

## Supplementary Product Disclosure Statement FSP Australian Equities Leaders Fund (ARSN 107 322 789) ("Fund")

15 February 2010

This Supplementary Product Disclosure Statement ("SPDS") is issued by FSP Funds Management Limited (FSPFM), ABN 59 102 944 598, AFS Licence No. 227316.

This SPDS supplements and must be read with the Product Disclosure Statement (PDS) to the FSP Australian Equities Leaders Fund dated 20 February 2006.

### SUMMARY OF CHANGES

KPMG (ABN 51 194 660 183), 10 Shelley Street, Sydney NSW 2000, have been appointed as auditors to the Fund.

FSPFM has appointed White Outsourcing Pty Ltd (ABN 44 114 914 215), Level 7, 20 Hunter Street, Sydney NSW 2000, to be the fund administrator and unit registry to the Fund.

ING Australia Ltd (ABN 60 000 000 779), Level 13, 347 Kent Street, Sydney NSW 2000 acquired 100% ownership of FSP Group Pty Limited (ABN 15 089 512 587), the parent company of FSPFM on 31 December 2007. In late 2009, Australia and New Zealand Banking Group Ltd (ANZ) (ABN 11 005 357 522) acquired 100% ownership of ING Australia Ltd (ABN 60 000 000 779).

### DETAILED CHANGES

#### Page 1 of PDS

The second paragraph in the second column is replaced by:

"The information in this PDS is up to date at the time of preparation. Current legislation provides that, rather than reissuing this PDS or issuing a supplementary PDS, updates may be provided to you on the FSP Funds Management website, [fspfundsmanagement.com.au](http://fspfundsmanagement.com.au) or by free call 1800 006 218, with a paper copy of any updated information provided to you on request and without charge. However, where the changes are materially adverse, we will reissue the PDS or issue a supplementary PDS."

#### Page 2 of PDS

The "Disclaimer" is replaced with the following:

"Investors, in directing the Operator to invest in the Fund, should be aware that:

- an interest in the Fund does not represent a deposit with or a liability of the Operator, FSPFM, FSP Group Pty Limited or any ANZ company, or the administrator. The FSP Group is a subsidiary of Australia and New Zealand Banking Group Ltd (ANZ) (ABN 11 005 357 522). ANZ is an authorised deposit taking institution (ADI) under the Banking Act 1959. The Operator and FSPFM are not an ADI. An investment through the FSP Australian Equities Leaders Fund is not a deposit or a liability of ANZ nor does any other member of the ANZ Group stand behind or guarantee the Fund. Your investment is subject to investment risk including possible delays in repayment and loss of income and capital invested.
- neither FSPFM, FSP Equities Management Ltd (FSPEM) nor any member of the FSP Group make any representation or give any guarantees as to the future performance or success of, the rate of income, capital return from or the recovery of money invested in the Fund whether made on the basis of this PDS or otherwise. "

In the section "Key information", the details for "Auditor" are replaced by "KPMG".

In the section "Key information" the details for "Administrator and Unit Registry" are replaced with:

"White Outsourcing Pty Ltd  
Level 7, 20 Hunter Street  
Sydney NSW 2000  
Phone: 02 8236 7701  
Fax: 02 9221 1194  
Email: [fspretail@whiteoutsourcing.com.au](mailto:fspretail@whiteoutsourcing.com.au)"

## Page 6 of PDS

The details for "Fund Administrator and Unit Registry" are replaced with:

"White Outsourcing Pty Ltd  
Level 7, 20 Hunter Street  
Sydney NSW 2000  
Phone: 02 8236 7701  
Fax: 02 9221 1194  
Email: fspretail@whiteoutsourcing.com.au"

The details for "Fund size and performance history" are replaced by:

"At the date of 1st February 2010 the Fund had approximately \$54 million under management. The performance history of the Fund can be obtained from your financial adviser."

## Page 7 of PDS

The first paragraph in the section "Who is the Responsible Entity of the Fund?" is replaced by:

"FSPFM is the Responsible Entity of the Fund. FSPFM is part of the FSP Group, which was established in 1999. FSP Group is an Australian holding company with interests in a range of financial services companies, including companies that advise on and deal in financial products.

The FSP Group is a wholly-owned subsidiary of ING Australia Ltd. Until late 2009, ING Australia Ltd operated as a joint venture between Australia and New Zealand Banking Group Limited (ANZ) (ABN 11 005 357 522) and the ING Group. In late 2009, ANZ purchased all of ING's shareholding in ING Australia Ltd, and now owns 100% of the company. ING Australia Ltd now operates as ANZ's Australian specialist wealth management and protection business.

ANZ is one of Australia's largest companies and is among the top 50 banks in the world. ANZ has operations in 32 countries and has more than 40,000 staff servicing eight million customers\* globally.

\* Includes two million customers from the recently acquired RBS Asia Business."

## Page 20 of PDS - "How transactions are processed"

This section is replaced by:

"Where the Administrator receives an application or withdrawal request by noon on a business day in Sydney, NSW and it is accepted for processing, the instruction will receive the unit price calculated for that day.

Where the Administrator receives an application or withdrawal request after noon on a business day in Sydney, NSW it will not be processed until the following business day and as such will receive the unit price for the following business day."

## Page 23 of PDS

In the section "Administrator", replace "Computershare" in the four places it occurs, with "White Outsourcing".

In the section, "Related Parties", replace the first sentence with "FSPFM is a wholly owned subsidiary of FSP Group, a subsidiary of ING Australia Ltd (ABN 60 000 000 779)".

## Page 24 of PDS

In the section "Enquiries and complaints", replace the final two sentences of the first paragraphs by:

"If an investor remains unhappy they can contact the Financial Ombudsman Service Ltd (FOS). Contact details are GPO Box 3, Melbourne VIC 3001 or by phone 1300 789 808. Website: www.fos.org.au".

In section "Privacy", in the third paragraph replace reference to Computershare by "White Outsourcing".

## Page 25 of PDS - "Glossary"

The definition of "Administrator" is changed to "Administrator means White Outsourcing".

Delete the definition of "Computershare".

Add the definition, "White Outsourcing means White Outsourcing Ltd (ABN 44 114 914 215)."

## Back cover of PDS

The details for "Auditor" are replaced by:

"KPMG  
10 Shelley Street  
Sydney NSW 2000"

The details for "Administrator and Unit Registry" are placed by:

"White Outsourcing Pty Ltd  
Level 7, 20 Hunter Street  
Sydney NSW 2000  
Phone: 02 8236 7701  
Fax: 02 9221 1194  
Email: fspretail@whiteoutsourcing.com.au"

The details for "All Investor and adviser enquiries" are replaced by"

"Phone: 02 8236 7701  
Fax: 02 9221 1194  
Email: fspretail@whiteoutsourcing.com.au  
Address: Level 7, 20 Hunter Street, Sydney NSW 2000"

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This Supplementary Product Disclosure Statement has been prepared without taking into account your objectives, financial situation or needs. Because of that, before you invest you should obtain professional advice as to whether this investment available to you is appropriate to your investment objectives, financial situation and particular needs. An investment through the FSP Australian Equities Leaders Fund is not a deposit or a liability of the Operator, FSPFM, FSPFM or any other member of the ANZ Group (including the FSP Group of companies). Neither ANZ nor any other member of the ANZ Group stand behind or guarantee the Operator, FSPFM, FSPFM or the investments acquired through the FSP Australian Equities Leaders Fund. Your investment is subject to investment risk including possible delays in repayment and loss of income and capital invested.

# FSP Australian Equities Leaders Fund



(ARSN 107 322 789)  
Product Disclosure Statement

**Dated: 20 February 2006**

This PDS is only for use by investors  
investing through an IDPS.

**Responsible Entity of the  
Fund and Issuer of this PDS:**

FSP Funds Management Limited  
(ABN 59 102 944 598)  
Australian Financial Services Licence  
No. 227316

**Investment Manager:**

FSP Equities Management Limited  
(ABN 12 098 327 809)  
Australian Financial Services Licence  
No. 246790

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## IMPORTANT INFORMATION FOR INVESTORS

This PDS is an important document, which should be read before making a decision to invest in the Fund. It helps you to:

- decide whether the Fund will meet your needs; and
- compare the Fund to others you may be considering.

The Fund is a managed investment scheme, registered in Australia. FSPFM is the Responsible Entity of the Fund and also the issuer of this PDS and of units in the Fund. FSPFM is a subsidiary of FSP Group. FSPFM has appointed FSPFM as the Investment Manager of the Fund. For more information regarding FSPFM and FSPFM please refer to page 7 of this PDS.

When an electronic copy of this PDS is printed, all pages of this PDS must be printed. A printed version can be obtained free of charge by contacting FSPFM or the Operator.

For information about the Fund (such as performance), please consult a licensed financial adviser or authorised representative, the Operator or visit our website ([www.fspgroup.com.au](http://www.fspgroup.com.au)). To obtain a copy of the Constitution please contact FSPFM at the contact details provided at the end of this PDS.

Direct investment in the Fund is open to Operators only. Investors can invest indirectly in the Fund through an Operator – refer section headed “Investing in the Fund” on page 3.

The information contained in this PDS is general information only and does not take into account individual objectives, financial situation or needs. Because of that, Investors should consider the appropriateness of this product having regard to their own objectives, financial situation and needs. FSPFM recommends that Investors seek advice from a licensed financial adviser or authorised representative before investing in the Fund.

The information in this PDS is up to date at the time of preparation. If a change is considered materially adverse FSPFM will issue a supplementary or replacement PDS.

The offer made in this PDS is available only to persons receiving this PDS in Australia and is subject to the terms and conditions described in this PDS. Failure to comply with relevant restrictions may violate laws. FSPFM reserves the right to change these terms and conditions with, in the case of an increase in fees, 30 days notice, otherwise notice will be provided to the Operator before or as soon as practicable after the change occurs. FSPFM reserves the right to withdraw the offer or invitation to subscribe for units and withdraw this PDS. All amounts in this PDS are given in Australian dollars.

FSPFM authorises the use of this PDS as disclosure for Investors.

Certain capitalised words in this PDS are explained in the section titled “Glossary” on page 25.

## Disclaimer

Investors, in directing the Operator to invest in the Fund, should be aware that: -

- an interest in the Fund is not a bank deposit or bank security, it is an interest in a managed investment scheme and is subject to investment risks including possible delays in repayment and loss of income and capital invested; and
- neither FSPFM, FSPEM nor any member of the FSP Group make any representation or give any guarantee as to the future performance or success of, the rate of income, capital return from or the recovery of money invested in the Fund whether made on the basis of this PDS or otherwise.

## KEY INFORMATION

Structure	Australian resident open ended unit trust
Minimum initial investment	Contact Operator
Additional investments	Contact Operator
Minimum balance	Contact Operator
Minimum withdrawal	Contact Operator
Indirect Cost Ratio (ICR)	1.3325% p.a. including GST and net of RITCs, estimate only
Performance Fee	Is applicable, refer to Page X for details.
Buy/Sell Spread	+ 0.50% on entry and – 0.50% on exit
Distribution frequency	Semi annually as at 30 June and 31 December
Reporting	Primarily from the Operator
Responsible Entity	FSP Funds Management Limited Level 34 Australia Square 264-278 George St Sydney NSW 2000 Phone: 02 9253 8500 Fax: 02 9253 8616
Investment Manager	FSP Equities Management Limited
Custodian	ANZ Banking Group Limited
Auditor	Ernst & Young
Administrator and Unit Registry	Computershare Funds Services Pty Limited GPO Box 804, Melbourne VIC 3001 Phone: 1300 362 786 Fax: 03 9473 2140 Email: fspfm@computershare.com.au

# INVESTING IN THE FUND

## Investing through an IDPS

Direct investment in the Fund is open to Operators only. Investors can invest indirectly in the Fund through an Operator.

To invest simply complete the document which the Operator requires. In addition to reading this PDS an Investor should read the document that explains the IDPS, including how to invest through the IDPS, the minimum initial investment amount, fees involved and the terms & conditions of the investment.

## What is an IDPS?

IDPS means an investment and reporting service operated by a master trust, wrap account or similar plan.

## What happens when you invest through an IDPS?

Usually an Operator pools investor monies and makes a single investment in the Fund that is held in the name of a custodian. As such the Operator is the unitholder in the Fund. Accordingly the rights of unitholders in the Fund specified in this PDS generally refer to the rights exercisable by the Operator. Investors investing in the Fund through an Operator do not themselves become unitholders in the Fund, nor do they acquire the same rights as the Operator under this PDS. Therefore some provisions of the Constitution of the Fund are not relevant for Investors. The terms of an Investor's investment in the Fund are in accordance with the terms of their arrangement with their Operator. Investors can only redeem their investments during the times allowed by, and in accordance with, their agreement with their Operator. Fund reports and other information will be sent directly to the Operator, who will use this information to provide Investors with regular reporting in respect of the Fund.

## About managed funds

Managed funds are investments in which individual investors pool their money with money from other investors. An investment manager then manages the pooled funds and decides how to invest the funds according to the objectives, guidelines and strategies of the particular fund. For example, an Australian share fund might consist of a pool of money contributed by individual Investors, to be invested in a range of Australian listed shares on the Australian Stock Exchange.

There are many types of managed funds. Some funds invest into one type of asset class whilst others invest in a combination of asset classes. The fund offered in this PDS invests predominantly in Australian listed shares. This is described in greater detail on page 8.

## About the Fund

The Fund is an unlisted registered managed investment scheme that invests predominantly in Australian listed shares. FSPFM has appointed FSPFM as the Investment Manager of the Fund. As such FSPFM will make the decisions about buying and selling shares in the Fund, and does this daily by selecting a portfolio of shares and then managing the amount of money invested in each share within the Fund (often called Active Management). This Fund has been developed to access the investment expertise of a boutique investment manager who will primarily invest in Australian listed shares.

FSPFM defines a boutique investment manager as having the following characteristics: -

- there is a significant level of ownership of the business by the principals;
- the business is focused on investment management; and
- there is an ability to control the level of funds under management thereby preserving the opportunity to generate a return above the benchmark.

FSPFM believes that boutique investment managers have a role to play in an investor's portfolio because:

- they can implement strategies faster than more traditional and larger sized fund managers; and
- difficult investment market conditions create a necessity for more flexible investment management.

FSPFM also recognises that it is difficult for investors to access the capabilities of less well-known investment managers.

The Fund is designed as a long-term investment and is not suitable for short-term investment. Depending on individual circumstances FSPFM expects the Fund to be suitable for investors looking to invest for at least 5 to 7 years and who would be seeking capital growth and some income as well as accepting that the value of their investment can fluctuate. The objective of the Fund is to outperform the S&P/ASX200 Accumulation

Index over a rolling five-year period before fees, expenses and taxes.

Like most managed funds, the Fund is a unit trust. Interests in unit trusts, which are called units, represent a share in the trust's collective asset pool. Certain rights are attached to units and these rights are exercisable by the investors who own these units (referred to as unitholders). When an Operator invests in a trust, their money buys units in the Fund to which rights are attached. It is important that Investors seek details of their rights from their Operator.

FSPFM recommends that Investors seek professional advice from a licensed financial adviser or authorised representative before investing in the Fund.

### **Need help?**

If investors have questions about investing generally, then FSPFM recommends that an investor speak to a licensed financial adviser or authorised representative. If investors have questions about this PDS then contact the Operator or FSPFM at the contact details provided at the end of the PDS.

ASIC can help investors locate a licensed financial adviser or authorised representative. The ASIC website is [www.asic.gov.au](http://www.asic.gov.au).

# THE FUND AT A GLANCE

Outlined below is an overview of the Fund. More detailed information on the Fund is contained in this PDS.

FSP Australian Equities Leaders Fund																
<b>What the Fund invests in</b>	The Fund invests primarily in shares of companies listed in the S&P/ASX200 Accumulation Index. It can also hold listed shares outside of the S&P/ASX200 Accumulation Index, and invest in shares in unlisted Australian companies (if they propose to list within a reasonable time). The Fund will generally have some cash and cash type investments and some Listed Interest Rate Securities. The Fund is able to make use of Derivatives.															
<b>Investment Objective</b>	To out-perform the S&P/ASX200 Accumulation Index over a rolling five - year period before fees, expenses and taxes.															
<b>Asset Sector range</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Min</th> <th style="text-align: center;">Max</th> </tr> </thead> <tbody> <tr> <td>Australian Listed Shares</td> <td style="text-align: center;">50%</td> <td style="text-align: center;">100%</td> </tr> <tr> <td>Cash</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">50%</td> </tr> <tr> <td>Listed Interest Securities (*)</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">10%</td> </tr> <tr> <td>Initial Public Offerings (**)</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">10%</td> </tr> </tbody> </table> <p>(*) this is a sub sector of the Cash Asset Sector  (**) this will generally be a sub sector of the Australian Listed Shares Sector (unless an unlisted company does not proceed with its IPO)</p>		Min	Max	Australian Listed Shares	50%	100%	Cash	0%	50%	Listed Interest Securities (*)	0%	10%	Initial Public Offerings (**)	0%	10%
	Min	Max														
Australian Listed Shares	50%	100%														
Cash	0%	50%														
Listed Interest Securities (*)	0%	10%														
Initial Public Offerings (**)	0%	10%														
<b>What is the suggested Investor profile?</b>	<p>Investors who: -</p> <ul style="list-style-type: none"> <li>have an investment timeframe of at least five to seven years;</li> <li>are seeking to increase the level of diversification in the Australian listed shares segment of their investment portfolio;</li> <li>are seeking long term capital growth with some income; and</li> <li>accept that the Fund (and hence their investment) may experience periods of negative returns and periods of volatile returns.</li> </ul>															
<b>Suggested investment time frame *</b>	At least 5 to 7 years															
<b>Expected volatility/risk of returns</b>	High															
<b>Potential for Capital Growth</b>	High (over a 5-7 year time frame)															
<b>Potential for income</b>	Low to medium															
<b>Initial investment amount</b>	Contact Operator															
<b>Additional investment</b>	Contact Operator															
<b>Minimum balance</b>	Contact Operator															
<b>Minimum withdrawal</b>	Contact Operator															
<b>Distribution frequency</b>	Semi annually as at 30 June and 31 December. However there may be periods in which no distributions are made. Distributions will be paid to your Operator as soon as practicable after the end of each six-month period.															
<b>Entry/Exit fees</b>	Nil (Refer page 14)															

<b>Performance Fee</b>	FSPFM will be entitled to 20% of the excess return above the Benchmark before fees, expenses and taxes in any Performance Fee Period subject to the Fund's performance being positive. This fee will accrue daily in the unit price and be paid semi-annually in arrears. This fee is paid to the Investment Manager. (Refer page 16 for details)
<b>ICR Fee</b>	1.3325 % p.a including GST and net of RITC, estimate only.
<b>Buy/Sell Spread</b>	+ 0.50 % on entry and -0.50% on exit. These amounts may change if the estimate of the underlying transaction costs change.
<b>Adviser Commission</b>	No commission is paid by the Fund. Commission may be payable by the Operator. Contact Operator for details.
<b>Unit pricing</b>	The Fund's assets are usually valued each business day
<b>Direct contact details</b>	Contact Operator
<b>Fund Administrator and Unit Registry</b>	Computershare Funds Services Pty Limited GPO Box 804, Melb VIC 3001 Phone: 1300 362 786 Fax: 03 9473 2140 Email: fspfm@computershare.com.au
<b>Responsible Entity</b>	FSP Funds Management Limited Level 34 Australia Square 264 - 278 George St Sydney NSW 2000 Phone: 02 9253 8500 Fax: 02 9253 8616
<b>Website</b>	<a href="http://www.fspgroup.com.au">www.fspgroup.com.au</a>
<b>Fund size and performance history</b>	Not applicable as the Fund has only recently been incorporated

\*The suggested length of investment is a guide only and not a recommendation. An Investor should discuss their length of investment in the Fund with their licensed financial adviser or authorised representative to ensure that it meets their needs.

# MANAGING THE FUND

## Who is the Responsible Entity of the Fund?

FSPFM is the Responsible Entity of the Fund. FSPFM is part of the FSP Group, which was established in 1999. FSP Group is an Australian holding company with interests in a range of financial services companies, including companies that advise on and deal in financial products.

As the Responsible Entity, FSPFM's role is to ensure that the Fund is administered in accordance with the Constitution of the Fund. In carrying out its role, FSPFM is subject to the Corporations Act and must:

- act honestly and in the best interests of unitholders in the Fund;
- exercise care and diligence; and
- treat unitholders in the Fund equally.

FSPFM is ultimately responsible for the operation of the Fund, and has the right to delegate certain powers and functions to third parties.

## Who is the Investment Manager of the Fund?

FSPFM has appointed FSPEM as the Investment Manager of the Fund. FSPEM is an active boutique Australian equities fund manager. FSPEM was acquired by the FSP Group in 2003 and is a subsidiary of FSP Group. Appropriate incentive arrangements are in place to properly align the interests of the Investment Manager and the Investors. **FSPEM has a very small investment team, which is headed by and reliant on a chief investment officer who has over twenty years experience in funds management.**

FSPEM holds an AFSL (licence number 246790) issued by ASIC and is the trustee and investment manager of a wholesale fund called the FSP Equities Leaders' Fund.

As the Investment Manager, FSPEM's role is to manage the investment portfolio of the Fund in accordance with the agreed investment strategy and objectives. FSPEM has been appointed as the Investment Manager under an investment management agreement. This agreement may be terminated in certain circumstances including but not limited to termination:

- where required by law (such as when FSPEM or FSPFM cease to carry on business);
- by FSPFM or FSPEM subject to six months notice;
- where FSPEM and FSPFM are unable to agree on the investment mandate for the Fund;

- where FSPFM or FSPEM breach the investment management agreement in a material way;
- either FSPFM or FSPEM becomes insolvent;
- where the AFSL of FSPEM is suspended or revoked;
- where conditions or restrictions are imposed on the AFSL held by FSPEM, which prevent FSPEM from providing the investment management services or a substantial part thereof.

## How does the Investment Manager manage your money?

FSPEM has a long-term investment approach and aims to outperform the S&P/ASX200 Accumulation Index over a rolling five-year period.

FSPEM's investment process is focused on finding the right shares, constructing the investment portfolio to suit market circumstances and managing these shares actively within the Fund. FSPEM is an absolute return focused Australian equities manager that adopts Neutral Style Investing. Whilst FSPEM primarily invests in listed shares within the S&P/ASX200 Accumulation Index, there is scope for FSPEM to invest outside the index. FSPEM does not construct the portfolio relative to index weights and thus can be considered to be benchmark unaware. Risk is primarily managed in the selection of the investments rather than simply attempting to replicate a market index. FSPEM is generally indifferent to investing in either Value or Growth shares, but rather seeks to diversify the portfolio by including both Value and Growth stocks. Accordingly over the longer term the portfolio is not expected to have any notable style bias.

FSPEM's overall aim is to maximise investment opportunities in the market. It is anticipated that over the long term a significant portion of the Fund's total return will be capital growth rather than income. As the Fund is managed from a total return perspective there is no targeting of any particular split between the income and growth components of the Fund's returns. Nor is there targeting of any particular level of imputation credits or realised capital gains within the Fund's distributions.

## Monitoring of the Investment Manager

FSPFM monitors FSPEM to ensure the Fund is managed in accordance with the agreed investment strategy and objectives.

# WHAT DOES THE FUND INVEST IN?

The Fund invests primarily in shares of listed companies in the S&P/ASX200 Accumulation Index. The Fund may also invest in shares outside this index and invest in shares in unlisted Australian companies (if they propose to list in a reasonable time). As such the Fund will have exposure to large cap shares, mid cap shares and small cap shares. Large cap shares are regarded as shares listed within the S&P/ASX50 Accumulation Index, mid cap shares represent the bottom 50 shares in the S&P/ASX100 Accumulation Index and small cap shares are shares listed outside the S&P/ASX100 Accumulation Index. The Fund will usually have some cash (or cash type investments) and some Listed Interest Rate Securities. The Fund may invest up to 50% in cash. Listed Interest Rate Securities and IPOs are each limited to 10% of the portfolio.

Assets Sector	Benefit	Risk
Australian Listed Shares	<p>Shares represent part ownership of a company. Returns from shares can include both capital growth and an income component from dividends paid by the company. Imputation credits attached to some dividend payments may offset other taxes payable.</p> <p>Investing in shares gives investors the opportunity to benefit from the performance of businesses across a wide range of industries.</p>	<p>Shares are generally classified as more volatile than other asset sectors because their value tends to fluctuate over the short term. However, over the longer term, shares have tended to perform better than most other asset sectors.</p> <p>The specific risks of investing in shares include, for example, that the company or the industry in which it operates, may not perform as well as expected or that there may be adverse changes in a company's financial position.</p>
Australian Listed Smaller Company Shares	<p>Due to their small size, smaller company shares may grow more rapidly than larger more mature company shares. They are often more flexible and can therefore respond more quickly to changes in market trends relative to their larger counterparts.</p> <p>Active Management, including research of the sector by the investment manager, may lead to opportunities to add value.</p>	<p>Smaller company shares are perceived to be more volatile than larger company shares. Because smaller company shares undergo less research than larger company shares there is greater potential for unexpected negative earnings and this can create sudden downward pressure on share prices.</p> <p>Smaller companies generally do not have the financial reserves of their larger counterparts and therefore are generally more financially vulnerable, particularly in weaker economic conditions.</p>

Listed Interest Rate Securities	Listed Interest Rate Securities are listed securities that pay a fixed or floating rate of return. These types of investments aim to provide investors with a steady and reliable income stream, whereas returns from share investments fluctuate in line with the profitability of the company. Interest rate security holders can be seen as creditors of an entity and their return is a fixed rate of interest paid regularly until the face value of the security is repaid by the entity at maturity. Interest rate securities can help investors reduce risk and diversify their investment portfolio.	The market price of Listed Interest Rate Securities can fluctuate due to various factors, including interest rates, general movements in equity markets, economic conditions, factors affecting the underlying company's financial position and earnings and investor sentiment. Increases in interest rates may adversely affect the market price of the security. The liquidity of the market for the security may be less liquid than the market for the share and the market price may be more sensitive than for the share. The security is also impacted by the credit quality of the issuer, the ability of the issuer to pay dividends, inflation and the time to maturity.
Cash	Investment in cash securities including term deposits and bank bills. Investing in cash provides a high level of security and the lowest level of risk.  It can be used by the more conservative investor or those with shorter investment timeframes.	Whilst cash provides the most stable investment returns when compared to other asset sectors, there is limited scope to generate higher long-term returns relative to growth assets.  There is also a risk that cash returns will not keep pace with inflation.

Note: the Fund may also invest in IPOs, which are shares in unlisted Australian companies, which are intended to be listed within a reasonable period of time. However no guarantee of listing can be given as this is at the discretion of the ASX.

## Derivatives

FSPFM is licensed under its AFSL to deal in Derivatives. Derivatives are financial instruments that derive their value from the price of a physical security or a market index. The Fund will use Derivatives such as futures, options and other Derivative contracts to help protect the Fund against possible changes in the market value of investments or to add value when it considers this to be appropriate. Losses as well as gains are possible on these contracts. Derivatives may not be used to lever the Fund or to create net short positions.

## Labour standards, environment, social and ethical standards

In buying, retaining or selling underlying investments, FSPFM does not generally take into account labour standards, environmental, social or ethical considerations. However to the extent that the Investment Manager believes those matters may affect the value or performance of an underlying investment they may be considered. FSPFM does not have a predetermined view as to what constitutes a labour standard or environmental, social or ethical consideration.

## Borrowings within the Fund

Whilst the Constitution for the Fund allows borrowings, it is currently not the intention to lever the Fund.

# WHAT ARE THE BENEFITS OF INVESTING IN THE FUND?

The significant benefits of investing in the Fund are:

- The objective of the Fund is to provide Investors with returns that exceed the performance of the S&P/ASX 200 Accumulation Index over rolling five-year periods before fees, expenses and taxes;
- The Fund aims to provide capital growth and some income;
- The Fund provides Investors access to the expertise of an active Australian equities boutique investment manager;
- The Fund allows access to investment opportunities, markets and risk management techniques that may not be available to individual investors;
- Through investing in managed funds, Investors can receive the benefits of Diversification;
- Managed funds, such as this Fund, can also often invest for less cost than ordinary investors; and
- The right to receive any income distributions as well as any other distributions (such as capital distributions). Distributions may also carry imputation, foreign or other tax credits.

# WHAT ARE SOME OF THE SIGNIFICANT RISKS OF INVESTING?

## About risk and return

All investments carry some level of risk and generally investments may increase or decrease in value (i.e. investors can experience investment gains or investment losses). Prior to making a decision to invest in the Fund, an investor should consider the risk factors which may apply. The higher the return an investor seeks the greater the risk. Investors in this Fund need to understand: -

- the risks associated with investing in this Fund;
- how these risks compare with the risks of other investments; and
- the appropriateness of an investment in this Fund relative to an Investor's overall financial plan.

Risk can mean different things to different people. Investments may fail to achieve the investment objective of the Fund. Changes in the value of investments can be significant and they can happen quickly. Different types of investments perform differently at different times and have different risk characteristics and volatility. Often investments offering higher levels of return also exhibit higher levels of volatility.

The value of an investment in the Fund will rise and fall with the value of the Fund's assets. Equity markets are inherently volatile. Investors are cautioned that such volatility may produce significant variations in application (entry or issue) and redemption (withdrawal or exit) prices within relatively short periods of time, notwithstanding the performance of the Fund over the longer term.

Neither FSPFM, FSPFM nor any other person associated with the FSP Group guarantees the performance of the Fund or the return of capital or any specific rate of return from the Fund. An Investor could receive back less than invested (loss of capital) and there is no guarantee that an Investor will receive any income. If there is any interruption of regular trading in the share market for an asset of the Fund, there may be delays in processing withdrawal requests.

These are some of the reasons why Investors should consider investing in different types of investments (often called Diversification). Diversifying investments across different asset classes can help smooth investment returns. A licensed financial planner or authorised representative can help an Investor with these considerations and understanding how to manage risks.

The Fund invests primarily in Australian listed shares so if investors want to invest in other types of investment, they will need to consider other managed funds.

## What are some of the significant risks of the Fund?

Some of the significant risks associated with investing in the Fund and the ways FSPFM and/or FSPFM aim to manage these risks are disclosed below. It is impossible to eliminate all risks and there is no guarantee that management of the risks will always be successful.

- **Individual investment risk:** FSPFM buys individual investments, such as shares on a stock exchange that can and do fall in value for many reasons including company specific risks (eg. management changes) or changes in the business environment. FSPFM aims to reduce these risks with analysis of research from many sources and through Diversification;
- **Market risk:** Economic, technological, political, regulatory or legal conditions, and even market sentiment, can (and do) change, and this can mean that changes in the value of investment markets can affect the value of the investments in the Fund. FSPFM manages this risk using research and analysis to form a view on these matters and then makes investment decisions in the Fund to reduce the impact;
- **Interest rate risk:** Changes in interest rates can have a positive or negative impact directly or indirectly on investment value or returns ~ for example the cost of a company's borrowing can decrease or increase which can make an investment become more or less favourable. FSPFM uses research and analysis to form a view on these matters and then makes investment decisions in the Fund to reduce the impact. Diversification across a range of securities and sectors will also help mitigate this risk;
- **Erosion in real values:** The value of certain assets held by the Fund may be eroded through inflation or changes in interest rates;

- **Fund risk:** Risks particular to the Fund include the possibility that the Fund could be terminated, the fees and expenses could increase or FSPFM could exercise its right to compulsorily redeem an Investor's units in the Fund. FSPFM could be replaced as Responsible Entity. Also FSPEM could be replaced as Investment Manager. There is also a risk that investing in the Fund may give a less favourable result than investing directly because of income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other Investors in the Fund. The Fund may be more concentrated than other similar funds. These risks are managed by monitoring the Fund and acting in the best interests of the Investor;
- **Investment Manager Risk:** The risk that the investment professionals of FSPEM may change. **FSPEM is reliant on the chief investment officer for implementation of the investment strategy and investment management of the Fund.**
- **Liquidity risk:** If a share (or security) is not actively traded it may not be readily bought or sold without some adverse impact on the price paid or obtained. FSPEM aims to manage this risk through its investment process, by carefully managing the purchase and sale of the Fund's assets and by monitoring the cash levels in the Fund to ensure there is adequate liquidity;
- **Derivative risk:** FSPEM may use Derivatives such as futures or options to manage risk or add value when appropriate. Risks associated with using these instruments might include the value of the Derivative failing to move in line with the underlying asset, potential illiquidity of the Derivative, the possibility the Fund may not be able to meet payment obligations and counterparty risk (this is where the counterparty to the Derivative contract cannot meet its obligations under the contract). FSPEM aims to keep Derivative risk to a minimum by constantly monitoring the use of Derivatives in the Fund, making sure the Fund can meet all its obligations with respect to the Derivative contracts, ensuring that all Derivative positions are fully covered by physical assets and by entering into Derivative contracts with reputable counterparties;
- **Equity risk:** The risk that share prices will fall over short or extended periods of time. Historically shares have outperformed most other traditional asset classes over the long term. Share markets, however tend to move in cycles and individual share prices may fluctuate and under perform other asset classes over extended periods of time;
- **Sector risk:** Companies in different but closely related industries are said to be in the same market sector. The values of shares in companies in the same market sector may be similarly affected by market or economic event;
- **Changes to Legislation:** Changes are frequently made to the legislation, which may affect an Investor's investment in the Fund; and
- **Changes to taxation:** Changes can occur to the Australian taxation legislation, which may affect an Investor's investment in the Fund.

FSPFM aims to manage risks by monitoring the Fund and acting in the best interests of the Investors.

#### IMPORTANT NOTE

Your investment in the Fund is not guaranteed. The value of your investment can rise and fall in line with the changing value of the underlying investments. FSPFM recommends an Investor consults a licensed financial adviser or authorised representative to ensure this investment is appropriate to their needs.

# WHAT ARE THE FEES AND CHARGES OF THE FUND?

Government required – Consumer Advisory Warning

## **DID YOU KNOW**

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

**For example, total annual fees and costs of 2% of your fund 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 contributions fees and management costs where applicable. Ask the fund or your financial adviser.**

## TO FIND OUT MORE

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

## Fees and Costs

This section shows fees and other costs that may be charged to an Investor. These fees and costs may be deducted from an Investor's money, from the returns on investments or from the assets of the Fund as a whole.

Taxes are set out in another part of this document.

Please note that an Operator may charge Investors additional fees for services they provide and further these fees do not take into account any rebate that FSPFM may provide to the Operator, which may be passed onto an Investor.

Investors should read all information about fees and costs as well as the information in the document that explains the IDPS, as it is important to understand their impact on an investment.

All fees and costs are inclusive of GST and net of any applicable reduced input tax credits.

Type of Fee or Cost	Amount*	How and when paid
<p><b>Fees when your money moves in or out of the Fund</b></p> <p>- You will also incur a buy-sell spread when your money moves in or out of the Fund (see Note 1 on page 16)</p>		
Establishment Fee: The fee to open your investment.	Nil – No Establishment Fees to apply to the Fund	Not applicable. This fee is not permitted by the Constitution of the Fund.
Entry (or Contribution) Fee: The fee on each amount contributed to your investment.	Nil – No Entry Fees currently apply to the Fund	Not applicable. Whilst the Constitution of the Fund entitles FSPFM to charge an Entry Fee of up to 5%, (exclusive of GST) it is not FSPFM's current intention to charge this fee.
Exit (or Withdrawal) Fee: The fee on each amount you take out of your investment.	Nil – No Exit Fees currently apply to the Fund	Not applicable. Whilst the Constitution of the Fund entitles FSPFM to charge an Exit Fee of up to 5%, (exclusive of GST) it is not FSPFM's current intention to charge such a fee.
Termination Fee: The fee to close your investment.	Not applicable	Not applicable. This fee is not permitted by the Constitution of the Fund.
<b>Management Costs</b>		
Administration fee: This is the fee for the general administration of the Fund.	Not applicable	Not applicable: This fee is not permitted by the Constitution of the Fund.
RE Fee: This is the fee for product issuer's services in overseeing the Fund's operation and/or providing access to the Fund's investment options.	1.3325% per annum \$13.32 per \$1,000	<p>The RE Fee is calculated on the Total Asset Value of the Fund and is reflected in the daily unit price. It is paid monthly in arrears from the assets of the Fund.</p> <p>Whilst the Constitution of the Fund provides for an RE Fee of up to 5% pa (exclusive of GST) on the Total Asset Value of the Fund, it is not FSPFM's current intention to charge this maximum amount.</p>

\* the maximum amounts that may be charged under the Constitution of the Fund are set out in the section headed "Can Fees Change" on page 18

Investment Management Fee: This is the fee for managing the investments of the Fund.	The Investment Management Fee will be paid from the RE Fee. There is no additional charge to the Investor.	Not applicable. This fee is currently paid from the RE Fee.
Performance Fee: FSPFM is entitled to receive a Performance Fee, which is paid to the Investment Manager upon the Fund exceeding the performance Benchmark. (Refer to page 16 for details)	The Performance Fee is calculated as shown in Note 2 on page 16	The Performance Fee is accrued daily in the unit price and is paid semi-annually in arrears upon the Fund exceeding the performance Benchmark, subject to the Fund's performance being positive. See page 16 for details.
Expense Recoveries: These are the out of pocket expenses the RE is entitled to recover from the Fund. These expenses include the ongoing administrative expenses of the Fund such as audit, taxation advice, printing and stationery, postage, other costs in maintaining accounting and registry records, custodian charges and other expenses properly incurred by the Investment Manager. Expense recoveries also include Abnormal Expenses, which are expenses that would not normally be incurred on a day-to-day basis by the Fund.	<p>Normal Expense recoveries –these are normal Fund related expenses and will be recovered from the RE Fee.</p> <p>Abnormal Expense recoveries such as the cost of a change in the responsible entity, termination of the Fund, the formation expenses of the Fund or unit holder meetings, may be recovered from the Fund. It is not possible to predict the Fund's future expenses as they can vary from time to time</p> <p>There is no limit in the Fund's Constitution for Expense Recoveries</p>	<p>-Normal Expense recoveries – although the Constitution allows for the Fund to recover Normal Expenses, FSPFM currently intends that Normal Expenses will be paid out of the RE Fee.</p> <p>Abnormal Expense recoveries are payable as and when they arise. They are accrued in the unit price at the point that FSPFM becomes reasonably certain that the expense will be incurred.</p>
<b>Service fees</b>		
Switching Fee: This is the fee charged when you switch between investment options offered by the Fund.	Nil – No switching facility is currently available	Not applicable
Adviser Service Fee: This is the fee charged by your adviser for advice about an investments in the Fund (and advisers may also receive other amounts as commissions)	Nil – No adviser service fee is paid from the Fund. Not applicable. This fee is not permitted by the Constitution of the Fund.	Contact the Operator.

## Additional Explanation of Fees and Costs

### Notes

#### 1. Buy/Sell Spread

Expenses arise when Investors enter or exit the Fund, which necessitates the buying or selling of assets and include such costs as brokerage, settlement costs, clearing house costs and applicable stamp duty. This type of cost is known as the Buy/Sell Spread and is an estimate of the average transaction costs made to the valuation of the Fund in determining entry and exit prices.

The Buy/Sell Spread aims to ensure that costs in buying and selling assets are shared fairly between new, existing and exiting Investors in the Fund. These costs are determined by adjusting the daily unit price for transaction costs and are applied either in addition to the daily unit price (applied when an Investor buys units) or deducted from the daily unit price (applied when an Investor withdraws from the Fund).

Please refer to “How to invest in the Fund” section on page 20 and “Withdrawing an investment” section on page 20 for more information.

Currently the buy spread for the Fund is 0.50% and the sell spread for the Fund is 0.50% (the maximum buy spread and sell spread permitted under the Constitution is 1.00% respectively). In dollar terms a \$10,000 investment in, or withdrawal from the Fund would incur a transaction cost of \$50 (calculated as \$10,000 X 0.50%). However, these may change during the life of this PDS.

These costs are in addition to the Management Costs and expenses outlined in the table above.

FSPFM has a documented policy on how it calculates the Buy/Sell Spread. Copies of this policy are available from FSPFM at no charge.

#### 2. Performance Fee

The Management Costs part of the fee table on pages 14-15 includes performance fees.

Under the Constitution for the Fund, FSPFM is entitled to receive a Performance Fee for each Performance Fee Period. If payable, FSPFM pays this Performance Fee to the Investment Manager. The Performance Fee is accrued daily in the unit price and is payable within 14 days after the end of each Performance Fee Period. For the purpose of calculating the Performance Fee, the benchmark used will be the S&P/ASX 200 Accumulation Index and will be the ASX published return of this benchmark at the close of business on the relevant day.

FSPFM is entitled to 20% of the amount by which the Fund outperforms the Fund’s benchmark before fees, expenses and taxes are taken into account. If payable this Performance Fee is paid at the end of June and December. Each day FSPFM adds up the Fund’s performance over the Performance Fee Period and compares this against the Fund’s benchmark over the same Performance Fee Period – the result can be positive or negative. This is called the aggregate performance.

The Performance Fee will be payable only if both the aggregate performance and the Fund performance have been positive for the Performance Fee Period. In effect there are three scenarios:

1. The aggregate performance over the Performance Fee Period is <b>positive</b>	AND the Fund’s performance for the Performance Fee Period is <b>positive</b>	THEN, FSPFM is entitled to a Performance Fee
2. The aggregate performance over the Performance Fee Period is <b>positive</b>	BUT the Fund’s performance for the Performance Fee Period is <b>negative</b>	THEN, FSPFM is not entitled to a Performance Fee
3. The aggregate performance over the Performance Fee Period is <b>negative</b>	THEN irrespective of whether the Fund’s performance for the Performance Fee Period is <b>positive or negative</b>	THEN, FSPFM is not entitled to a Performance Fee

The table below shows hypothetical examples of the impact of performance fees where the performance of the Fund exceeds the benchmark by 3% and 6%. These numbers have been provided for illustrative purposes only. Actual returns could be more or less than these numbers.

<b>Outperformance of the Fund Benchmark (before fees expenses and taxes)</b>	<b>3% outperformance</b>	<b>6% outperformance</b>
Initial Investment	\$25,000	\$25,000
Assumed Benchmark Return	6%	6%
Assumed Fund Performance	9%	12%
Gross Value of investment (before fees) at end of 12 months	\$27,250	\$28,000
Management Costs (inclusive of GST and net of RITC)	\$348	\$353
Performance Fee (inclusive of GST and net of RITC)	\$154	\$308
Total Fees	\$502	\$661
Net Value of investment (after fees)	\$26,748	\$27,339
Performance fee (% of gross average value of the investments)	0.59%	1.16%

The above table assumes that the Performance Fee is paid over a full year (not on a semi annual basis, which is how the Performance Fee is paid). The Management Costs are inclusive of GST and net of RITC and have been applied on the average investment balance over the year. The benchmark performance is assumed to be 6%, this is not a forecast.

The Performance Fee must be paid within 14 days of the end of the relevant period. If the Performance Fee calculated is a negative amount then that will be disregarded in calculating Performance Fees for subsequent Performance Fee Periods.

Investors should consult their licensed financial adviser and/or taxation adviser in order to ascertain the precise taxation consequences that would follow in their particular circumstances.

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### Example of annual fees and costs

Investors can work out their own fee structure and the impact this has on their investment by contacting their Operator, their licensed financial adviser and/or taxation adviser. Alternatively, Investors can visit the ASIC website [www.asic.gov.au](http://www.asic.gov.au) where ASIC offers a fee calculator to help Investors compare fees of different products.

The following table gives an example of how the fees and costs in this product can affect your investment over a 1-year period. You should use this table to compare this product with other managed investment products. In practice, your investment balance and the value of the Fund will vary daily. The actual fee charged is based on the value of the Fund and will vary with the value of the Fund.

**Assumption: balance of \$50,000 at the commencement of the year with a contribution of \$5,000 during the year**

Contribution Fees	Nil	For \$5,000 an Investor will be charged \$0
PLUS Management Costs*	1.3325% p.a., estimate only	And, for every \$5,000 you have in the Fund, you will be charged \$66.63 each year.
EQUALS COST OF FUND		If you had an investment of \$50,000 at the beginning of the year and contributed an additional \$5,000 during the year, then for that year you will be charged fees of \$732.88

\* Management Costs above are inclusive of GST and net of RITCs but exclude Performance Fees and Abnormal Expenses as these are too difficult to estimate. Please note that transaction costs apply to this Fund – refer section headed “Buy/Sell Spread”. Also, the Operator will charge their own fees and costs and you may negotiate an adviser fee with your licensed financial adviser.

The following table provides two examples of the effect of Management Costs (excluding Performance Fees).

Years to Invest	1 Year	3 Years
Amount to invest	\$25,000	\$25,000
Assumed Fund Performance (per annum)	9%	9%
Final Value of investment after fees	\$26,902	\$31,151
Fee paid (ICR)	\$348	\$1,126

Actual fees may vary from those shown above. Numbers may not add exactly due to rounding. Please note that transaction costs also apply to this Fund (refer section headed “Buy/Sell Spread”) as well as Performance Fees. In addition, Operators will charge their own fees and costs.

Please note the numbers in the table above are not indicative of the actual returns likely to be achieved by Investors. The figures are provided for information and illustrative purposes. The following assumptions have been made in the above table: -

1. Average return per annum before fees, expenses and taxes;
2. Performance Fees have not been allowed for;
3. The fees and charges of the Operator have not been provided for as these are separate fees and charges to the Fund;
4. All distributions are reinvested annually;
5. No entry / exit fees;
6. The Management Costs do not vary;
7. The numbers have not been adjusted to take account of the impact of inflation;
8. No additional contributions;

9. The ICR is inclusive of GST and net of RITC and has been applied across the average investment balance for the year;
10. Transaction costs have not been allowed for; and
11. Abnormal Expenses have not been allowed for.

### Can fees change?

All fees can change. Reasons for this might include changing economic conditions and changes in regulation. At least 30 days written notice will be given to Operators of any increase in fees (subject to the maximum fees specified in the Constitution) except in respect of government fees and charges. FSPFM cannot charge more than the Fund’s Constitution allows (see maximum fees section below). If FSPFM wished to increase fees above the amounts allowed for in the Fund’s Constitution unitholder approval would need to be sought.

Investors should consult with their Operator to determine their arrangement for notifying of changes in fees and charges.

The current fees charged are set out on pages 14-15. Under the Constitution of the Fund, FSPFM is presently entitled to charge the following maximum fees (GST can be added to all these fees):

- Entry fee – up to 5% of the issue price of a unit;
- Exit fee – up to 5% of the withdrawal price of a unit;
- RE Fee up to 5% of the Total Asset Value of the Fund; and
- Performance Fee of 20% of the excess performance over Benchmark (before fees, expenses and taxes) for each Performance Fee Period subject to the Fund's performance being positive.

Under the Fund's Constitution FSPFM is authorised to increase the fees payable to the RE by 10% per annum subject to giving unitholders 30 days notice. FSPFM may elect to receive units in the Fund in lieu of all or part of any RE fee. Any such units will be issued at the Net Asset Value per Unit.

### Indirect Cost Ratio

The ICR of the Fund is the ratio of the Fund's Management Costs that are not deducted directly from an Investor's account, to the Fund's total average net assets.

The ICR (excluding the Performance Fees and Abnormal Expenses) is estimated at 1.3325% per annum.

This means that an Investor will pay \$133.25 per annum for each \$10,000 of investment, assuming there are no changes to fees. In addition the RE may recover any Abnormal Expenses (such as the cost of unitholder meetings from the Fund) and is entitled to Performance Fees. It is not possible to give an estimate of the amount of any Abnormal Expenses or the Performance Fees.

### Tax, government charges and GST

Government taxes such as stamp duty and GST will be applied to an Investor's account as appropriate. Please refer to the section headed "Taxation Considerations".

### Alternative Forms of Remuneration Register

FSPFM is required to comply with the IFSA/FPA Code of Practice on Alternative Forms of Remuneration.

The Code sets an industry benchmark on how some alternative forms of remuneration are managed and disclosed by product providers and financial advisers.

Where material forms of alternative remuneration (being \$300 per item or more) are paid and/or received by fund managers, product providers or financial advisers or their representatives, the Code requires a register to be maintained. The Register must:

- outline the alternative forms of remuneration which are paid and received from givers and receivers;
- be maintained by fund managers, IDPS (platform) providers, representatives and licensees; and
- be publicly available.

FSPFM's register is available for inspection and copies can be obtained by contacting the Responsible Entity.

#### Note

Investors should note that in addition to the fees and expenses of the Fund above, they will bear the fees and expenses described in the relevant disclosure document or guide of their Operator through which they are investing.

### What commissions and benefits are paid?

FSPFM may enter into arrangements to pay administration fees to Operators in connection with listing the Fund on an Operator's investment menu. These fees are paid by FSPFM and not by the Fund. These fees are not charged out of the assets of the Fund and are not a separate additional charge to Investors. It is not possible to provide an estimate of the amount of these payments.

No service fees or trailing commissions are paid to financial advisers by FSPFM. If we decide to change this policy, FSPFM will pay such fees directly from its RE Fee.

FSPFM does not pay soft dollars to financial advisers or advisory firms. FSPFM does not receive soft dollars.

# TRANSACTIONING WITH THE FUND?

## How to invest in the Fund

Potential Investors may invest in the Fund by directing the Operator to acquire units in the Fund on their behalf.

When the Operator's application is accepted, a number of units will be allocated to the Operator's account in the Fund. The number of units is based on the amount of the investment amount less any entry (or contribution) fee payable to the Operator and the unit price.

The unit issue price is determined each business day by adjusting the Net Asset Value of the Fund for transaction costs (buy spread) and then dividing this by the number of units in the Fund. The buy spread is the estimated cost associated with acquiring the Fund's assets when an Operator is issued units in the Fund and is incorporated in the Fund's entry price. The daily unit price reflects changes in the value of underlying assets held in the Fund (and therefore may rise and fall) plus investment income, less Management Costs (including any Performance Fees) and any taxes that are required to be deducted. Underlying assets are valued at market prices.

The value of the investment at any time is calculated by multiplying the number of units held in the Operator's account by the Fund's unit exit (withdrawal) price.

Value of the investment = Number of units held x unit exit price

## Cooling off period

The cooling off period shall be those specified by the Operator.

## How transactions are processed

Where the Administrator receives an application or withdrawal request by noon (Melbourne time) and it is accepted for processing, the instruction will receive the unit price calculated for that day.

Where the Administrator receives an application or withdrawal request after noon (Melbourne time) it will not be processed until the following business day and as such will receive the unit price for the following business day.

## Withdrawing an investment

Withdrawals by Investors are made in accordance with their arrangement with their Operator. Operators will advise Investors about how to make withdrawals, including any minimum amount involved. Investors should contact their Operator for these details. The Fund generally pays withdrawals within 5 business days after receipt of a written request by the Administrator, although the Constitution permits up to 30 days for the Fund to pay a withdrawal. All taxes or duties or other applicable costs that FSPFM is required or permitted by legislation to deduct, will be deducted from the amount FSPFM pays the Operator.

The unit exit price is calculated by adjusting the Net Asset Value of the Fund for transaction costs (sell spread) and then dividing this by the number of units in the Fund. The sell spread is the estimated cost associated with selling the Fund's assets when an Operator redeems units in the Fund and is incorporated in the Fund's unit exit price.

However FSPFM can delay withdrawal of money in some circumstances as permitted by the Fund's Constitution. Examples of such circumstances, which would give rise to delays in redemption include:

- an emergency or the declaration of a moratorium in a country where the Fund has assets;
- assets for the Fund cannot be redeemed;
- the realisation of assets of the Fund cannot be effected at prices which would be realised if assets were realised in an orderly fashion over a reasonable period in a stable market; or
- the closure of a securities exchange, or imposition of trading restrictions.

# TAXATION CONSIDERATIONS

Investing, and dealing with investments, has tax and often social security implications which can be complex, and which are invariably particular to an investor's circumstances. This means that it is important that an investor seeks professional advice that takes account of their particular circumstances before investing. This discussion should serve only as a guide to the tax considerations that may arise, and it applies only to Australian resident investors.

## The way managed funds are taxed

In accordance with the Constitution, no income tax will be payable by the Fund as it distributes all income to unitholders.

The taxable income of the Fund will include the income the Fund has generated from its investing activities.

The income will retain its character as it passes to the Investors. As a result an Investor may receive distributions of interest, dividends (which may include franking credits), capital gains, and other amounts.

## Tax on distributions

Australian resident Investors are generally subject to income tax on the income of the Fund to which they are presently entitled. This will also include amounts that are reinvested in the Fund.

The way in which Investors are taxed will depend on the character of the distributions they receive. Distributions could comprise income, realised capital gains, tax credits, return of capital and tax deferred amounts. We will send the Operator a report soon after the end of each financial year, which will enable the Operator to provide a comprehensive tax statement to Investors to assist Investors in completing their tax returns.

## GST & Managed Funds

Fees and expenses are subject to GST, usually 10% of the amount shown. However the Fund may be entitled to RITCs of 75% of the GST paid, which reduces this 10% to 2.5% when available. If the GST rate increases, the Fund's Constitution allows us to recoup the extra amount out of the Fund.

## Capital gains tax when you withdraw from the Fund

Australian residents who invest in the Fund are generally subject to capital gains tax on gains when they withdraw any money or transfer units to someone. Depending on an Investor's tax profile and how long an Investor has held their units, an Investor may be entitled to a capital gains concession which can reduce the liability by up to one half.

## Do Investors need to provide a tax file number (TFN) or Australian Business Number (ABN)?

It's up to each Investor to provide their Operator with this information, but FSPFM recommends it strongly. If Investors choose not to and don't have an exemption, the Operator must deduct tax at the highest personal rate, plus the Medicare levy, before passing on any distribution to an Investor. The law is very strict on how FSPFM or the Operator can use these details.

**We strongly recommend an Investor obtains independent professional tax advice before investing in the Fund.**

# ADDITIONAL INFORMATION

## Distribution of income

The Fund intends to distribute taxable income (if any) twice a year for each six-month period ending 30 June and 31 December. Taxable income generally comprises investment earnings, which includes realised gains and losses and dividends. Unitholders on the register at midnight on 30 June and 31 December each year are entitled to the taxable income pro rata according to the number of units held.

Distributions will be paid to the Operator as soon as practical after the end of each six-month accrual period. Any distribution paid will appear on the reporting provided to an Investor by the Operator. An Investor's share of the distribution depends on how many units were held at the end of the accrual period as a proportion of the total number of units on issue at that time and the amount of income of the Fund.

A distribution/taxation statement specifying the taxable components of the distribution will be forwarded to the Operator within two months of the end of the financial year.

## Constitution

The Fund is governed by a Constitution, which together with the Corporations Act and other applicable laws govern the operation of the Fund.

Below is a summary of some of the provisions of the Constitution of the Fund:

**Term.** The Fund will terminate on the 28 November 2082 unless terminated earlier by FSPFM. If the Fund is terminated, FSPFM will sell all the assets of the Fund and distribute the net proceeds to the relevant Operators in proportion to the amount of their investment.

**Operator's interest.** A unit confers an equal interest in the assets as a whole, as opposed to any particular assets of the Fund. The principal rights of Operators as unitholders in the Fund include the right to: redeem their units, requisition, attend and vote at meetings, share in the distribution of assets if the Fund is wound up and share in income and capital distributions. The Operator does not have the right to participate in the management of the Fund.

**Operator's liability.** The liability of Operators is generally limited to the value of the Operators' units. The effectiveness of provisions of this type is however yet to be finally determined by the courts.

**Expenses.** FSPFM is entitled to be reimbursed out of the Fund for all expenses properly incurred in fulfilling its duties and obligations as responsible entity.

**Income distributions.** FSPFM must determine distribution periods each year and make income distributions within 90 days of the end of each distribution period.

**Powers of FSPFM as responsible entity.** FSPFM has all the powers of a natural person in relation to the assets of the Fund. It has discretion to determine the types of investments into which the Fund is invested. In practice it exercises this discretion in consultation with FSPEM.

**Withdrawals.** The Constitution of the Fund sets out procedures for withdrawals. In certain emergency situations, FSPFM may defer the payment of withdrawal proceeds.

**Limitation of FSPFM's liability.** FSPFM is entitled to be indemnified out of the assets of the Fund for any liability it incurs in the proper performance of its duties as responsible entity. It is generally not liable to unitholders for losses caused by anything other than a failure to properly perform its duties as responsible entity of the Fund.

**Unitholders meetings.** The conduct of unitholders meetings and unitholders' rights to requisition, attend and the vote at those meetings are subject to the Corporations Act and (to the extent applicable the Fund's Constitution).

**Retirement and Removal of FSPFM.** FSPFM may be removed in the circumstances set out in the Corporations Act. FSPFM may also retire subject to compliance with the requirements of the Corporations Act.

**The Fund becomes illiquid.** If the Fund becomes illiquid (as defined by the Corporations Act), an Investor will only be able to withdraw from the Fund if the responsible entity makes an offer of withdrawal. If such an offer is made (and there is no obligation to make such an offer) then an Investor may only be able to withdraw part of their investment. Under the Corporations Act, the Fund is regarded as liquid if liquid assets account for at least 80% of the value of the assets of the Fund. Liquid assets generally include money in an account or on deposit with a bank, bank accepted bills, marketable securities and property of the kind prescribed under the Corporations Act. We do not expect the Fund to become illiquid.

**Unitholder Liability.** It is generally thought that unitholders' liabilities are limited to the value of their holding in the Fund. It is not expected that a unitholder would be under any obligation if a deficiency in the value of the Fund were to occur. However this view has not been fully tested at law.

**Amendments.** The Constitution may be amended by FSPFM. However, if the amendments will adversely affect unitholders' rights, approval must be obtained in accordance with the Corporations Act. Any Operator who withdraws before expiry of the notice is not bound by the change. Investors can request a copy of each Fund's Constitution by calling FSPFM directly.

### Compliance plan

A compliance plan has been lodged with ASIC for the Fund. The compliance plan sets out the procedures in place to ensure that the Fund is operated in accordance with the Corporations Act and the Constitution of the Fund.

To oversee compliance with the compliance plan, a compliance committee has been established. The compliance committee is required to report breaches of the Constitution and the Corporations Act to the directors of FSPFM, and in some circumstances, to ASIC.

### The Custodian

FSPFM has appointed ANZ as custodian of the Fund. ANZ has given, and not withdrawn, its consent to being named in this PDS as the custodian of this Fund. ANZ, as custodian of the Fund, is responsible for the control of the Fund's bank accounts, investments and the safekeeping of assets. ANZ was established in 1952 and has custody of \$100 Billion in assets. ANZ does not guarantee the capital invested or the performance of the investment products available.

### The Administrator

FSPFM has appointed Computershare as the administrator and unit registry of the Fund. Computershare is an Australian listed company. Computershare has given, and not withdrawn, its consent to being named in this PDS as the administrator and unit registry of the Fund. Computershare does not make any statements in, or take any responsibility for any parts of, this PDS and makes no guarantee of the success of the Fund or the repayment of capital or income return.

### Related parties

FSPFM is a wholly owned subsidiary of FSP Group. The Investment Manager, FSPEM, is a subsidiary of FSP Group. FSPFM, as the Responsible Entity of the Fund has appointed FSPEM as the Investment Manager of the Fund under an investment management agreement. FSPEM has given and not withdrawn its consent to the issue of this PDS, to being named as investment manager and to the inclusion of information relating to it and its management of the Fund in the form and context in which that information is included.

The Operator may include subsidiaries of FSP Group.

### Reporting

Regular reporting and disclosure requirements apply to the Fund in accordance with the Corporations Act. Copies of the documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at an ASIC office.

Fund reports and other information will be sent directly by FSPFM to the Operator.

You have the right to obtain the following documents from FSPFM:

- the annual report (including financial statements) most recently lodged with ASIC in relation to the Fund;
- any half-year financial report lodged with ASIC in relation to the Fund after the lodgement of that annual report and before the date of this PDS; and
- any continuous disclosure notices provided by FSPFM in relation to the Fund after the lodgement of that annual report and before the date of this PDS.

### Changes in information

Information in this PDS about the Fund may change from time to time and, if not materially adverse, will be updated. Operators will be advised of any updates by mail and/or email. A paper copy of the updated information will be available to Operators free of charge on request. If there are any materially adverse developments, we will issue a supplementary PDS as required by law.

## Enquiries and complaints

As Investors are investing through an IDPS, enquiries and complaints should be directed to the Operator, with a copy forwarded in writing to FSPFM. FSPFM's contact details are at the back of this PDS. FSPFM will always acknowledge any complaint in writing and respond within 45 days. If an Investor remains unhappy they can contact the Financial Industry Complaints Service Ltd (FICS) ~ which is independent from FSPFM. FICS's address is 31 Queen Street, Melbourne, Victoria 3000 and their contact number is 1300 780 808.

FSPFM also has a complaints resolution procedure in place through which Operators can address any issues concerning the Fund. This procedure is available by contacting FSPFM.

## Privacy

As Investors are investing through an IDPS, FSPFM will not generally receive or hold any personal information about an Investor. Please contact the Operator for details on how personal information is dealt with.

If FSPFM does receive any personal information FSPFM will deal with it in accordance with our Privacy Policy.

Information about Operators is collected to enable management and administration of the Fund. FSPFM, FSPEM, Computershare and ANZ will only provide information about Operators to external parties who provide services in relation to the Fund (for example auditors), providers of printing or postal services or if required by law (for example to the Australian Taxation Office).

Operators who wish to access or update any personal information held about them or in the event of a complaint should contact FSPFM.

FSPFM's Privacy Policy is available by contacting FSPFM.

# GLOSSARY

**Abnormal Expenses** are expenses that are not Normal Expenses of the Fund and include expenses such as the cost of a change in the responsible entity, termination of the Fund, the formation expenses of the Fund or unit holder meetings.

**Administrator** means Computershare.

**Active Management** means the process of buying and selling shares in the Fund on a daily basis by selecting a portfolio of shares and then managing the amount of money invested in each share within the Fund.

**AFSL** means Australian Financial Services Licence.

**ARSN** means Australian Registered Scheme Number.

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

**ANZ** means Australian and New Zealand Banking Group Limited (ABN 11 005 357 522) as custodian of the Fund.

**ASX** means Australian Stock Exchange.

**Benchmark** means S&P/ASX 200 Accumulation Index.

**Bottom up analysis** means a form of analysis or approach that seeks to value what a company is worth by focusing on company specific and industry information. Opposite of Top down analysis.

**Business Day** means a day, other than a Saturday or Sunday on which the trading banks are open for general banking business in Melbourne, Victoria.

**Buy/Sell Spread** means an estimate of the average transaction costs made to the valuation of the Fund in determining entry (issue) and exit (withdrawal) prices.

**Code** means IFSA/FPA Code of Practice on Alternative Forms of Remuneration.

**Computershare** means Computershare Fund Services Pty Ltd (ABN 18 073 333 308).

**Constitution** means the FSP Australian Equities Leaders Fund Constitution dated 28 November 2002 governing the Fund's operation, as amended.

**Convertible notes** means securities which are convertible into the ordinary shares of a company at a prescribed price or ratio at specified times at the option of the holder.

**Corporate Bond** an instrument written under seal whereby a company acknowledges that a stated sum is owed, which it will repay at a specified date. The company is obliged to pay a stipulated amount of interest to the bondholders.

**Corporations Act** means Corporations Act 2001 (Cth).

**Diversification** means a strategy aimed at reducing the impact that volatility in one asset class, sector or market will have on an overall portfolio of assets.

**Derivative(s)** means a financial instrument that derives its value from the price of a physical security or a market index.

**Floating Rate** means an interest rate which moves in line with market or benchmark rates instead of remaining constant for the life of a loan.

**Foreign tax credit** means a tax credit in respect of tax paid in a foreign jurisdiction.

**Franked dividend** means a dividend with an Imputation Credit.

**FSPFM** means FSP Equities Management Ltd (ABN 12 098 327 809).

**FSPFM** means FSP Funds Management Limited (ABN 59 102 944 598).

**FSP Group** means FSP Group Pty Limited (ACN 087 851 198) and each of its related bodies corporate.

**Fund** means the FSP Australian Equities Leaders Fund (ARSN 107 322 789).

**Growth Style** investing focuses on companies that are expanding rapidly and/or earning revenue faster than the industry or overall market.

**GST** means goods and services tax.

**Hybrid Security** a security that combines two or more different financial instruments. Hybrid securities generally combine both debt and equity characteristics. The most common example is a convertible bond that has features of an ordinary bond, but is heavily influenced by the price movements of the stock into which it is convertible.

**IDPS** means an Investor directed portfolio service or IDPS-like service including a master trust or wrap account.

**Imputation credit** means a tax credit available to shareholders that represent the tax paid by an Australian company on its profits.

**Index** means a statistical indicator providing a representation of the value of the securities, which constitute it. Indices often serve as barometers for a given market or industry and benchmarks against which financial or economic performance is measured.

**ICR** means Indirect Cost Ratio.

**Investor** means a person investing in the Fund.

**Investment Manager** means the manager of the investments of the Fund which is FSPFM.

**IPO** means Initial Public Offerings.

**Listed Interest Rate Securities** is a listed security that pays a fixed or floating rate of return. This return can be in the form of interest or dividends. The issuer usually promises to pay the investor a specified rate of interest during the life of the security and to repay the face value of the security at a pre-determined time. These types of securities include for example Convertible Notes, Corporate Bonds, Hybrid Securities, and Floating Rate notes.

**Management Costs** mean the costs which are outlined in the table at pages 14-15.

**Net Asset Value** means the Total Asset Value of the Fund less liabilities and provisions, which the Responsible Entity considers appropriate.

**Neutral Style Investing** means managing a portfolio of investments to avoid any distinct style biases.

**Normal Expenses** are normal Fund expenses relating to the day to day operations of the Fund.

**Operator** means an Operator of an IDPS.

**PDS** means this Product Disclosure Statement.

**Performance Fee** the Responsible Entity is entitled to a performance fee equal to 20% of the excess return above the Benchmark (before fees, expenses and taxes) in any Performance Fee Period, subject to the Fund's performance being positive.

**Performance Fee Period** means each six-month period (or part thereof) ending 30 June or 31 December in any year.

**RE or Responsible Entity** means the responsible entity of the Fund.

**RE Fee** means the fee denoted in the Constitution as the "Responsible Entity Fee".

**Top-down analysis** means a form of analysis that focuses on the broad macroeconomic trends then assesses how these trends may impact on industries and, finally, on individual companies. Opposite to Bottom-up analysis.

**Total Asset Value** means the aggregate of the market value of the assets of the Fund, including cash, amounts owing to the Fund and such other assets, which the Responsible Entity considers appropriate.

**Unit Registry** means Computershare

**Value Style Investing** involves buying stocks that are often out of vogue, disliked, cheap stocks that are unattractive to investors.

**Warrant** means a financial instrument issued by a bank or other financial institutions, which is traded on the Australian Stock Exchange's equity market. Warrants may be issued over securities such as shares in a company, a currency, an index or a commodity.

**We** means FSPFM.

## Directory

### Responsible Entity

FSP Funds Management Limited  
Level 34 Australia Square  
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Sydney NSW 2000  
Tel: (02) 9253 8500  
Fax: (02) 9253 8616

### Investment Manager

FSP Equities Management Pty Ltd  
Level 34 Australia Square  
264 – 278 George St  
Sydney NSW 2000  
Tel: (02) 9253 8500  
Fax: (02) 9253 8616

### Custodian

ANZ Banking Group Limited  
101 Collins Street  
Melbourne, VIC 3000

### Auditor

Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000

### Administrator and Unit Registry

Computershare Funds Services Pty Limited  
GPO Box 804, Melbourne VIC 3001  
Tel: 1300 362 786  
Fax: (03) 9473 2140  
Email: [fspfm@computershare.com.au](mailto:fspfm@computershare.com.au)

### For all Investor and adviser enquiries

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