPS operator or its custodian); and
- ▶ are not entitled to receive notice of, attend or vote at investor meetings or participate directly in the winding up or termination of the Trust.

Your IDPS operator acquires these rights and can exercise, or decline to exercise them, on your behalf. References in the PDS to 'you' or 'your' should be read as references to your IDPS operator,

as the context indicates.

Your IDPS operator will be responsible for confirming transactions, providing reports and responding to your enquiries. You should refer to your IDPS operator as the first point of contact regarding any enquiries about your investment (and for any issues that remain unresolved, contact the complaints scheme of which they are a member). You will also need to notify your IDPS operator of any changes in your details.

Please refer to your IDPS operator for information on:

- ▶ how to invest or make additional investments or switch between the Trust and another trust (as you do not complete the application form or any other forms available from Ibbotson);
  - ▶ the minimum initial investment, additional investment or switching amounts;
  - ▶ how to redeem investments and the minimum redemption amounts;
  - ▶ details of cooling-off rights (if any) that may apply to your investment in the IDPS; and
  - ▶ any additional fees charged by your IDPS operator that may apply.
- ▶ Indirect Investors should read the guide provided by their IDPS operator and should also seek appropriate professional taxation and investment advice.

Ibbotson is not responsible for the operation of any IDPS.

## 2. Fees and Other Costs

The following information forms part of Section 6 of the PDS.

### Did You know?

**Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.**

**For example, total annual fees and costs of 2% of your Trust balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).**

**You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.**

**You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask Ibbotson or your financial adviser.**

### To find out more

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



### Commission

No commissions are paid to third parties, such as licensed financial advisors, IDPS operators or other licensees. Ibbotson may pay 'shelf space' fees for a Trust to be listed on an IDPS investment menu where it is permitted to do so.

### Change in Fees and Costs

The Trust's fees and costs may change within limits allowed by its Constitution and investors will be notified in writing by Ibbotson of any increases in the fees and costs at least 30 days before implementation. If the Trust ever sought to charge fees above the maximums permitted in its Constitution, investor consent would be sought.

### GST

Fees and costs charged to the Trust attract 10% GST, which is charged to and borne by the Trust. All fees and costs disclosed in the PDS are inclusive of GST, to the extent applicable, after taking into account any expected RITCs. The Trust will claim RITCs where possible under the GST regulations. These credits will reduce the overall cost of GST to the Trust and will be reflected in the unit price. The net GST is the net cost after taking into account GST and RITCs.

### Switching Fee

A switch between Trusts is treated as a redemption from one and an application into another. The Trusts do not charge a switching fee (or an entry or exit fee on the amount of the switch) but both Trusts' buy/sell spreads will apply to switches.

## 3. Additional Information About Tax

The following information forms part of Section 7 of the PDS.

The following is a brief outline of the Australian taxation consequences of investing in the Trust.

**Investors are strongly advised to seek professional taxation advice. Please be aware that not all the following statements will apply to all investors.**

This information is intended as a general guide only and is based on Australian taxation laws that are current as at the date of this Additional Information Document. These laws, and the interpretation and administration of them, may alter over time.

The Trusts are established as separate unit trusts. The effect of tax on the Trust, and hence your investment in the Trust, can vary depending on factors such as the type of investment, the timing of investment transactions and entry and exit of other investors in the Trust.

### Distributions

The Trust is a resident of Australia for tax purposes. It is intended that investors will be presently entitled to all of the net income (including net taxable

capital gains) of the Trust for each income year.

If all income is distributed to investors in relation to the year it is earned, the Trust will not pay Australian income tax on its net income under current tax law.

The Trust cannot distribute any tax losses to investors but, if it meets certain conditions, it may be able to take the losses into account in subsequent years.

An Australian investor's share of the net income of the Trust for a year of income, including amounts received in a subsequent year or which are reinvested, forms part of the investor's assessable income of that year.

The distributions you receive may include different types of income, which reflect the income derived by the Trust, such as:

- ▶ capital gains;
- ▶ foreign income and foreign income tax offsets;
- ▶ franked dividends/franking credits; and
- ▶ tax deferred distributions.

You will be provided with a statement for tax purposes after 30 June each year, to assist you (and your adviser) in determining your tax position. This tax statement will advise you of the distribution amounts (if any) to include in your tax return as assessable income, capital gains, any franked dividends/franking credits and any foreign income/foreign income tax offsets.

In addition, the statement will advise you of the tax-deferred portion (if any) of the distribution; that is, those amounts that have been distributed to you but are not included in taxable income. Generally, such amounts will reduce your cost base in the units in the Trust. Should your cost base be reduced below zero after one or more cumulative tax-deferred distributions, the amounts in excess of your cost base should be a capital gain that should be included in your taxable income. You may be entitled to the CGT discount in respect of this gain (of 50% for trusts and individuals or 33.33% for superannuation funds) on any net capital gain, if you have held your units in the Trust for at least 12 months from the date of acquisition. Companies are not entitled to CGT discounts on their capital gains, including discount capital gains distributed by a Trust.

If you redeem units, you will also need to include any capital gains or losses you have made in the calculation of your net capital gain or loss for the income year assuming you hold the units in the Trust on capital account (unless you are a non-resident investor that may not be liable for Australian CGT – see 'Tax on capital gains' on page 9). Depending on the type of entity you are, you may be entitled to a CGT discount.

On redemption of units, you may receive both capital proceeds and an income component representing your share of the undistributed income for the year up to the redemption date. In addition, Ibbotson may choose to allocate any gains arising from the realisation to you. Any such income distributions should be included in your assessable income in the year you are presently entitled to that distribution.

If a performance fee is payable by you, Ibbotson will redeem the number of units on your behalf to pay the performance fee. The redemption will constitute a disposal of those units for tax purposes. Investors should consult their taxation advisers regarding the deductibility of the performance fee to them in light of their own particular circumstances.

### Franked Distributions/Frinking Credits

Distributions from some of the Trusts may include franked distributions. Subject to satisfying certain criteria, such franked distributions generally entitle Australian resident investors to obtain a tax offset (the franking credit) that is available to offset against their income tax liability. Franked distributions and franking credits are included in a person's assessable income. If the franking credits exceed the tax payable on your taxable income, the excess credits may be refundable to you if you are a resident individual or complying superannuation fund. Excess franking credits may generate tax losses if you are a corporate entity.

### Non-Resident Investors

The Trust's net income, that has an Australian source to which a foreign investor is presently entitled, will have tax withheld before a distribution is made to a non-resident investor.

The rate of withholding tax will depend on the type of income and the country of tax residence of the investor, whether the Trusts continue to qualify as Managed Investment Trusts (MITs) (as defined in Australian tax laws) and any Exchange of Information Agreement or Double Tax Treaty.

In most cases, these withholding taxes are each a final tax. As a result, the non-resident investor should not be entitled to a credit in Australia for any withholding tax paid or be liable to further tax on income from which withholding tax has been withheld.

Foreign sourced income to which a non-resident is presently entitled should not be subject to tax in Australia.

### Foreign Income and Foreign Income Tax Offsets

Where foreign tax has been paid by the Trust in respect of foreign investment of Trust assets, the Trust will generally pass on any available corresponding foreign income tax offsets to resident investors, so that investors can offset these income

tax offsets against the Australian tax payable on their assessable foreign income. Ibbotson will advise such investors of their share of foreign income tax offsets.

### Tax Deferral Provisions

The Trusts may directly or indirectly hold interests in Controlled Foreign Companies (CFC) at the end of a financial year. Under the CFC regime, resident investors may be assessed on their portion of the CFC's attributable income for the financial year, even though the income is not distributed.

Reforms were announced in the 2009-10 Federal Budget to Australia's foreign source income anti-tax deferral attribution rules, including the introduction of a narrow anti-deferral rule that applies to offshore accumulation funds referred to as foreign accumulation funds ("FAFs") with debt interests comprising at least 80% of the market value of its assets and distributes up to 80% of its profits and gains. On 17 February 2011 the Assistant Treasurer released for public consultation the exposure draft legislation on the FAF and CFC rules. The current government has indicated that they will not proceed with the introduction of these rules, however the taxation of foreign investment is generally under review. Based on the current announcements we do not expect the new FAF rules to apply to a Unit. Investors should monitor the developments in this area and discuss them with their own professional tax advisor.

### Tax On Capital Gains

Any capital gains distributed by the Trusts will be taxable to non-resident investors only to the extent that the capital gain was in respect of taxable Australian property (that is, typically Australian real property or shares or units in an entity whose majority underlying value is derived from taxable Australian property based on current market values of the entity's assets). The statement provided to investors after 30 June each year will disclose the extent to which a distributed capital gain is in respect of taxable Australian property.

The Trusts meet the definition of 'MIT' and have made an irrevocable election to apply a deemed capital account treatment for gains and losses on disposal of certain investments (including shares and units in other trusts, but excluding derivatives and foreign exchange contracts), with the exception of Ibbotson International Bonds Active (Hedged) Trust.

Under the CGT provisions of the Australian income tax legislation, the disposal of units, either by redeeming, switching or transferring units, may lead to a CGT liability. Generally, investors who are non-residents of Australia for income tax purposes (and do not have an Australian permanent establishment) will only be subject to the Australian CGT provisions on the disposal of their units if their units are taxable Australian property. A non-resident investor's units are generally taxable Australian property if:

- ▶ they and their associates hold 10% or more of the units in the Trust at either the time they

dispose of their units or throughout a 12 month period that began no later than 24 months before that disposal time; and

- ▶ more than 50% (by market value) of the Trust's assets comprised (directly or indirectly) of interests in taxable Australian real property.

However, based on the current investments and investment approach of the Trusts as at the date of issue of this Additional Information Document, it is not expected that the second condition would be satisfied.

Non-resident investors who use their units in carrying on a business through an Australian permanent establishment will be subject to Australian CGT on the disposal of their units in the same way as residents. This is so whether or not such non-resident investors hold more or less than 10% of the units in the Trust.

It is strongly recommended that non-resident investors obtain their own tax advice when disposing of units in the Trusts. It should also be noted that you may be subject to the tax laws in your country and should consult a taxation adviser before investing.

### Tax File Numbers (TFN) and Australian Business Numbers (ABN)

It is not compulsory for you to quote your TFN or ABN. If you are making this investment in the course of a business or enterprise that you carry on, you may quote an ABN instead of a TFN. Failure by you to quote an ABN or TFN, or claim an exemption, may cause the Trust to withhold tax at the top marginal rate plus the Medicare Levy, on gross payments including distributions of income to you. By quoting your TFN or ABN it will be applied to all your investments with the Trust. If you do not want to quote your TFN or ABN for some investments, please notify Ibbotson.

### Taxation of Financial Arrangements

The Trusts have opted into the taxation of financial arrangements (TOFA) regime under Division 230 of the Income Tax Assessment Act 1997 to adopt the default methods. Ibbotson will continue to monitor whether the Trusts should elect any of the alternative methods. The impact of the TOFA regime is not expected to materially change the taxation consequences of income flowing from the Trusts.

### Changes in The Tax Law

The expected tax implications of investing in the Trust described in this tax disclosure may change as a result of changes in the taxation laws and interpretation of them by the Courts and/or the Australian Tax Office. It is recommended that investors obtain independent taxation advice that takes into account your specific circumstances regarding investing in the Trust and the potential application of any changes in the tax law.

### GST

The issue, redemption or transfer of units in the

Trust will not attract GST under current GST law. Investors should seek independent advice in relation to the GST consequences of their investment.

## 4. How To Apply

The following information forms part of Section 8 of the PDS.

Once your application has been processed, a confirmation of your investment showing the amount invested, or which you have agreed to invest, the number of units issued, the entry price and the date the units were issued, will be sent to you usually within 5 Business Days from the date of receipt of the application.

If you do not receive a confirmation, use the relevant contact details provided on the last page to confirm receipt of your application.

No interest is received on application monies, including monies for additional investments, and no interest will be paid to you if for any reason (such as failure to provide all identification documentation required under Australian anti-money laundering and counter-terrorism requirements) your application is not processed.

You may make additional investments in the Trust by completing the additional application section of the application form which can be found on the Ibbotson website and paying the application monies.

If you provide a correctly completed additional application request and cleared funds prior to the 10.15 am (Sydney time) cut-off on a Business Day, you will generally pay the entry price calculated as at the close of business on that Business Day. For correctly completed application requests and cleared funds received after the 10.15 am (Sydney time) cut-off, you will generally pay the entry price calculated as at the close of business on the next Business Day.

Ibbotson may negotiate later cut-off times with investors who are wholesale clients (as the Corporations Act defines that term).

You become an investor in the Trust as at the date of issue of your new units, whether or not the number or value of units can be calculated at that date. Please refer to the details on buy/sell spreads on page 7 of the PDS, unit prices on page 7 and to switching fee on page 8 for more information.

## 5. Other Additional Information

The following information forms part of Section 9 of the PDS.

### Information on Request From Ibbotson

You may contact Ibbotson between 9:00 am and 5:00 pm (Sydney time) on any Business Day to assist with any questions you might have, or further information you may require, in relation to your investment in the Trust.

Ibbotson's contact details are shown on the last page of each PDS as well as this Additional

Information Document. If you are an Indirect Investor, the following information does not apply.

### Changing Your Details

You must notify any change to your details, including contact details, distribution instructions, bank account details or account operating instructions.

To advise Ibbotson of changes, please complete the relevant sections of the application form available on the Ibbotson website and fax it in accordance with the instructions contained in the application form. A confirmation of these changes will be sent to you.

### Confirmation of Transactions and Reporting

You will be provided with a confirmation of your transaction once it is processed, usually within 5 Business Days after you have supplied all relevant information required. This may be when you make your initial investment, additional investment, redemption, switch or transfer. A quarterly statement detailing your transactions over the previous quarter, including any distribution, will be sent to you. At the end of each financial year, you will be sent a statement for tax purposes. If at any other time you would like a transaction statement of your investment, unit price information or the financial statements for a Trust, please contact Ibbotson on the contact details shown on the last page.

### Privacy Statement

By applying to invest in the Trust, through the use of the application form, you consent and agree to information about you being obtained and used by Ibbotson and other parties as explained in this privacy statement. This privacy statement applies to individuals who invest directly in the Trust. The type of information held includes your name, address and other information that you provide when opening your account, as well as records of your account transactions and the value of your unit holding.

Your information may be used to:

- ▶ provide the products and services you request;
- ▶ efficiently manage and administer all investments and services provided; and
- ▶ ensure that internal business operations run smoothly, which may include fulfilling all legal requirements and conducting confidential systems maintenance and testing.

Your personal information may be provided confidentially to external service providers, including the custodian, auditors, taxation advisers, legal advisers and information technology consultants.

We may disclose your personal information to our related companies, but only so those related companies can assist us with functions relating to managing your account.

Ibbotson and Morningstar's related companies

include our parent company Morningstar, Inc., in the United States and related companies worldwide. These related companies are located in: Belgium, Brazil, Canada, Chile, China, Denmark, Finland, France, Germany, Hong Kong, India, Italy, Japan, Korea, Luxembourg, Mexico, The Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand and the United Kingdom.

We may also use your personal information to provide you with information about other products and services that we or our related companies offer from time to time (direct marketing).

If you do not wish information to be sent to you about other products managed by Ibbotson or our related companies, please note this in the relevant box provided on your application form or contact Ibbotson on the contact details shown on this page.

Additionally, your personal information will be disclosed if required by law to do so (including under legislation in relation to anti-money laundering and counter-terrorism)

For information as to how you can access, correct and update your personal information and how Ibbotson manages privacy related complaints please refer to Ibbotson's Privacy Policy. A copy of Ibbotson's Privacy Policy is available on our website. Alternatively you can contact our Privacy Officer to request a free copy.

### Privacy Officer Contact Details

Privacy Officer  
Ibbotson Associates Australia Limited  
Level 36, Australia Square  
264 George Street  
Sydney NSW 2000  
Tel: +61 2 9276 4532  
Fax: +61 2 9276 4545  
Email: [auprivacy@morningstar.com](mailto:auprivacy@morningstar.com)

### Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ('FATCA') is a US law enacted to combat non-compliance by U.S. taxpayers using foreign accounts. FATCA requires foreign financial institutions ('FFIs') to report to the US tax authority, or the relevant local tax authorities for jurisdictions covered by an appropriate Intergovernmental Agreement ('IGA') with the US, information about financial accounts held by U.S. taxpayers, foreign entities in which US taxpayers hold a substantial ownership interest and payments to Non-participating Financial Institutions. The Treasurer announced on the 28 April 2014 that Australia has signed an IGA with the US.

The Trust is an FFI under FATCA and subject to FATCA rules. Effective 1 July 2014, investors are required to provide additional information in order for the Trust to be FATCA compliant. This additional information can be provided by completing the relevant sections of the

application form available on Ibbotson's website.

### Commonwealth Anti-Money Laundering and Counter-Terrorism Requirements

Ibbotson is required by the Commonwealth Anti-Money Laundering and Counter-Terrorism Financing Act 2006 to obtain additional information from new investors as to their identity, source of funds and similar matters, and to verify that information by sighting appropriate documentation. These requirements may also apply in relation to existing investors.

New investors (and existing investors required to provide additional information) can provide additional information by completing the relevant section of the application form on Ibbotson's website. Please go to [www.ibbotson.com.au](http://www.ibbotson.com.au) and see 'Application Form' in the 'Document library'. Details about the way in which additional information can be verified contained within the application form. For example, individuals will be required to produce a current photographic identification document, such as a current passport or driver's licence, or to provide a certified copy of the document, in order to verify their identity details.

Ibbotson reserves the right to request information as is necessary to verify the identity of any investor and their personnel (for example, if an investor is a company, the identity of the company directors may need to be verified) and to assess the likelihood of the investor or its personnel being involved in money laundering or terrorism financing.

Information that you provide may be disclosed to the Australian Transaction Reports and Analysis Centre under Australian law (or by underlying managers resident in other countries who are subject to similar legislation in their own countries). You may not be informed if such a disclosure is made. Otherwise your information will be confidential.

If you do not provide the required information, your application will not be processed until the information requested has been provided and all anti-money laundering checks have been completed. This may mean that the units may not be issued and redemption payments may not be made within the time periods contemplated in the PDS.

By applying for units through the PDS, you agree that Ibbotson may, in its absolute discretion, not issue units to you, refuse the transfer of units you wish to sell or purchase, delay, block or freeze any transactions or cancel or redeem any units which have been issued to you, if such action is considered necessary or desirable in light of its obligations under the Commonwealth Anti-Money Laundering and Counter-Terrorism Financing Act 2006 or any related legislation. In the above circumstances, Ibbotson will not be liable to you for any resulting loss.

### Constitution

The Trust is governed by a Constitution, as amended from time to time, and the Constitution may relate to several Trusts or to an individual Trust. Each

Constitution sets out Ibbotson's obligations as well as the rights of investors. Some key aspects of the Constitutions have been summarised in this Additional Information Document.

Ibbotson may alter the Constitution as specified in the Constitution and in accordance with the law. The Corporations Act specifies that the consent of investors (given at a meeting convened and conducted in accordance with the Corporations Act) is required for any alteration unless Ibbotson reasonably believes that the alteration will not adversely affect the rights of investors.

You may view a copy of the Constitution at Ibbotson's offices on any Business Day or you may obtain a copy free of charge by contacting Ibbotson on the contact details shown on the last page.

### Compliance Plan

Ibbotson has established a compliance plan for the Trust, which sets out the measures to be applied in operating the Trust to ensure compliance with its Constitution and the law. Ibbotson is responsible for overseeing the compliance plan.

### Classes of Units

Under the Constitution, units may be issued in one or more classes and additional classes of units may be created at any time. All units in a class will have identical interests and rights and will be subject to identical conditions. Where the Trust issues units of different classes, the interests, rights and conditions attached to the class of units may differ in relation to fees.

### Rights Of Investors

Subject to the Constitution, investors are generally entitled to:

- ▶ receive a share of the Trust's distributable income;
- ▶ redeem units;
- ▶ transfer units;
- ▶ switch between Trusts;
- ▶ receive confirmation of investment;
- ▶ receive acknowledgement of units held;
- ▶ receive annual audited accounts, and
- ▶ inspect the Trust's Constitution.

If you are an Indirect Investor, you are not an investor in the Trusts (your IDPS operator is the investor).

### Investor Meetings

Subject to the Constitution, investors are also entitled to requisition, attend and vote at investor meetings for any Trust in which they hold units. An investor is bound by a resolution of investors, whether or not they attend the meeting at which it is passed.

### Interest In The Trusts

Each unit issued in a Trust entitles the investor to a beneficial interest in the total investments of the Trust, but does not give the investor an interest in

any particular part of the Trust.

### Investor Liability

While the law in relation to investor liability has not yet been settled, the Constitution limits an investor's liability in a Trust to the amount the investor has invested or agreed to invest.

### Termination of a Trust

Ibbotson can terminate a Trust, subject to the Corporations Act, at any time. If a Trust is terminated, the Trust's assets must be converted to cash where possible and used to pay or provide for the Trust's liabilities (including those incurred in winding up the Trust and any unpaid fees). In such an event, the realisation of assets may be postponed.

Investors are entitled to a share of the balance of the assets in accordance with the Trust's Constitution. This will be the final distribution of the Trust, which may include both a capital and income component.

### Financial Information

The Trust's annual report will be made available to investors each year. You can request a copy of the annual report by contacting Ibbotson on the contact details shown on the last page.

### Borrowings

Under the Constitution, the Trust is permitted to borrow. Generally, borrowings may be used to facilitate short-term liquidity needs, and the redemption of unit, and to gain exposure to derivatives, including for the purposes of achieving target asset allocation. By virtue of the Trust's exposure to alternative investment strategies, it may also be exposed implicitly to borrowings and other liabilities.

### Changes To The Trust

New trusts may be added or existing Trusts closed, or the investment objective and risk profiles may be altered. You will be advised of material changes as soon as practicable and given at least 30 days notice before any material changes are made to the Trust.

### Performance Information

Investment performance becomes outdated very quickly. Past performance information has not been included in the PDS.

If you require up-to-date Trust performance information, please contact Ibbotson on the contact details provided on the last page. Ibbotson will provide the information to you free of charge. In assessing any performance information, you should bear in mind that past performance is not a reliable indicator of future performance.

### Related Party Transactions

Ibbotson receives a range of services from its related party, Morningstar. These services are provided in accordance with a shared services agreement.

Staff Investors are allowed to invest in the Trust. Their investment is governed by Ibbotson's staff

investment policies and procedures.

### Conflicts Of Interest

If there is a material conflict between the duties of Ibbotson in relation to its obligations to the Trust and its personal interests, Ibbotson will disclose particulars of the conflict.

## 6. Definitions

**'AFS Licence' or 'AFSL'** means Australian Financial Services Licence.

**'ASIC'** means the Australian Securities and Investments Commission.

**'Business Day'** means any day other than Saturday and Sunday during which banks are open for general banking business in the state of New South Wales.

**'CGT'** means Capital Gains Tax which is the tax you pay on any capital gains.

**'Constitution'** means the Constitution of one or more Trusts, as amended from time to time, or the Constitutions for all of the Trusts, as the context indicates.

**'Direct Investor'** is an investor who invests and holds units directly in the Trusts, and not through an IDPS.

**'GST'** means Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999.

**'Ibbotson'** means Ibbotson Associates Australia Limited ABN 54 071 808 501, AFS Licence No. 228986, the Investment Manager of the Trusts, the issuer of units in the Trusts and the responsible entity of the Trusts.

**'IDPS'** means a master trust, wrap account, investor directed portfolio service or similar product. (but does not include the ASX Managed Fund Service).

**'Indirect Investor'** is an investor who gains exposure to the Trusts through an IDPS.

**'Morningstar'** means Morningstar Australasia Pty Ltd, ABN 95 090 665 554, AFS Licence No. 240892, the parent entity of Ibbotson.

**'NAV'** means the Net Asset Value of a Trust and is the value of all assets of the Trust less liabilities of the Trust (excluding any amount representing the value of the investors' interests in the Trust or rights attaching to units, unless they have become due and payable to the relevant investor, regardless of whether characterised as equity or debt in the accounts of the Trusts) and is calculated in accordance with the Constitution of the Trust.

**'PDS'** means Product Disclosure Statement.

**'RITC'** means Reduced Input Tax Credit as defined in A New Tax System (Goods and Services Tax) Act 1999.

**'Staff Investor'** is an investor who is an employee as defined by Ibbotson's internal human resource policies and procedures governing its staff investment program.

**'the Trust'** means the managed investment scheme to which this document relates.

**'you'** or **'your'** means an investor or prospective investor in the Trust(s).

#### **Contact Details**

##### **Administrator and registry:**

Investors using mFund:

Contact your financial adviser or broker

otherwise:

Retail registry:

FundBPO Pty Limited

GPO Box 4968

Sydney NSW 2001

Tel: 1300 133 451

Fax: +61 2 9251 3525

Web: [www.mainstreambpo.com.au](http://www.mainstreambpo.com.au)

Email: [registry@fundbpo.com](mailto:registry@fundbpo.com)

##### **Responsible Entity and issuer:**

Ibbotson Associates Australia Limited

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264 George Street

Sydney NSW 2000

Tel: +61 2 9276 4550

Fax: +61 2 9276 4560

Web: [www.ibbotson.com.au](http://www.ibbotson.com.au)

Email: [AUDistribution@ibbotson.com](mailto:AUDistribution@ibbotson.com)

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**ibbotson.**

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