

# Artesian Corporate Bond Fund - Class A



## Product Disclosure Statement

ARSN 616 633 482  
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### About this PDS

This Product Disclosure Statement ("PDS") has been prepared and issued by Equity Trustees Limited ("Equity Trustees", "we" or "Responsible Entity") and is a summary of the significant information relating to an investment in the Artesian Corporate Bond Fund - Class A (the "Fund"). It contains a number of references to important information (including a glossary of terms) contained in the Artesian Corporate Bond Fund - Class A Reference Guide ("Reference Guide"), which forms part of this PDS. You should consider both the information in this PDS, and the information in the Reference Guide, before making a decision about investing in the Fund.

The offer to which this PDS relates is only available to persons receiving this PDS in Australia and New Zealand (electronically or otherwise). New Zealand investors must read the Artesian New Zealand Investors Information Sheet before investing in the Fund. All references to dollars or "\$" in this PDS are to Australian dollars.

This PDS does not constitute a direct or indirect offer of securities in the US or to any US Person as defined in Regulation S under the US Securities Act of 1933 as amended ("US Securities Act"). Equity Trustees may vary this position and offers may be accepted on merit at Equity Trustees' discretion. The units in the Fund have not been, and will not be, registered under the US Securities Act unless otherwise approved by Equity Trustees and may not be offered or sold in the US to, or for, the account of any US Person except in a transaction that is exempt from the registration requirements of the US Securities Act and applicable US state securities laws.

The information provided in this PDS is general information only and does not take account of your personal objectives, financial situation or needs. You should obtain financial advice tailored to your personal circumstances and consider whether the information in this PDS is appropriate for you in light of those circumstances.

### The Reference Guide

Throughout the PDS, there are references to additional information contained in the Reference Guide. You can obtain a copy by emailing the Investment Manager on [bondoperations@artesianinvest.com](mailto:bondoperations@artesianinvest.com), visiting [www.artesianinvest.com](http://www.artesianinvest.com) or calling +61 3 9288 9444.

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

### Updated information

Information in this PDS is subject to change. We will notify you of any changes that have a material adverse impact on you or other significant events that affect the information contained in this PDS. Any information that is not materially adverse is subject to change from time to time and may be obtained by emailing the Investment Manager on [bondoperations@artesianinvest.com](mailto:bondoperations@artesianinvest.com), visiting [www.artesianinvest.com](http://www.artesianinvest.com) or calling +61 3 9288 9444. A paper copy of the updated information will be provided free of charge on request.

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#### Investment Manager

Artesian Corporate Bond Pty Ltd  
ACN 618 342 895  
Authorised representative number 001260177  
Studio 4, Level 1, 281 Brunswick Street Fitzroy  
VIC 3065 Australia  
Ph: +61 3 9288 9444  
Web: [www.artesianinvest.com](http://www.artesianinvest.com)

#### Administrator and Custodian

Mainstream Fund Services Pty Ltd  
ACN 118 902 891  
Lvl 1, 51-57 Pitt Street  
Sydney NSW 2000  
Ph: 1300 133 451  
Web: [www.mainstreambpo.com](http://www.mainstreambpo.com)

#### Responsible Entity

Equity Trustees Limited  
ABN 46 004 031 298, AFSL 240975  
GPO Box 2307  
Melbourne VIC 3001  
Ph: +61 3 8623 5000  
Web: [www.eqt.com.au/insto](http://www.eqt.com.au/insto)

# 1. About Equity Trustees Limited

## The Responsible Entity

### Equity Trustees Limited

Equity Trustees Limited ABN 46 004 031 298 AFSL 240975 ("Equity Trustees"), a subsidiary of EQT Holdings Limited ABN 22 607 797 615, which is a public company listed on the Australian Securities Exchange (ASX: EQT), is the Fund's Responsible Entity and issuer of this PDS. Established as a trustee and executorial service provider by a special Act of the Victorian Parliament in 1888, today Equity Trustees is a dynamic financial services institution which continues to grow the breadth and quality of products and services on offer.

Equity Trustees' responsibilities and obligations as the Fund's Responsible Entity are governed by the Fund's constitution ("Constitution"), the Corporations Act and general trust law. Equity Trustees has appointed Artesian Corporate Bond Pty Ltd as the investment manager of the Fund. Equity Trustees has appointed a custodian to hold the assets of the Fund. The custodian has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests.

## The Investment Manager

### Artesian Corporate Bond Pty Ltd

Artesian is an alternative investment management company that was part of ANZ Banking Group's capital markets business until 2004 when it became a standalone business. Artesian is wholly owned by its directors and employees. Since 2004, Artesian has managed specialised funds focused on credit arbitrage and relative-value strategies across global financial markets. Artesian has offices in Sydney, Melbourne, Singapore, Shanghai, London and New York and leverages its global relationships, risk systems, knowledge and research with the aim of delivering above market returns for investors.

# 2. How the Artesian Corporate Bond Fund - Class A works

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

If you invest in the Fund through an IDPS (as defined in the Reference Guide) you will not become a unitholder in the Fund. The operator or custodian of the IDPS will be the unitholder entered in the Fund's register and will be the only person who is able to exercise the rights and receive benefits of a unitholder. Please direct any queries and requests relating to your investment to your IDPS Operator.

## Applying for units

You can acquire units by completing the Application Form that accompanies this PDS. The minimum initial investment amount for the Fund is \$25,000.

Completed Application Forms should be sent along with your identification documents (if applicable) to:

Mainstream Fund Services Pty Ltd  
Client Services Registry Team  
GPO Box 4968  
Sydney, NSW, 2001

Please note that cash cannot be accepted.

Additional applications may be faxed to +61 2 9251 3525 or emailed to [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com) (please insert the fund name in the subject line of the email).

The price at which units are acquired is determined in accordance with the Constitution ("Application Price"). The Application Price on a Business Day (as defined in the Reference Guide) is, in general terms, equal to the Net Asset Value ("NAV") of the Fund, divided by the number of units on issue and adjusted for transaction costs ("Buy Spread"). At the date of this PDS, the Buy Spread is 0.10%.

The Application Price will vary as the market value of assets in the Fund rises or falls.

## Making additional investments

You can make additional investments into the Fund at any time by sending us your additional investment amount together with a completed Application Form. The minimum additional investment is \$5,000. Unitholders who wish to establish a regular savings plan will need to complete the Direct Debit Request Service Agreement which forms part of the Application Form. The minimum additional investment into the Fund through the monthly savings plan is \$1,000, provided the unitholder also holds a minimum investment balance of \$25,000. All direct debits are subject to the Direct Debit Request Service Agreement and this agreement can also be found at [www.eqt.com.au/insto](http://www.eqt.com.au/insto).

## Distributions

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

The Fund usually distributes income quarterly at the end of March, June, September and December periods. Distributions are calculated effective the last day of each accounting period and are normally paid to investors as soon as practicable after the distribution calculation date.

Investors in the Fund can indicate a preference to have their distribution:

- reinvested back into the Fund; or
- directly credited to their Australian domiciled bank account.

Investors who do not indicate a preference will have their distributions automatically reinvested. Applications for reinvestment will be taken to be received prior to the next Business Day after the relevant distribution period. There is no Buy Spread on distributions that are reinvested.

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

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

New Zealand investors can only have their distribution paid in cash if an AUD Australian domiciled bank account is provided, otherwise it must be reinvested (refer to the Artesian Corporate Bond Fund - Class A New Zealand Investors Information Sheet).

## Access to your money

Investors in the Fund can generally withdraw their investment by completing a written request to withdraw from the Fund and mailing it to:

Mainstream Fund Services Pty Ltd  
Client Services Registry Team  
GPO Box 4968  
Sydney, NSW, 2001

Or sending it by fax to: +61 2 9251 3525

Or emailing the request to [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com) (please insert the fund name in the subject line).

The minimum withdrawal amount is \$5,000. Once we receive your withdrawal request, we may act on your instruction without further enquiry if the instruction bears your account number or investor details and your (apparent) signature(s), or your authorised signatory's (apparent) signature(s).

Equity Trustees will generally allow an investor to access their investment within 3-5 days of acceptance of a withdrawal request by transferring the withdrawal proceeds to such investors' nominated bank account. However, the Constitution allows Equity Trustees to reject withdrawal requests and also to make payment up to 21 days after acceptance of a request (which may be extended in certain circumstances).

The price at which units are withdrawn is determined in accordance with the Constitution ("Withdrawal Price"). The Withdrawal Price on a Business Day is, in general terms, equal to the NAV of the Fund, divided by the number of units on issue and adjusted for transaction costs ("Sell Spread"). At the date of this PDS, the Sell Spread is 0.10%. The Withdrawal Price will vary as the market value of assets in the Fund rises or falls.

Equity Trustees reserves the right to fully redeem your investment if your investment balance in the Fund falls below \$25,000 as a result of processing your withdrawal request. We also reserve the right to fully withdraw an investor's investments in the Fund, upon giving 30 days' notice, if the minimum balance amount is increased and your holding falls below the new minimum balance. Equity Trustees can deny or suspend a withdrawal request in certain circumstances, including where accepting the request is not in the best interests of investors in the Fund or where the Fund is not liquid (as defined in the Corporations Act). When the Fund is not liquid, an investor can only withdraw when Equity Trustees makes a withdrawal offer to investors in accordance with the Corporations Act. Equity Trustees is not obliged to make such offers.

If you are an Indirect Investor, you need to provide your withdrawal request directly to your IDPS Operator. The time to process a withdrawal request will depend on the particular IDPS Operator.

### Unit pricing discretions policy

Equity Trustees has developed a formal written policy in relation to the guidelines and relevant factors taken into account when exercising any discretion in calculating unit prices (including determining the value of the assets and liabilities). A copy of the policy and, where applicable and to the extent required, any other relevant documents in relation to the policy will be made available free of charge on request.

### Additional information

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

- the most recent annual financial report lodged with ASIC ("Annual Report");
- any subsequent half yearly financial report lodged with ASIC after the lodgement of the Annual Report; and
- any continuous disclosure notices lodged with ASIC after the Annual Report but before the date of this PDS.

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

Copies of these documents lodged with ASIC in relation to the Fund may be obtained from ASIC through ASIC's website.

### Further reading...

You should read the important information in the Reference Guide under "Investing in the Artesian Corporate Bond Fund - Class A", "Managing your investment" and "Withdrawing your investment" about:

- application cut-off times;
- authorised signatories;
- reports;
- regular saving plan;
- withdrawal cut-off times;
- withdrawal terms; and
- withdrawal restrictions,

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

## 3. Benefits of investing in the Artesian Corporate Bond Fund - Class A

The Fund will invest in Australian dollar corporate bonds and cash. These corporate bonds will be issued by Australian and international companies. The Fund will invest in liquid securities which allow the Investment Manager to enter and exit positions easily (in normal market conditions) resulting in daily liquidity for investors. As this is a new fund, it may not be possible to fully implement the investment strategy and asset allocation parameters until the Fund reaches a particular size (for further details see section 5 "How we invest your money").

Investing in the Fund offers a number of benefits, including:

- a) access to investment opportunities and diversification that individual investors are otherwise unable to achieve.
- b) a disciplined risk management process that manages different levels of investment risk relative to anticipated investment returns.
- c) an experienced, skilled investment management team, with a broad and multi-faceted base of knowledge and experience.
- d) participation in any income distributions from the Fund.

### Further Reading

You should read the important information in the Reference Guide under "Features and benefits". Go to the Reference Guide available at [www.eqt.com.au/insto](http://www.eqt.com.au/insto). The material relating to these matters may change between the time when you read this PDS and the day when you acquire the product.

## 4. Risks of managed investment schemes

All investments carry risks. Different investment strategies may carry different levels of risk, depending on the assets acquired under the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk. The significant risks below should be considered in light of your risk profile when deciding whether to invest in the Fund. Your risk profile will vary depending on a range of factors, including your age, the investment time frame (how long you wish to invest for), your other investments or assets and your risk tolerance.

The Responsible Entity does not guarantee the liquidity of the Fund's investments, repayment of capital or any rate of return or the Fund's investment performance. The value of the Fund's investments will vary. Returns are not guaranteed and you may lose money by investing in the Fund. The level of returns will vary and future returns may differ from past returns. Laws affecting managed investment schemes may change in the future. The structure and administration of the Fund is also subject to change.

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

**The Significant risks of the Fund include (but are not limited to):**

#### **Market risk**

Investment returns are influenced by the performance of the market as a whole. Economic, technological, political and legal factors and market sentiment can change. These changes may affect the value of investment markets, the Fund's investments and the value of the units.

#### **Investment specific risk**

The price of a specific investment of the Fund may be affected by market risk (above) but also by factors which are specific to that investment; for example, a circumstance or change impacting a particular company, sector, region or type of product in which the Fund has invested.

#### **Liquidity risk**

Under abnormal or difficult market conditions, some normally liquid assets may become illiquid, restricting our ability to sell them and to make withdrawal payments to investors without a potentially significant delay.

#### **Investment manager risk**

Like other investment managers, the Investment Manager's approach directly impacts the value of the Fund's performance. There is no guarantee the Fund will achieve its performance objective or produce results that are positive. Changes in key personnel within the Investment Manager may also impact the Fund's future return.

#### **Fund risk**

Risks specific to the Fund include the risk that the Fund could terminate and that the fees and costs payable by the Fund could change. There is also a risk that investing in the Fund may give different results than direct investing because of income or capital gains accrued in the Fund and the consequences of investments and withdrawals by other investors.

#### **Counterparty risk**

There is a risk that a counterparty may breach its obligations. This could include, but is not limited to, failing to make settlement payments or returning margin payments.

#### **Interest rate risk**

The yield and face value of securities can be affected by interest rate movement. In instances where interest rates rise, the face value of certain fixed rate securities may decline. Equally, in circumstances where interest rates decline, the yield of certain floating rate securities will drop to reflect the floating rate nature of the yield. Equally, longer term interest rate expectations have the ability to impact the value of longer dated fixed rate securities. The expectation of future rates is embodied in the "yield curve".

#### **Derivative risk**

The Investment Manager may use derivatives, such as interest rate futures, to hedge interest rate risk arising from the corporate bonds in the portfolio. Risks particular to derivatives include the risk that the value of a derivative may not move in line with the underlying asset and the risk that a particular derivative may be difficult or costly to trade. Derivatives will only be used for risk management purposes. Derivatives will not be used within the Fund for speculative or gearing purposes.

## 5. How we invest your money

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

### **Investment objective**

Absolute return fund that aims to achieve the RBA cash rate +2.75% through all interest rate cycles.

### **Target return**

RBA daily cash rate +2.75%.

### **Target return range**

RBA cash rate +2.25% to 3.25%. Note the target return and target return range is not a forecast. It is merely an indication of what the Fund aims to achieve over the medium term on the assumption that credit markets remain relatively stable throughout the investment timeframe. The Fund may not be successful in meeting the target return or target return range. Returns are not guaranteed.

### **Minimum suggested time frame**

The minimum suggested investment time frame for the Fund is two to four years.

### **Risk level of the Fund**

The Investment Manager considers this product to be medium risk, riskier than term deposits, but of lower risk and volatility than that historically seen in equities.

### **Investor suitability**

The Fund is generally suited for persons seeking stable returns.

### **Investment style and approach**

The Investment Manager's strategy for the Fund is to invest in a diversified portfolio of liquid, fixed and floating rate corporate bonds. At the date of this PDS, with Australian interest rates at all-time lows, floating rate note securities (FRNs) offer fixed income investors opportunities to take advantage of potentially rising rates. Although the Fund will also invest in fixed rate securities, more emphasis will be placed on FRNs to mitigate interest rate risk.

### **Asset allocation**

The asset classes in which the Fund invests are: fixed rate corporate bonds – target exposure 35% (range 0% to 70%); floating rate corporate bonds – target exposure 55% (range 0% to 100%); cash – target exposure 0-20% (range 0% to 100%). Cash products are cash held by Australian Authorised Deposit-taking Institutions, including certificates of deposit, bank bills and other cash-like instruments.

Assets are held directly or indirectly.

Further, this is a new fund and the Investment Manager does not expect to be able to fully implement the investment strategy and asset allocation parameters stated in this section 5 until the Fund reaches approximately \$12 million funds under management. In the meantime, the Investment Manager will seek to do so as far as practicable.

### **Changing the investment strategy**

The investment strategy and asset allocation parameters may be changed. If a change is to be made, investors in the Fund will be notified in accordance with the Corporations Act.

### **Labour, environmental, social and ethical considerations**

Equity Trustees and the Investment Manager do not generally take into account labour standards or environmental, social or ethical considerations for the purposes of selecting, retaining or realising investments.



## Fund performance

Up to date information on the performance of the Fund can be obtained from [www.artesianinvest.com](http://www.artesianinvest.com). A free of charge paper copy of the information will also be available on request.

## Market sectors

The Investment Manager aims to deliver the following:

- a diversified portfolio with potential sector exposures to financial institutions, technology, media and telecommunications, utilities, real estate, manufacturing and consumer goods/services. The largest sector exposure is likely to be financial institutions who are the largest issuers in the Australian market.
- an optimally constructed portfolio selected from diverse market sectors.
- a prudently diversified portfolio with the aim of reducing risk to idiosyncratic market events.
- an actively managed portfolio which will include the rebalancing of sector bias.

**Table 1. Minimum, maximum and target sector weights.**

	Min	Max	Target
Exposure to financials	0%	55%	40%
Exposure to each other sector	0%	30%*	10%*
Number of sectors in the portfolio	4	–	6

\*Per sector.

These weights are indicative only and the portfolio may fall outside these weights from time to time.

## Market region and product

The Investment Manager aims to provide the following:

- a portfolio containing exposure to Australian and international floating rate and fixed rate bonds and cash. Cash products are cash held by Australian Authorised Deposit-taking Institutions, including certificates of deposit, bank bills and other cash-like instruments.
- a global team to facilitate international credit and market analysis for the increasing issuance of Australian dollar debt by foreign companies.
- a carefully selected large floating rate note exposure in order to reduce interest rate risk.
- an active trading approach to generate income for investors in the primary and secondary markets.

**Table 2.1. Minimum, maximum and target region weights.**

	Min	Max	Target
Exposure to foreign bond issuers	0%	50%	30%
Exposure to Australian bond issuers	0%	100%	60%
Exposure to cash	0%	100%	0-20%

**Table 2.2. Minimum, maximum and target product weights.**

	Min	Max	Target
Exposure to fixed rate bonds	0%	70%	35%
Exposure to floating rate bonds	0%	100%	55%
Exposure to cash	0%	100%	0-20%

**Table 2.3. Minimum, maximum and target subordinated debt exposure.**

	Min	Max	Target
Exposure to subordinated debt	0%	25%	20%
Exposure to ASX listed hybrids*	0%	10%	5%

\*Exposure to ASX listed hybrids included in total 25% max subordinated debt exposure in row above. A hybrid security or "hybrid" typically promises to pay a rate of return until a certain date, in the same way debt securities do but may have equity-like features that may result in a higher rate of return than regular debt securities. These weights are indicative only and the portfolio may fall outside these weights from time to time.

## Credit ratings

- the Fund will invest at least 90% of funds not invested in cash, in investment grade debt rated either BBB- or higher by Standard & Poor's and Fitch or Baa3 or higher by Moody's.
- although not a key focus for the Fund, the Fund may invest up to 10% of the portfolio in non-rated Australian dollar issued debt if deemed appropriate by the Investment Manager.
- although not a key focus for the Fund, the Fund may invest up to 10% of the portfolio in non-investment grade Australian dollar issued debt if deemed appropriate by the Investment Manager.

**Table 3. Minimum, maximum and target credit rating weights.**

	Min	Max	Target
Exposure to investment grade debt	72%	100%	90%
Exposure to non-rated debt	0%	10%	0%
Exposure to non-investment grade debt	0%	10%	0%
Exposure to cash	0%	100%	0-20%

These weights are indicative only and the portfolio may fall outside these weights from time to time.

## Interest rate risk management

The Fund does have sensitivity to movements in interest rates. The Investment Manager will observe the following risk metrics when managing the interest rate risk of the portfolio:

**Table 4. Minimum, maximum and target interest rate risk duration.**

	Min	Max	Target
Average duration exposure to rates	0 years	3.5 years	1 years

These durations are indicative only and the portfolio may fall outside these durations from time to time.

## Credit risk management

The Fund will have large credit risk exposure which will remain unhedged. The Investment Manager will observe the following risk metrics when managing the credit risk of the portfolio:

**Table 5. Minimum, maximum and target credit risk duration.**

	Min	Max	Target
Average duration exposure to credit	0 years	6 years	4 years

These durations are indicative only and the portfolio may fall outside these durations from time to time.

## Concentration risk management

The Fund will aim to avoid concentration risk in the portfolio. The Investment Manager will observe the following risk metrics when managing the concentration risk of the portfolio:

Table 6. Minimum, maximum and target concentration risk weights.

	Min	Max	Target
Exposure to any one bond as a % of total portfolio	0%	20%	3%
Exposure to any one bond as a % of total bond issue size	0%	10%	0-3%

These weights are indicative only and the portfolio may fall outside these weights from time to time.

## 6. Fees and costs

### DID YOU KNOW?

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

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

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

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

### TO FIND OUT MORE

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

The information in the following table can be used to compare costs between this and other simple managed investment schemes. Fees and costs may be paid directly from your investment or deducted from investment returns. For information on tax please see section 7 of this PDS.

Type of fee or cost	Amount
<b>Fees when your money moves in or out of the Fund</b>	
Establishment Fee	Nil
Contribution Fee	Nil
Withdrawal Fee	Nil
Exit Fee	Nil
<b>Management costs<sup>1</sup></b>	
Investment Management Fee <sup>1</sup>	0.67% p.a. of the value of your units in the Fund <sup>2</sup>
Administration Fee <sup>1</sup>	0.21% p.a. of the value of your units in the Fund
Indirect Costs	Estimated to be Nil

<sup>1</sup> All fees quoted above are inclusive of Goods and Services Tax (GST) and net of any Reduced Input Tax Credits (RITC) at the prescribed rate. The Administration fee covers both the Responsible Entity and Administrator fees.

<sup>2</sup> Management fees can be negotiated. See "Differential fees" below. The Management costs amount includes indirect costs of the Fund. See below for more details as to how Management costs (including indirect costs) are calculated.

## Additional Explanation of fees and costs

### What do the Management costs pay for?

The Management costs include Responsible Entity fees, investment management fees, custodian fees, administration fees, indirect costs and other expenses. Fees payable to the Responsible Entity and Investment Manager are calculated and accrued daily based on the Net Asset Value ("NAV") of the Fund. The accrued fees are paid in arrears from the Fund at the end of each month. The Management costs which are paid out of the Fund assets reduce the NAV of the Fund and are reflected in the Unit price.

Management costs include indirect costs and do not include transaction costs (i.e. costs associated with investing the underlying assets, some of which may be recovered through Buy/Sell Spreads). The Fund's indirect costs, which have been included as part of the Management costs total above, are based on estimates of the Fund's future performance for the financial year ending 30 June 2017, and include OTC derivatives costs and fees arising from underlying funds. Actual indirect costs for future years may differ. If future changes to indirect costs cause an increase in the Management costs disclosed in this PDS, updates will be provided on Equity Trustees' website at [www.eqt.com.au/insto](http://www.eqt.com.au/insto) where they are not otherwise required to be disclosed to investors under law.

### Transactional and operational costs

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

The Buy/Sell Spread reflects the estimated transaction costs incurred in buying or selling assets of the Fund when investors invest in or withdraw from the Fund. The Buy/Sell Spread is an additional cost to the investor but is incorporated into the Unit price and incurred when an investor invests in or withdraws from the Fund and is not separately charged to the investor. The Buy/Sell Spread is paid into the Fund and not paid to Equity Trustees or the Investment Manager. The estimated Buy/Sell Spread is 0.10% upon entry and 0.10% upon exit. The dollar value of these costs based on an application of a withdrawal of \$50,000 is \$50.00 for each individual transaction. The Buy/Sell Spread can be altered by the Responsible Entity at any time to reflect the actual costs incurred by the Fund. The Responsible Entity may also waive the Buy/Sell Spread in part or in full at its discretion. Generally, there will be no Buy Spread incurred on distributions which are re-invested.

Transactional costs which are incurred other than in connection with applications and redemptions arise through the day-to-day trading of the Fund's assets and are reflected in the Fund's unit price. As these costs are factored into the asset value of the Fund's assets and reflected in the unit price, they are an additional implicit cost to the investor and are not a fee paid to the Responsible Entity. These costs can arise as a result of bid-offer spreads being applied by trading counterparties to securities traded by the Fund.

During the financial year ended 30 June 2017, the total transaction costs for the Fund were estimated to be 0.12% of the NAV of the Fund, of which 92.81% of these transaction costs were recouped via the Buy/Sell Spread, resulting in a net transactional cost to the Fund of 0.01% p.a.

### Can the fees change?

Yes, all fees can change without investor consent, subject to the maximum fee amounts specified in the Constitution. Equity Trustees has the right to recover all proper and reasonable expenses incurred in managing the Fund and as such these expenses may increase or decrease accordingly. We will generally provide investors with at least 30 days' notice of any proposed change to the Management costs. Expense recoveries may change without notice, for example, when it is necessary to protect the interests of existing members and if permitted by law. In most circumstances, the Constitution defines the maximum fees that can be charged for fees described in this PDS.

## Differential fees

The Investment Manager may from time to time negotiate a different fee arrangement (by way of a rebate or waiver of fees) with certain investors.

## Example of annual fees and costs for the Fund

This table gives an example of how the fees and costs for this managed investment product can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

Example – Artesian Corporate Bond Fund - Class A		
BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR		
Contribution Fees	Nil	For every \$5,000 you put in, you will be charged \$0.
<b>Plus</b>		
Management costs comprising of:	0.88% p.a.	<b>And</b> , for every \$50,000 you have in the Fund you will be charged \$440 each year comprising of:
Investment Management Fee	0.67% p.a.	\$335
Administration Fee	0.21% p.a.	\$105
<b>Equals</b>		
Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, then you would be charged fees of: \$440* <b>What it costs you will depend on the fees you negotiate.</b>

\* This example assumes the \$5,000 contribution occurs at the end of the first year, therefore Management costs are calculated using the \$50,000 balance only. The Management costs would be \$440 if you had invested the \$5,000 for a full 12 months.

**Warning: Additional fees may be paid to a financial advisor if you have consulted a financial advisor. You should refer to the Statement of Advice provided by your financial adviser in which details of the fees are set out.**

Additional fees may apply. Please note that this example does not capture all the fees and costs that may apply to you such as the Buy/Sell Spread. ASIC provides a fee calculator on [www.moneysmart.gov.au](http://www.moneysmart.gov.au), which you may use to calculate the effects of fees and costs on your investment in the Fund.

## Further Reading

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

## 7. How managed investment schemes are taxed

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

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

## 8. How to apply

To invest please complete the Application Form accompanying this PDS, send funds (see details in the Application Form) and send your completed Application Form to:

Mainstream Fund Services Pty Ltd  
Client Services Registry Team  
GPO Box 4968  
Sydney, NSW, 2001

Additional applications may be faxed to +61 2 9251 3525 or emailed to [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com) (please insert the fund name in the subject line of the email).

Please note that cash cannot be accepted and all applications must be made in Australian dollars.

## Who can invest?

Eligible persons (as detailed in the 'About this PDS' section) can invest, however individual investors must be 18 years of age or over. Investors investing through an IDPS should use the Application Form provided by the operator of the IDPS.

## Cooling-off period

If you are a Retail Client (as defined in the Corporation Act) who has invested directly in the Fund, you may have a right to a 'cooling off' period in relation to your investment in the Fund for 14 days from the earlier of:

- confirmation of the investment being received; and
- the end of the fifth business day after the units are issued.

A Retail Client may exercise this right by notifying Equity Trustees in writing. A Retail Client is entitled to a refund of their investment adjusted for any increase or decrease in the relevant Application Price between the time we process your application and the time we receive the notification from you, as well as any other tax and other reasonable administrative expenses and transaction costs associated with the acquisition and termination of the investment. The right of a Retail Client to cool off does not apply in certain limited situations, such as if the issue is made under a distribution reinvestment plan, switching facility or represents additional contributions required under an existing agreement. Also, the right to cool off does not apply to you if you choose to exercise your rights or powers as a unitholder in the Fund during the 14 day period, this could include selling part of your investment or switching it to another product.

Indirect Investors should seek advice from their IDPS Operator as to whether cooling off rights apply to an investment in the Fund by the IDPS. The right to cool off in relation to the Fund is not directly available to an Indirect Investor. This is because an Indirect Investor does not acquire the rights of a unitholder in the Fund. Rather, an Indirect Investor directs the IDPS Operator to arrange for their monies to be invested in the Fund on their behalf. The terms and conditions of the IDPS Guide or similar type document will govern an Indirect Investor's investment in relation to the Fund and any rights an Indirect Investor may have in this regard.

### Enquiries and complaints

If you have any questions regarding the management of the Fund, you can contact the Investment Manager on +61 3 9288 9444. If you are not completely satisfied with any aspect of our services regarding the management of the Fund, please contact Equity Trustees. Equity Trustees seeks to resolve potential and actual complaints over the management of the Fund to the satisfaction of investors. If you wish to lodge a formal complaint please write to:

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

Equity Trustees will respond within 14 days of receiving the complaint and will seek to resolve your complaint as soon as practicable but not longer than 45 days after receiving the complaint. If we are unable to resolve your complaint, you may be able to seek assistance from the Financial Ombudsman Service ("FOS"). To find out whether you are eligible (and if so, to make a complaint) contact FOS on 1800 367 287 (Australia) or +61 3 9613 7366, [info@fos.org.au](mailto:info@fos.org.au) or GPO Box 3, Melbourne VIC 3001.

Please include the Equity Trustees FOS membership number with your enquiry. It is 10395.

FOS can assist you if Equity Trustees cannot. FOS may not consider a dispute where the value of a person's claim exceeds \$500,000. FOS is only able to make a determination of up to \$309,000 per managed investment claim (excluding compensation for costs and interest payments). These monetary limits and the FOS terms of reference do change from time to time. Current details can be obtained from the FOS website ([www.fos.org.au](http://www.fos.org.au)).

## 9. Other information

### Consent

The Investment Manager has given and, as at the date of this PDS, has not withdrawn:

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

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

### Further reading

You should read the important information in the Reference Guide "Other important information" section about:

- your privacy;
- the Constitution for the Fund;
- the Anti-Money Laundering and Counter-Terrorism Financing laws ("AML/CTF laws");
- Indirect Investors;
- Information on underlying investments;
- Foreign Account Tax Compliance Act ("FATCA"); and
- Common Reporting Standards ("CRS"),

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