

Product Disclosure Statement Pendal Pure Alpha Fixed Income Fund

APIR Code: BTA0441AU



Issued 22 February 2021

Contents

- 1 Pendal Pure Alpha Fixed Income Fund at a glance
- 2 Disclosure benchmarks
- 3 About Pendal Fund Services Limited
- 4 About the Pendal Pure Alpha Fixed Income Fund
- 5 Benefits of investing in the Pendal Pure Alpha Fixed Income Fund
- 6 Risks of investing in the Pendal Pure Alpha Fixed Income Fund
- 7 Fees and other costs
- 8 How the Pendal Pure Alpha Fixed Income Fund works
- 9 Taxation information
- 10 How to apply
- 11 Other important information

Updated information

Information in this PDS is subject to change from time to time. Information that is not materially adverse information can be updated by us. Updated information can be obtained by contacting your master trust or wrap account operator (for indirect investors), your financial adviser, going to our website, or calling us. You may request a paper copy of any updated information at any time, free of charge.

Pendal Fund Services Limited ABN 13 161 249 332, AFSL 431426 is the responsible entity of, and issuer of units in, the Pendal Pure Alpha Fixed Income Fund ARSN 161 859 936 (**Fund**) and has prepared this PDS.

The information in this PDS is general information only and does not take into account your personal financial situation or needs. You may wish to consult a licensed financial adviser to obtain financial advice that is tailored to suit your personal circumstances.



CLIENT SERVICES ENQUIRIES

Investors: 1300 346 821
Advisers: 1300 346 825
Overseas investors: +61 2 9220 2499
Monday to Friday 8.30am to 5.30pm (Sydney time)
Fax +61 2 9251 3525
Email pendal@mainstreamgroup.com



PENDAL FUND SERVICES LIMITED

GPO Box 4584
Sydney NSW 2001
Australia



WWW.PENDALGROUP.COM

1. Pental Pure Alpha Fixed Income Fund at a glance

Summary of key information

Key Fund information		
Investment manager	The Fund is managed by the Pental Bond, Income & Defensive Strategies team, headed by Vimal Gor.	Section 3
Investment return objective	The Fund aims to provide a total return (after fees, costs and taxes applicable to the Fund) that exceeds the Bloomberg AusBond Bank Bill Index by 2 – 4% per annum, over the medium term.	Section 4
Suggested investment period	3 years or more	
How the Fund is managed	<p>The Fund aims to generate positive returns over a range of market conditions, with a low correlation to equity and bond markets. The Fund aims to generate its returns by investing in a portfolio of fixed interest, credit and foreign exchange markets.</p> <p>The Fund aims to invest primarily in Australia and New Zealand but may also invest in other countries and currencies. The Fund predominantly uses derivatives including swaps, options, futures and forwards.</p>	Section 4
Derivatives	The Fund uses derivatives for a range of purposes including to more efficiently gain economic exposure to underlying reference assets, to increase the liquidity of the portfolio and to manage interest and foreign exchange risk.	Section 4
Leverage	The Fund is not permitted to borrow money to invest but will be leveraged through the use of derivatives thereby amplifying the Fund's exposure to various investment themes.	Section 4
Fund structure	The Fund is an Australian registered managed investment scheme. The responsible entity has appointed a number of key service providers who are involved in the ongoing operation and administration of the Fund.	Section 4
Custody	The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch is the Fund's custodian.	Section 4
Withdrawals	Withdrawals will generally be paid to your nominated Bank Account within 5 Business Days.	Section 8
Liquidity	Pental expects that at least 80% of the Fund's assets are capable of being realised within 10 days.	
Key product features		
Costs of investing in the Fund		
Establishment fee	Nil	Section 7
Contribution fee	Nil	Section 7
Withdrawal fee	Nil	Section 7
Termination fee	Nil	Section 7
Management costs ¹	0.70% pa	Section 7
Buy-sell spread ²	0.10%	Section 7
Minimum investment requirements		

¹ There may be other fees and costs associated with an investment in the Fund. Please refer to 'Fees and other costs' in Section 7.

² Please refer to 'Buy-sell spread' in 'Fees and other costs' section 7 for full details.

Minimum initial investment	\$500,000	Section 8
Distributions		
Frequency	Quarterly	Section 8
Payment method	Automatically reinvested into additional units in the Fund; or paid into your nominated Bank Account.	Section 8
Reporting		
Monthly fact sheet	<ul style="list-style-type: none"> A monthly fact sheet is available on the website www.pendalgroup.com by clicking on 'Products' and selecting the Fund 	Section 2
Regular reporting	<ul style="list-style-type: none"> Confirmation of all applications and withdrawals A regular investment statement providing your account balance, transaction summary and distribution details (if any). 	
Unit Pricing	<ul style="list-style-type: none"> Unit prices calculated for each Business Day which are on our website www.pendalgroup.com by clicking on 'Products' and selecting the Fund 	Section 2
Annual Fund reporting	<ul style="list-style-type: none"> Annual investment statement Annual report for the Fund 	Section 2 Section 11
Annual tax reporting	<ul style="list-style-type: none"> Annual tax statement if the Fund has paid a distribution during the financial year 	Section 9

2. Disclosure benchmarks

This PDS addresses the following two disclosure benchmarks:

- Valuation of assets: this benchmark addresses whether valuations of the Fund's non-exchange traded assets are provided by an independent administrator or an independent valuation service provider; and
- Periodic reporting: this benchmark addresses whether we provide periodic disclosure to our investors of certain key Fund information on an annual and monthly basis.

Each benchmark identifies a key area that ASIC considers investors should understand before making a decision to invest into the Fund.

Where a responsible entity does not meet a particular disclosure benchmark, ASIC requires that the responsible entity explain why the benchmark is not met and what alternative measures it has in place to mitigate the concern underlying the benchmark.

Benchmark 1: Valuation of assets

Non-exchange traded assets

Pendal adheres to the benchmark of having an independent valuation service provider.

The Fund's non-exchange traded assets are valued using a valuation method that is independently verifiable.

Valuations of the Fund's non-exchange traded assets are sourced from independent third party valuation providers. The Fund's administrator, Westpac Financial Services Group Limited calculates the total value of the Fund's assets and unit prices using these valuations.

The administrator adheres to an asset valuation procedure that sets out the pricing policy and frequency of valuations for each asset type held by the Fund. The pricing policy includes details on each third party valuation provider and the valuation methodology applied for each asset type.

Exchange traded assets

Pendal values the Fund's exchange traded assets at their market value which are the prices published on the relevant market exchanges on which these Fund assets are bought and sold.

Benchmark 2: Periodic reporting

Pendal provides investors with regular reporting on key Fund information.

Monthly updates

The following Fund information will be provided to investors on a monthly basis (or more often in the case of unit pricing or where the changes are considered material):

- current total net asset value of the Fund;
- entry and exit prices for each Business Day which are on our website www.pendalgroup.com by clicking on 'Products' and selecting the Fund;
- net returns on the Fund's assets after fees, costs and taxes;
- changes to key service providers of the Fund since the last monthly update;
- material changes to the Fund's risk profile;
- material changes to the Fund's strategy; and
- any change in the individuals playing a key role in the Fund's investment decisions.

This information will be reported in the monthly Fund fact sheets which Pendal produces to provide investors with an overview of the Fund's investment activities as well as general information on the Fund's investment strategy and process, Fund performance and the portfolio management team.

For monthly Fund fact sheets, please visit www.pendalgroup.com, click on 'Products' and select the Fund.

Annual reporting

The following Fund information will be provided to investors on an annual basis:

- actual allocation of the Fund to each asset type;
- liquidity profile of the Fund's assets;
- maturity profile of the Fund's liabilities;
- Fund leverage ratio;
- monthly or annual investment returns over at least a five-year period or since inception (where the fund has been operating for less than five years); and
- changes to key service providers of the Fund during the year. This information may be provided more often than annually, where it is considered a material change to the Fund.

This annual information will be available on our website at www.pendalgroup.com by clicking on 'Products' and selecting the Fund or can be obtained free of charge by contacting us.

Benchmark 2 is not met in respect of the following information which is not included in the Fund's monthly or annual reporting to investors:

- Derivative counterparties engaged.

Pendal does not disclose the names of the Fund's derivative counterparties because this information is considered commercial-in-confidence. However, all counterparties and the trading of over-the-counter (OTC) derivatives are governed by Pendal's broader risk and compliance framework and control environment.

Derivative transactions can only be undertaken with licenced exchanges and approved counterparties. Derivative counterparties must meet Pendal's minimum credit rating requirements at the time of entering into the trade.

Pendal's Investment Risk team operates independently of the Pendal's Bond, Income & Defensive Strategies team and is responsible for monitoring the Fund's aggregate net mark-to-market derivative exposures and the Fund's exposure to each derivative counterparty, on a daily basis.

The trading of all OTC derivatives is also governed by market standard ISDA agreements. Where credit support agreements exist with the derivative counterparty, exposures to the derivative counterparty are also collateralised to minimise residual exposure of the Fund to that counterparty.

3. About Pendal Fund Services Limited

PENDAL

The future is worth investing in

Pendal Fund Services Limited is the responsible entity for the Pendal Pure Alpha Fixed Income Fund (Fund). As responsible entity, it is responsible for overseeing the operations of the Fund.

Pendal Institutional Limited is the investment manager of the Fund. As the investment manager, it selects and manages the assets of the Fund and may appoint other managers to manage some or all of the Fund's assets.

Pendal Fund Services Limited and Pendal Institutional Limited are wholly owned subsidiaries of Pendal Group Limited.

Pendal Group Limited is an independent, global investment management firm focused on delivering superior investment returns for its clients through active management.

Pendal offers investors a range of Australian and international investment choices including shares, property securities, fixed income and cash strategies, as well as multi-asset and responsible investments. To complement its in-house expertise, Pendal also partners with leading global investment managers.

Pendal Bond, Income & Defensive Strategies Team

The Fund is managed by the Pendal Bond, Income & Defensive Strategies team, headed by Vimal Gor. The team is comprised of 15 dedicated investment specialists with a variety of skills and experience.

The Pendal Bond, Income & Defensive Strategies team manages approximately \$20.7 billion³ in Australian and international income and fixed interest funds and cash portfolios. The team employs strong portfolio risk management systems and utilises disciplined, multi-strategy investment processes.

The Pendal Bond, Income & Defensive Strategies team focuses on the development and retention of its investment staff. Pendal undertakes active succession planning and cross training of team members. Financial incentives are also offered to retain talent and reward staff performance.

Key Portfolio Manager, Vimal Gor

- **Key manager:** Vimal Gor
- **Role:** Head of Bond, Income & Defensive Strategies
- **Industry experience:** 27 years
- **Years with company:** 11 years

Vimal Gor joined Pendal in November 2009 with responsibility for global government fixed interest and in June 2010 was appointed the Head of the Pendal Bond, Income & Defensive Strategies team. He is responsible for the overall team strategy and risk management. Vimal primarily spends his time on investment strategies applicable to the Fund.

Prior to Pendal, Vimal worked in London for over 10 years at a global asset manager where he was responsible for the management of the global bond portfolios within the government team. He was also the lead fund manager for the global aggregate bond funds and worked on the G7 and Fixed Income Macro hedge funds. He was co-chair of the global aggregate asset allocation process.

Vimal has over 27 years' experience in analysing and managing global fixed income and foreign exchange portfolios and strategies in both cash and derivatives. Vimal received his First Class BSc (Hons) Degree in Economics and Computer Science from University of Salford, England in 1994.

4. About the Pental Pure Alpha Fixed Income Fund

Overview of the Fund

You should consider the likely investment return, risk and your investment time frame when choosing to invest into the Fund.

Investment return objective	The Fund aims to provide a total return (after fees, costs and taxes applicable to the Fund) that exceeds the Bloomberg AusBond Bank Bill Index by 2 – 4% per annum, over the medium term.												
Benchmark	<p>Bloomberg AusBond Bank Bill Index</p> <p><i>Bloomberg Finance L.P. and its affiliates (collectively, 'Bloomberg') do not approve or endorse this material and disclaim all liability for any loss or damage of any kind arising out of the use of all or any part of this material.</i></p>												
Minimum suggested time frame for holding investment	3 years												
Asset classes ⁴	<table border="0"> <tr> <td>• Cash*</td> <td>0</td> <td>–</td> <td>100%</td> </tr> <tr> <td>• Fixed Interest*</td> <td>0</td> <td>–</td> <td>100%</td> </tr> <tr> <td>• Currency*</td> <td>0</td> <td>–</td> <td>100%</td> </tr> </table> <p>* The ranges set out above relate to the proportion of the Fund that may be allocated to each asset class and is not indicative of the Fund's exposure to each of the underlying asset classes. Derivatives will be used to gain exposure to these asset classes which may result in the Fund's underlying exposures being outside these ranges. Refer to the 'Leverage' section for further information.</p>	• Cash*	0	–	100%	• Fixed Interest*	0	–	100%	• Currency*	0	–	100%
• Cash*	0	–	100%										
• Fixed Interest*	0	–	100%										
• Currency*	0	–	100%										
How the Fund is managed	<p>The Fund may be suitable for investors who want the potential for positive returns across a range of market conditions, with a low correlation to equity and bond markets. The Fund aims to generate its returns by investing in a portfolio of fixed interest, credit and foreign exchange markets in Australia and globally.</p> <p>The Fund aims to invest primarily in Australia and New Zealand but may also invest in other countries and currencies. The Fund predominantly uses derivatives including swaps, options, futures and forwards.</p> <p>Pental's investment philosophy for the Fund aims to identify and exploit inefficiencies through an active investment approach. The Fund takes advantage of investment opportunities based on our assessment of major economic themes and/or financial markets which we consider to be mispriced.</p> <p>The Fund's portfolio is constructed using the following three step approach:</p> <p>1. Generate investment views through quantitative models</p> <p>The Pental Bond, Income & Defensive Strategies team use proprietary financial models which have been built and individually specified for the United States, Europe, United Kingdom, Japan and Australia to allow the team to view the Australian and New Zealand markets in a global context. The models use economic, market and technical data to predict the future direction of fixed income, credit and foreign exchange markets in order to generate investment themes.</p> <p>2. Reaffirm investment view with qualitative research</p> <p>The investment themes generated are more thoroughly researched to identify three to five investment themes that we consider have the highest probability of generating returns. The Fund will then take up investment positions which aim to take advantage of each investment theme with a focus on building a diversified portfolio of lowly correlated positions.</p>												

4 The reference to the Fund investing in an asset class includes all types of investments which give exposure to that asset, directly or indirectly, including through derivatives and investment in other related funds which invest primarily in that asset class.

This includes any type of investment which would ordinarily be understood in financial markets to be included in that asset class and does not preclude investment in other types of assets where we consider it appropriate to do so in the interests of investors.

<p>How the Fund is managed (cont'd)</p>	<p>3. Active risk management</p> <p>The Fund's investment positions are constantly monitored and re-evaluated based on economic developments and market movements. The Pandal Bond, Income & Defensive Strategies team then seeks to minimise the impact of investment themes which may adversely affect investment returns by reducing or closing out investment positions allocated to those themes. The Fund has the ability to exit and reduce its investment exposures quickly due to the use of highly liquid derivatives.</p> <p>The Fund is not permitted to borrow money to invest but will be leveraged through the use of derivatives. Pandal does not limit the maximum amount of leverage through the use of derivatives. However, the responsible entity will aim to ensure that there is sufficient cash (or cash equivalents) available in the Fund at all times to meet total unrealised net losses on derivatives. The Fund does not engage in any short selling (i.e. the practice of selling securities that have been borrowed in the expectation that they will be bought back from the market and returned to the lender at a price lower than the sale price).</p> <p>The Fund's ability to meet its investment return objective is dependent on investment markets exhibiting a degree of volatility. In periods of low volatility it is generally more difficult to identify and take advantage of potential trading opportunities using the Fund's investment process.</p>
<p>Risk management</p>	<p>The primary tool of the Fund's risk management approach is a 'value at risk' model which monitors the total allowable risk of the Fund and measures the likelihood of the Fund losing value over a specified time period.</p> <p>Where the 'value at risk' model estimates with 95% likelihood that the potential loss to the Fund over any 5-day time period is 3% or greater of the Fund's net asset value, we will generally reduce or close out derivative positions with the aim of reducing this risk.</p> <p>As the 'value at risk' methodology is based on historical market data, there is a risk that it may not accurately predict or limit potential losses.</p> <p>For further information on risks of investing refer to Section 6.</p>
<p>Investment limits</p>	<p>The Fund has three investment limits aimed at minimising risk in the portfolio:</p> <ol style="list-style-type: none"> 1. Country limit. Investment exposure is limited to countries within the Bloomberg Barclays Global Aggregate Bond Index⁵ plus Brazil, India, Indonesia, Philippines and China; 2. Foreign exchange limit. Total net foreign exchange exposure to the Australian dollar is limited to a maximum of 20% of the value of the Fund. Investments in non-member OECD countries per currency are limited to a maximum of 10% of the Fund's value with a total exposure limit of 20% of the value of the Fund; 3. Credit exposure limit. Investment exposure to credit securities denominated in Australian dollars and credit default swap indices is limited to a maximum of one fifth of the total allowable risk of the Fund as measured by the 'value at risk' model.
<p>Fund performance</p>	<p>For up-to-date information on the performance of the Fund, including performance history, please visit www.pandalgroup.com, click on 'Products' and select the Fund.</p>
<p>Labour, environmental, social and ethical considerations</p>	<p>Pandal incorporates an assessment of environmental, social (including labour standards), corporate governance (ESG) and ethical factors in our investment process where those considerations are deemed material to the financial performance of an investment.</p> <p>We do not have a predetermined view on ESG factors. Instead we consider these factors to the extent they are relevant to the economic or financial performance of the investment. Our investment analysis may include ESG factors such as board composition and skills, workplace health and safety, diversity and inclusion, stakeholder relations, exposure to environmental factors, regulatory risk, ethical conduct and culture.</p>
<p>Changes to fund detail</p>	<p>We have the right to close or terminate the Fund and change the Fund's investment return objective and strategy, benchmark, asset classes and asset allocation ranges and limits, without prior notice in some cases.</p> <p>We will inform investors of any material change to the Fund's details in their next regular communication or as otherwise required by law, which in some circumstances, may require prior notice to investors. Material changes notices are also available on our website at www.pandalgroup.com by clicking on 'Products', selecting the Fund and expanding the 'Important Updates' section.</p>

⁵ Bloomberg Finance L.P. and its affiliates (collectively, 'Bloomberg') do not approve or endorse this material and disclaim all liability for any loss or damage of any kind arising out of the use of all or any part of this material.

Types of Fund assets

The Fund may invest in a range of asset types as follows:

Asset Types by Asset Class	Allocation
Cash* <ul style="list-style-type: none"> Bank deposits Short term money market securities (including bank bills, negotiable certificates of deposit, promissory notes and asset back commercial paper) 	0-100%
Fixed Interest* <ul style="list-style-type: none"> Australian government bonds/semi-government bonds International government bonds Government guaranteed corporate bonds Government issued indexed-linked securities Credit securities denominated in Australian dollars 	0-100%
Currency* <ul style="list-style-type: none"> Spot foreign exchange 	0-100%

* The ranges set out above relate to the proportion of the Fund that may be allocated to each asset class and is not indicative of the Fund's exposure to each of the underlying asset classes. Derivatives will be used to gain exposure to these asset classes which may result in the Fund's underlying exposures being outside these ranges. Refer to the 'Leverage' section for further information.

The Fund aims to invest primarily in Australia and New Zealand however, it may also invest in all countries within the Bloomberg Barclays Global Aggregate Bond Index as well as Brazil, India, Indonesia, Philippines and China. The assets of the Fund may, therefore, be in a variety of currencies from these countries.

The Fund may also obtain its investment exposure by investing in other funds of which we, or a related entity, are trustee, responsible entity or manager (**Related Funds**) if the responsible entity considers that the investment is consistent with the Fund's investment objective and investment strategy and will otherwise be in the best interests of unitholders. If the Fund invests into other Related Funds, the issuer fees are either not collected by the responsible entity or if they are, they are rebated in full to the Fund. All Related Funds are managed investment schemes located in Australia.

Derivatives

The Fund uses derivatives to achieve its fixed interest, credit and foreign exchange exposures. Derivatives are instruments whose value is derived from the value of an underlying asset (such as a share or a market index) and can be highly volatile.

Derivatives are used for a range of reasons including but not limited to the purposes below:

- To more efficiently gain economic exposure to the underlying reference assets;
- To increase the liquidity of the portfolio as the underlying physical securities often have higher transaction costs and less liquidity;
- To achieve leverage and thereby amplify the Fund's exposure to investment themes;
- To adjust currency exposure without having to buy and sell the actual underlying assets which may have higher transaction costs;
- To take advantage of price differences (known as arbitrage) between the underlying security upon which the derivative value is based; and
- To transfer interest rate and/or foreign exchange risk from a party that wants to avoid risk to a party with a greater tolerance for risk or who has an offsetting position (known as hedging).

The types of derivatives that the Fund may invest in are:

- Exchange traded derivatives: futures and options;
- Over-the-counter derivatives: swaps, options and forwards.

The underlying assets from which these derivative contracts derive their value may be related to interest rates, inflation, credit risk and foreign exchange.

The Fund will predominantly invest in exchange-traded derivatives. For exchange-traded derivatives, there is a visible and transparent market price as the price of these derivatives is published on the relevant market exchanges on which they are bought and sold. Exchange-traded derivatives also expose investors to negligible counterparty risk given that the counterparty to the derivative contract is the Clearing House rather than another party, the contracts are standardised and these derivatives are subject to the rules and regulation of the relevant exchange.

The Fund may also invest in OTC derivatives, which are customised contracts that are privately negotiated with a counterparty. Unlike exchange-traded derivatives, OTC derivatives expose the Fund to counterparty risk in the event that the other party to the derivative contract defaults prior to the expiration of the trade and is unable to make the current and future payments required by the contract. Where a counterparty defaults, the Fund will become an unsecured creditor of the counterparty.

At Pandal, counterparty risk for the trading of OTC derivatives is predominantly managed in two ways:

- Individual derivative counterparties have a minimum credit rating and maximum exposure limits are applied;
- Where credit support agreements exist with the derivative counterparty, exposures are collateralised to minimise residual exposure of the Fund to that counterparty. Cash collateral between the Fund and the counterparty is required to be posted on a daily basis where mark-to-market movements are above predetermined threshold limits.

To further minimise the risk of clearing brokers and derivative counterparties defaulting on their obligations or inappropriately dealing with the Fund's cash collateral, the responsible entity only enters into derivatives contracts with eligible clearing brokers and counterparties. Eligible clearing brokers and derivative counterparties are selected based on criteria relating to creditworthiness, sound financial position and their ability to improve the execution quality of Fund trades.

Leverage

Leverage occurs when a fund has exposure to underlying assets which is more than the amount invested. This can be achieved either by borrowing money to invest or through the use of derivatives.

While the Fund is not permitted to borrow money to invest, it will be leveraged through the use of derivatives. Derivatives are used by the Fund to increase its exposure to investments. Leverage is possible with derivatives because derivatives require very little or no initial investment to gain exposure to markets. As a result, leveraging magnifies both potential investment gains and losses.

Derivatives vary in riskiness depending on whether the price sensitivity of the underlying assets is large or small. Accordingly, the Fund will generally hold less exposure to derivatives where the underlying assets are expected to have large price movements compared to derivatives where the underlying assets are expected to have small price movements.

Gross leverage is a risk measure that calculates the absolute value of a fund's derivative exposures as if the fund had invested in the underlying assets directly plus any other investments (excluding cash), and expressed as a multiple of the fund's value.

Pandal does not use gross leverage as a primary tool for managing leverage risks in the Fund. We also do not set an allocation range to investments in derivatives or a maximum allowable level of gross leverage for the Fund. However, we anticipate the range of gross leverage in the Fund to be generally 0 to 5 times the value of the Fund.

The Fund's level of gross leverage may be higher than the anticipated range from time to time and will change regularly due to factors such as market conditions and applications into, and withdrawals from, the Fund.

Pandal considers the 'value at risk' model to be more appropriate than the gross leverage in assessing and managing the Fund's leverage risk due to the nature of its investments.

We use the 'value at risk' model as the primary tool to determine the total allowable risk of the Fund and measure the likelihood of the Fund losing value over a specified time period. Where the 'value at risk' model estimates with 95% likelihood that the potential loss to the Fund over any 5-day time period is 3% or greater of the Fund's net asset value, we will generally reduce or close out derivative positions with the aim of reducing this risk, regardless of the amount of gross leverage.

Pandal aims to ensure that any total unrealised net losses on derivative exposures are covered by cash and cash equivalents in the Fund.

Example of leverage

This table gives an example of how gross leverage is calculated and the impact on your investment amount of an adverse movement in the value of an underlying asset of a derivative. The example assumes that the Fund buys five futures contracts over an Australian 10 year bond worth \$1,000. This example assumes no initial investment or margin is required to purchase the futures contracts.

In comparison, if your investment amount of \$1,000 had been used to buy the bond directly, then a 1% drop in the value of the bond would have only resulted in a \$10 loss in portfolio value or an effective rate of loss of 1% instead of a 5% loss as per the below example.

Example – You make a \$1000 investment into the Fund	
Assets bought by the Fund	5 future contracts over a 10 year bond
Cost to purchase the future contracts	Nil
Cash (from your investment)	\$1,000
Exposure (measured as if the Fund has invested in the bond directly)	\$5,000
Portfolio value	\$1,000 (value of the cash)
Gross leverage (Exposure / Portfolio value)	= \$5,000 / \$1,000 = 5 times
Assume the bond declines in value by 1%	
Loss in value of futures contracts	1% x -\$1,000 x 5 contracts held = -\$50
Portfolio value	\$950 (= \$1,000 original value of your cash – \$50)
Effective rate of loss (Loss in value on futures contract/ Portfolio value)	5%

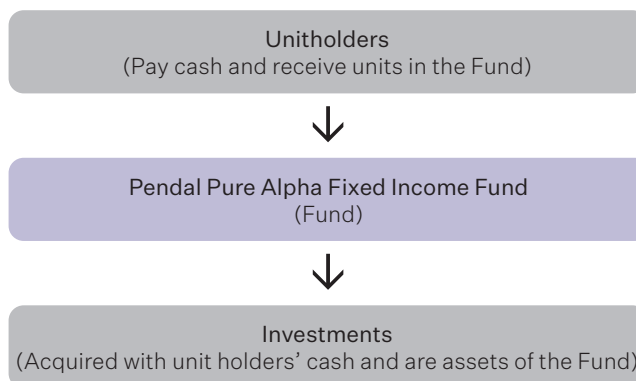
Fund structure

The Fund is an Australian registered managed investment scheme established under a document called a constitution. Pental Fund Services Limited is the responsible entity of the Fund and is responsible for operating the Fund and selecting investments in accordance with the constitution.

The Corporations Act, the constitution and the general law set out the framework under which the Fund operates. The constitution (including any amendments) has been lodged with ASIC. If you wish to inspect a copy of the constitution, please contact your master trust or wrap account operator or our Client Services team.

Pental regularly reviews the investment structure of the Fund to ensure that it continues to be appropriate.

Investment structure of the Pental Pure Alpha Fixed Income Fund



Key service providers

There are a number of parties, in addition to the responsible entity, involved in the ongoing operation and administration of the Fund or who otherwise provide services in connection with the Fund.

A summary of the Fund's key service providers is shown below.

Service Provider	Role	Description
The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch (HSBC)	Custodian	<p>The custodian provides custodial services to the responsible entity including, holding the assets of the Fund to ensure safeguarding of these assets on behalf of investors. The custodian may also appoint sub-custodians, from time to time.</p> <p>As custodian, HSBC holds the Fund's fixed interest securities and cash (including foreign currency). Fund assets not held by HSBC are derivatives and cash balances relating to these derivatives which are either held by the Clearing House (in the case of exchange traded derivatives) or posted as collateral with the relevant derivative counterparty (in the case of OTC derivatives).</p> <p>The proportion of the Fund's investments not held in custody will vary over time depending on the unrealised profit and loss of derivative positions, although it is not expected to exceed 10% of the Fund's value.</p>
PricewaterhouseCoopers (PwC)	Auditor	<p>PwC has been appointed as the independent auditor of the financial statements of the Fund and the responsible entity. An individual partner of PwC acts as the auditor of the Fund's Compliance Plan.</p>
Macquarie Bank Limited and Macquarie Securities Australia Limited	Clearing Broker for exchange-traded futures and options.	<p>The role of the clearing broker is to act as a liaison between the Fund and the Clearing House (e.g. the Sydney Futures Exchange). The clearing broker helps to ensure that all trades are settled appropriately and cleared successfully.</p>
Westpac Financial Services Group Limited	Administrator	<p>The administrator provides administration services which include fund accounting, valuation and unit pricing, distribution preparation and preparation of the financial statements for the Fund.</p>
Mainstream Fund Services Pty Ltd	Registry	<p>Registry services include maintaining the register of unit holders which includes details such as the quantity of units and details of any distribution reinvestment plans. The Registrar is also responsible for preparing unit holder statements.</p>
J.P. Morgan Securities LLC	Clearing Broker for OTC transactions	<p>The role of the OTC clearing broker is to act as a liaison between the Fund and the Clearing House (e.g. the London Stock Exchange). The clearing broker helps to ensure that all OTC trades are settled appropriately and cleared successfully.</p>

Pendal has procedures in place for selecting, monitoring and reviewing the performance of its key service providers. Service level agreements are put in place where appropriate and monthly, annual and other periodic reviews are typically conducted to ensure compliance with service level obligations. Other monitoring methods include regular performance assessments, review of regular compliance and audit reports and regular meetings with key service providers.

5. Benefits of investing in the Pental Pure Alpha Fixed Income Fund

The Fund aims to provide positive returns across a range of market conditions, with a low correlation to equity and bond markets by investing in fixed interest, credit and foreign exchange markets.

Investing in the Fund offers investors a range of potential benefits:

- **Absolute returns:** The Fund aims to provide positive investment returns across a range of market conditions both in Australia and globally;
- **Diversified returns:** Returns that have a low correlation to equity and bond markets;
- **Risk management:** Strong focus and emphasis on measuring, monitoring and managing investment risk;
- **Broad exposure:** The Fund has a broad investment universe and may invest in more than 30 different countries providing an ability to take advantage of investment opportunities globally; and
- **Pental expertise:** access to Pental's investment expertise and processes.

6. Risks of investing in the Pental Pure Alpha Fixed Income Fund

All investments carry risk. The likely investment return and the risk of losing money is different for each managed investment scheme as different strategies carry different levels of risk depending on the underlying mix of assets that make up each fund. Generally, those assets with potentially the highest long term return (such as shares) may also have the highest risk of losing money in the shorter term.

Investing in the Fund exposes investors to the following specific risks:

- **Market risk:** The Fund's investment returns will be influenced by the performance of financial markets as a whole. The market price of the Fund's investments will, therefore, fluctuate as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events and environmental and technological issues.
- **International investments risk:** The Fund may invest in securities or derivative instruments issued in foreign markets and may hold assets (such as foreign currency) in various countries. Risks inherent in this type of investment include differences between countries in relation to accounting, auditing, financial reporting, government regulation, securities exchanges and transactional procedures. Foreign markets may also have different levels of liquidity, pricing availability and settlement and clearance procedures.

- **Currency risk:** The Fund's assets may be denominated in a variety of currencies. For unhedged investments in international assets, a rise in the Australian dollar relative to other currencies will negatively impact investment values and returns. Currency markets can be extremely volatile and are subject to a range of unpredictable forces. Where this risk is hedged, the hedge may not provide complete protection from adverse currency movements.
- **Interest rate risk:** The risk that the investment value or future returns of an asset may be adversely impacted by changes in interest rates. Interest rates may directly or indirectly affect a company's cost of borrowings as well as the value of fixed interest securities.
- **Derivatives risk:** The risk that the Fund makes substantial losses or has volatile returns through the use of derivatives including options. The Fund will use derivatives to gain its investment exposures. Derivatives are instruments whose value is derived from the value of an underlying asset (such as a share or a market index) and can be highly volatile. A derivative's value can change in response to a range of unpredictable factors such as changes in interest rates, volatility of an underlying asset, foreign exchange rates, or credit rating. Derivatives also involve a higher level of risk than buying an asset directly. This is because derivatives require very little or no initial investment to gain exposure to markets. As a result, derivatives magnify both potential investment gains and losses. Losses from derivative transactions can be substantial and can exceed the original amount invested.
- **Counterparty risk:** The risk of loss arising from the failure of another party to a contract (the counterparty) to meet its obligations. Counterparty risk arises primarily from investments in derivatives and foreign exchange transactions. Substantial losses can be incurred if a counterparty fails to deliver on its contractual obligations. Derivative transactions for the Fund can only be undertaken with licenced exchanges and with approved counterparties under approved agreements and within approved credit limits.
- **Leverage risk:** Leverage generally involves the use of borrowed money or derivatives to increase the potential return from an investment. While the Fund is not permitted to borrow to invest, it will be leveraged through the use of derivatives. Leverage occurs where the level of exposure to investments exceeds the amount of cash invested. Leverage through the use of derivatives for example, involves a higher level of risk because derivatives require very little or no initial investment to gain exposure to markets. As a result, leverage magnifies both potential investment gains and losses. Losses from leveraged investments such as derivatives can be substantial and can exceed the original amount invested.
- **Key person risk:** The risk that a fund's investment performance or ability to remain open to investors is adversely impacted due to the loss of key individuals who are integral to the fund's investment process, idea generation, security selection and portfolio construction. To reduce reliance on any particular individual, Pental undertakes active succession planning and cross training of team members. Financial incentives are also offered to retain talent and reward staff performance.

- **Strategy risk:** The strategies employed by the Fund may prove to be incorrect or ill-timed resulting in losses in the Fund. Specific factors that may cause strategy risk are low market volatility in bond and currency markets, a stable economic environment and short term market mispricing that does not re-price.
- **Regulatory risk:** The risk that a change in laws and regulations governing a security, sector or financial markets could have an adverse impact on an investment. A change in laws or regulations can increase the costs of operating a business and/or change the competitive landscape. Regulators may also impose bans or other restrictions on the use of derivatives which could affect the Fund's ability to implement its investment strategy.

Risk can be managed but it cannot be completely eliminated. It is important to understand that:

- The value of your investment will go up and down;
- Investment returns will vary and future returns may be different from past returns;
- Returns are not guaranteed and there is always the chance that you may lose money on any investment you make; and
- Laws affecting your investment in a managed investment scheme may change over time.

The appropriate level of risk for you will depend on your age, investment time frame, where other parts of your wealth are invested and how comfortable you are with the possibility of losing some of your money in some years.

7. Fees and other 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 account 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) has a managed funds fee calculator to help you check out different fee options.

This document shows the fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole.

Taxes are set out in another part of this document. Refer to the 'Taxation' information section of this PDS.

You should read all the information about fees and costs because it is important to understand their impact on your investment. You can also use this information to compare the fees and costs with those of other investment funds.

Type of Fee or Cost ⁶	Amount	How and when paid
Fees when your money moves in or out of the Fund		
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable
Exit fee The fee to close your investment	Nil	Not applicable
Management costs		
The fees and costs for managing your investment	At the date of this PDS, management costs consist of the following components:	
	Issuer fee ⁷	0.70% pa The issuer fee is paid from the assets of the Fund and reflected in the unit price of your investment. The fee is calculated on the value of the Fund daily and paid to us after the end of each month.
	Estimated expense recoveries ⁸	Nil Expenses are generally reimbursed to us out of the assets of the Fund after the end of each month.
	Estimated indirect costs ⁹	Nil Reflected in the unit price of the Fund and are not charged to you as a fee or retained by us.
	Estimated total management costs¹⁰	0.70% pa
Service fees¹¹		
Switching fee The fee for changing investment options	Nil	Not applicable

6 Fees in this PDS may be negotiated if you are a 'wholesale' client (see 'Ability to negotiate fees — wholesale clients' below).

7 This is the fee for managing the assets of the Fund and overseeing the operations of the Fund.

8 At the date of this PDS, we pay recoverable expenses (if any, excluding any GST payable on our fees) out of our issuer fee. However, if we decide to deduct expenses in addition to the issuer fee in the future, we will give you 30 days' written notice.

9 This is an estimate of the Fund's indirect costs for the last financial year. Refer to 'Additional explanation of fees and costs' for more information.

10 The actual total management costs may vary from this estimate.

11 There are other service fees (see 'Incidental fees and costs').

Example of annual fees and costs for the Fund

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

Example – Balance of \$50,000 with a contribution of \$5,000 during the year¹²

Contribution fees	Nil	For every additional \$5,000 you put in you will not be charged any contribution fee.
Plus Management costs	Estimated total management costs \$50,000 × 0.70% = \$350	And, for every \$50,000 you have in the Fund, you will be charged \$350 each year.
Equals Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you invest an additional \$5,000 during that year, you would be charged fees and incur costs of: \$350 ¹³ What it costs you will depend on the fees you negotiate.

Additional explanation of fees and costs

Management costs

Management costs are made up of the issuer fee, and any expense recoveries and indirect costs. Unless otherwise stated, all fees quoted in the PDS are quoted on a GST inclusive basis and net of any applicable Reduced Input Tax Credits (RITCs).

Issuer Fee

The issuer fee is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. If we increase the issuer fee, we will give you 30 days' written notice. The maximum issuer fee allowable under the constitution is 4% pa of the value of the Fund's assets.

Expense recoveries

We are also entitled to be reimbursed for expenses we incur in the proper performance of our duties and in connection with the day-to-day operation of the Fund. At the date of this PDS, we pay these recoverable expenses (excluding any GST payable on our fees) out of our issuer fee. However, if we decide to deduct expenses in addition to the issuer fee in the future, we will give you 30 days' written notice.

Indirect costs

Indirect costs are certain costs which we reasonably estimate have reduced, directly or indirectly, the Fund's return. Indirect costs may include underlying investment manager fees and costs and certain derivative costs. If any indirect costs are incurred, these are reflected in the unit price of the Fund and are not charged to you as a fee or retained by us.

The indirect costs estimate in the fees and costs table is based on information available to us as at the date of this PDS and represents the indirect costs for the last financial year.

This information may change from year to year and prior notice will not ordinarily be provided.

For the latest indirect costs, please visit www.pendalgroup.com, click on 'Products', and refer to the 'Fees and Costs' document under 'Important Information'.

Transactional and operational costs

Transactional and operational costs such as brokerage, bid-offer spreads on securities traded, settlement costs, clearing costs and government charges may be incurred as a result of changes in a Fund's investment portfolio either in relation to implementing the Fund's investment strategy or investors entering or exiting the Fund.

Transaction costs that are incurred in relation to investors entering or exiting the Fund are recouped via the Fund's buy-sell spread (being the difference between the Fund's entry and exit unit prices).

For the last financial year, the estimated total transactional and operational costs for the Fund were 0.38%. Of this amount, we estimate 0.03% was recouped via the buy-sell spread and 0.35% reduced the return of the Fund. These costs may vary from year to year depending on the transactional or operational costs in implementing the Fund's investment strategy and/or investors entering or exiting the Fund.

When a Fund incurs transactional and operational costs these are paid out of the Fund's assets and reflected in its unit price and are not charged to you as an additional fee or cost.

Buy-sell spread

The buy-sell spread is an adjustment to the unit price so that there is a difference between the entry and exit price for the Fund. The buy-sell spread is an additional cost to you and is generally incurred whenever you invest or withdraw funds. As the cost is built into the unit price, the buy-sell spread will not appear on any statement we issue. The buy-sell spread also reflects the market impact of purchasing and selling the underlying assets in the market. There is no buy-sell spread for distributions that are reinvested.

¹² 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.

¹³ Additional fees may apply. Please note that this example does not capture all the fees and costs described in this section that may apply to you, such as incidental fees and costs and the buy-sell spread (see 'Dollar example of buy-sell spread').

The buy-sell spread is retained by the Fund (it is not a fee paid to us) and represents a contribution to the transaction costs (such as brokerage and stamp duty) incurred when the Fund is purchasing or selling assets. The purpose of imposing the buy-sell spread is to ensure these costs are fairly borne by investors joining and leaving the Fund and that other investors (i.e. those not joining or leaving at a particular time) are not disadvantaged.

The current total buy-sell spread is 0.10% of the value of the Fund's assets, represented as the difference between the entry price and the exit price. A buy spread of 0.05% is applied on each application and a sell spread of 0.05% is applied on each withdrawal. We may vary the buy-sell spread for the Fund from time to time and prior notice will not ordinarily be provided. For current buy-sell spread information, visit www.pendalgroup.com, click on 'Products' and select the Fund.

Dollar example of buy-sell spread

This table gives an example of how the buy-sell spread for the Fund can affect your investment if you invested \$50,000 in the Fund at a total buy-sell spread of 0.10% (the buy-sell spread at the date of the PDS).

Spread	Calculation	Amount	How and when paid
Buy spread	\$50,000 × 0.05%	\$25	Generally, you incur this cost when you invest and when you withdraw from the Fund. ¹⁵
Sell spread	\$50,000 × 0.05%	\$25	

Incidental fees and costs

In addition to the fees and costs set out above, standard Government fees, duties and bank charges may also apply to investments and withdrawals (including dishonour fees and conversion costs) and are paid by the investor.

Indirect investors – additional master trust or wrap account fees

For indirect investors accessing the Fund through a master trust or wrap account, additional fees and costs may apply. These fees and costs are stated in the offer document provided by your master trust or wrap account operator.

Product access payments and fund manager payments

From the fees we receive, we may pay product access payments to wrap platforms, master trust or other investment administration services ('Platforms') for making the Fund available on their investment menus.

The amount of these payments may change during the life of the PDS. As these amounts are paid by us out of our own resources, they are not an additional cost to you.

Rebates/waivers for interfunding arrangements

The Fund may invest from time to time in other funds that we, or a related entity, manage (related fund). Our current policy is:

- no contribution fee is payable to the related fund
- issuer fees are either not collected by the related fund or if they are, they are rebated in full to the investing
- fund certain expense recoveries (if any) are fully rebated to the investing fund,

however, we may change these arrangements at any time, in which case we will give direct investors 30 days' notice.

Ability to negotiate fees – wholesale clients

If you are classed as a wholesale investor (such as a professional investor) under the Corporations Act, in accordance with ASIC policy, all fees described in this PDS may be individually negotiated. There is no set manner or method of negotiating fees. Please contact our Client Services team for further information.

When we can introduce new fees not currently charged?

The constitution of the Fund provides that we can charge the following fees. At the date of this PDS we do not charge these fees but, if we introduce them, we will give direct investors 30 days written notice.

Fee	Description	Maximum allowable
Contribution fee	The fee on each amount contributed to your investment by you	6%

Fees paid to financial advisers and other persons

Direct remuneration

Pendal does not pay commissions to financial advisers who provide financial product advice to retail investors.

Non-monetary benefits

We may make non-monetary payments or benefits (including sponsorships, gifts and entertainment) to financial advisers, dealer groups and platform providers who provide financial product advice to retail investors where those payments are less than \$300 or are given in relation to providing information technology support or software used for professional development, or for genuine educational and training purposes.

If these amounts or benefits are provided, they are payable out of the fees and costs we are entitled to receive and are not an additional cost to you.

¹⁵ Additional fees may apply. Please note that this example does not capture all the fees and costs described in this section that may apply to you, such as incidental fees and costs and assumes an investment of \$50,000 when you withdraw from the Fund.

Register of non-monetary benefits

We maintain a register that outlines all of the non-monetary payments or benefits that we make to financial advisers, dealer groups and platform providers or receive from them with a value between \$100 to \$300.

You can obtain a copy of this register by contacting our Client Services team.

8. How the Pental Pure Alpha Fixed Income Fund works

How the Fund operates

When you invest your money in the Fund, your money is pooled together with other investors' money. We use this pool to buy investments and manage them on behalf of all investors in the Fund. This means that by investing in the Fund you have access to certain investments that you may not otherwise be able to access on your own as well as the knowledge of our skilled investment managers. Pental has day-to-day control over the operation of the Fund.

The total value of the assets in the Fund is divided into 'units' and a 'unit price' is generally calculated for each Business Day. The unit price will generally change daily as the value of assets in the Fund rises or falls.

When you make an investment in the Fund, we will allocate units to you based on the entry price for the Business Day on which we accept your application and we will keep a record of the number of units you have bought. When you withdraw, we will redeem your units based on the exit price for the Business Day on which we receive your withdrawal request.

Entry prices are usually higher than exit prices due to the 'buy-sell spread'. The buy-sell spread is built into the unit price and represents your contribution to the costs of buying and selling the underlying assets in the Fund. Please refer to 'Buy-sell spread' in the 'Fees and other costs' section 7 for full details.

Entry and exit prices for each Business Day will be available at www.pentalgroup.com by clicking on 'Products' and selecting the Fund. Prices will usually be posted by the end of the next Business Day.

We have also adopted a unit pricing discretion policy setting out the principles that apply when we exercise discretions under the Fund's constitution. You can request a copy of the policy free of charge by calling us or by downloading a copy at www.pentalgroup.com/UnitPriceDiscretionPolicy.

Minimum initial investment

The minimum initial investment is \$500,000. In certain circumstances, we may reject an application or accept only part of an application. Refer to Section 10 on how to apply.

Additional investments

You can add to your investment by completing the additional investment form and sending this form to us via mail, email or fax. You can find this form at www.pentalgroup.com/forms.

Investors also have the ability to make additional investments using BPAY®. For more information on BPAY® please refer to the BPAY® user guide at www.pentalgroup.com/forms.

We are also introducing the ability to transact online. For more information, please refer to www.pentalgroup.com/forms.

®Registered to BPAY Pty Ltd ABN 69 079 137 518.

Cooling-off period

If you are a retail client (as defined in the Corporations Act) investing directly in the Fund, you have a 14 day cooling-off period to confirm that your investment in the Fund meets your needs. If you exercise your cooling-off rights, we will return your money to you and no fees will apply. However, the amount you receive will reflect any movement (either up or down) in the unit price of the Fund which means that there may be tax implications for you.

The 14 day cooling-off period commences on the earlier of the end of the fifth Business Day after we issue the units to you or from the date you receive confirmation of your transaction.

How to withdraw

You can withdraw some or all of your investment by completing the withdrawal form and sending this form to us via mail, email or fax. You can find this form at www.pentalgroup.com/forms.

We are also introducing the ability to transact online. For more information, please refer to www.pentalgroup.com/forms.

Withdrawals will generally be paid to your nominated Bank Account within 5 Business Days.

Restrictions on withdrawals

There may be circumstances where your ability to withdraw from the Fund is restricted and you may have to wait a period of time before you can redeem your investment.

We may delay or suspend a withdrawal request where we are unable to realise sufficient assets due to circumstances outside our control (such as restricted or suspended trading in the market for an asset) or where the Fund becomes illiquid.

If the Fund is illiquid (as defined in the Corporations Act), withdrawals from the Fund will only be possible if we make a withdrawal offer in accordance with the Corporations Act. We are not obliged to make such an offer. However, if we do, you are only able to withdraw your investment in accordance with the terms of a current withdrawal offer. If an insufficient amount of money is available from the assets specified in the withdrawal offer to satisfy withdrawal requests, the requests will be satisfied proportionately amongst those investors wishing to withdraw from the Fund. Under the Corporations Act, a trust is illiquid if it has less than 80% liquid assets (generally cash and marketable securities).

The constitution of the Fund also contains specific provisions that provide us with powers in relation to withdrawal procedures. The constitution allows up to 365 days to pay withdrawals. The specific provisions in the constitution are summarised below.

Provision	Explained
Payment of withdrawals by transfer of assets	We may transfer assets to you rather than pay cash in satisfaction of all or any part of your withdrawal request. The assets (together with any cash paid to you) must be of the same value as your withdrawal based on a valuation done within one month before the proposed transfer date. We may require you to pay for the costs involved in the transfer of the assets or we may deduct such costs from the amount payable to you.
Suspension of withdrawals	We may suspend withdrawal requests at any time and for such period as we consider appropriate in the circumstances (including where the Fund becomes illiquid). If we do so, the period we take to satisfy withdrawal requests will be extended by the period of the suspension. The exit price will be determined as at the next time we value the Fund after the suspension is lifted.
Delays in realising assets	Where, despite having taken all reasonable steps to do so, we are unable to realise sufficient assets to meet a withdrawal request because of circumstances beyond our control (including restricted or suspending trading in the market for an asset), or if we believe it is not in the best interest of unitholders to realise assets, we may extend the period we take to satisfy withdrawal requests by the number of days during which such circumstances apply.
Net asset value falls by 5%	If we consider that the net asset value of the Fund has fallen by 5% or more after the exit price for a withdrawal request has been calculated (but before the unit has been redeemed), we may recalculate the exit price as at a valuation time determined by us.
Large withdrawals from a single investor	If we receive a large withdrawal request from a single investor on a day which, in our view, would be likely to result in a withdrawal payment exceeding the specified limit (currently 5% of the Fund's value but we can change this) we can sell selected assets of the Fund that have a total value (as at the time the exit price is calculated) equal to the withdrawal amount and pay the net proceeds of the sale instead of the withdrawal amount to the investor, even if those proceeds do not equal the withdrawal amount.
Large withdrawals from multiple investors	If we receive a large amount of withdrawal requests in a single day which exceed the specified limit (currently 10% of the Fund's value but we can change this), a proportion of the withdrawal requests may not receive the exit price for that day and may be deemed to be received on the next Business Day.

We will inform investors of any material change to the withdrawal procedures in their next regular communication or as required by relevant law. Material changes notices are also available on our website at www.pendalgroup.com by clicking on 'Products', selecting the Fund and expanding the 'Important Updates' section.

Processing

If we receive an application or withdrawal request by 2.00pm (Sydney time) on a Business Day, we will process the transaction using that day's unit price. Requests received on or after the cut-off time of 2.00pm (Sydney time) on a Business Day, or on a non Business Day, will generally be treated as having been received before the cut-off time on the next Business Day.

If we receive an invalid or incomplete application or withdrawal request, the transaction request will be processed using the unit price applying on the day that we receive the correct documentation. The above rules about cut-off times apply.

Distributions

The Fund generally distributes on a quarterly basis and pays a final distribution each year for the period ending 30 June. In some circumstances, we may also pay distributions at other times where we consider it appropriate.

Distributions you receive are generally assessable income and can be made up of both income and net realised capital gains. Distributions are generally calculated based on the Fund's net income at the end of the distribution period divided by the number of units on issue. In certain circumstances, some income and/or net realised capital gains may be held back until the final distribution at the end of June to allow for market volatility.

You can choose to have your distributions automatically reinvested into additional units in the Fund or paid directly into your nominated Bank Account. There is no buy-sell spread on distributions that are reinvested. Reinvestment of distributions will normally be effective the first day following the end of the distribution period. Distribution payments to your nominated Bank Account are generally made within 12 Business Days after the end of the distribution period.

Indirect investors

We authorise the use of this PDS as disclosure to persons who wish to access the Fund indirectly through an Investor Directed Portfolio Service (IDPS), IDPS-like scheme or a nominee or custody service (collectively referred to as master trusts or wrap accounts).

An investment in the Fund offered under this PDS through a master trust or wrap account does not entitle you to a direct interest in the Fund. This means that the rights that apply to a person who invests directly in the Fund are not available to you but rather to the operator or custodian of the master trust or wrap account. The operator or custodian of the master trust or wrap account will be recorded in the register as the investor and will be the person who exercises the rights and receives the benefits of an investor.

Persons who invest through a master trust or wrap account may, therefore, be subject to different conditions from those referred to in the PDS, particularly in regard to:

- cut-off times for transacting (e.g. applications and withdrawals) are determined by the master trust or wrap account operator;
- cooling-off rights (no cooling-off rights apply to any investments in the Fund acquired through a master trust or wrap account operator);
- timing of distributions, withdrawals and the processing of transactions are determined by the master trust or wrap account operator;
- fund reporting and other documentation including notices about fee increases and other significant events (Fund reports and investor notices are sent to the master trust or wrap account operator who then provide this information to indirect investors); and
- fees and other costs (additional fees and expenses may be charged by the operator or custodian of the master trust or wrap account). These fees and costs are stated in the offer document provided by the master trust or wrap account operator.

Investors in the master trust or wrap account should contact their financial adviser or master trust or wrap account operator for any investor queries.

9. Taxation information

Investing in managed funds is likely to have tax consequences. Managed funds generally do not pay the tax liability on behalf of investors. However, we may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. As an investor, you will generally be subject to tax on your share of any taxable income and net realised capital gains generated by the Fund.

The tax information provided in this PDS is intended to be a brief guide only and should not be relied upon as a complete statement of all relevant laws. It is based on our interpretation of current laws at the date of this PDS. The information is provided as a general overview of how these laws may apply to you. Because the Australian taxation system is complex and different investors have different circumstances, you are strongly advised to seek professional tax advice before investing in the Fund.

Taxation of the Fund

We intend to manage the Fund in such a manner that the Fund is not subject to Australian tax and have elected that the Fund be an Attribution Managed Investment Trust (AMIT). The AMIT election will continue to apply in future years, provided the Fund continues to meet certain eligibility criteria.

We do not expect the Fund to be subject to tax on the income of the Fund (other than in relation to withholding tax on foreign income or other taxes in respect of non-resident investors), as we intend that:

- when the Fund is an AMIT: all taxable income of the Fund will be 'attributed' to investors on a 'fair and reasonable' basis in each financial year and be reflected in the AMIT Member Annual (AMMA) statement provided to investors; and
- when the Fund is not an AMIT ('present entitlement' regime): investors will continue to be presently entitled to all the net income of the Fund in each financial year and an investor's share of the net taxable income of the Fund will be reflected in the tax statement provided to the investor.

AMIT Tax Regime

The AMIT tax regime is designed specifically for managed funds, to provide certainty and flexibility to managed funds and their investors, such as:

- the Fund will be deemed to be a 'fixed trust' for taxation purposes;
- the allocation of taxable income to investors is based on 'attribution' rather than 'present entitlement' to the net income of the Fund;
- the Fund may use the 'unders and overs' system to reconcile variances in amounts attributed to investors; and
- investors may increase or decrease the cost base of their units in the Fund where taxable income attributed to them is less than or greater than (respectively), broadly, the cash distribution(s) and tax offsets for an income year, to prevent potential double taxation.

If you disagree with our attribution of taxable income, you may write to the Commissioner of Taxation within 4 months of the end of the relevant income year. You will be required to provide us with a copy of this submission at the same time. We are indemnified out of the assets of the Fund for any taxes and related costs incurred with operating the Fund as an AMIT, including claims in relation to a tax liability, but only to the extent that the tax and related costs were incurred in the proper performance of our duties.

While the Fund is an AMIT, we have the discretion to accumulate income (instead of, or in addition to, distributing income to investors), and if we do so, the accumulated income will be reflected in the Fund's unit price.

Taxation of Financial Arrangements (TOFA)

Broadly, the TOFA rules may affect the time at which gains and losses from financial arrangements are recognised for income tax purposes, including whether the gains and losses are recognised on an accruals rather than realisation basis or whether the gains and losses are on revenue account.

The Fund should be subject to the TOFA rules and depending on the types of financial arrangements it holds, it may be required to recognise gains and losses from these financial arrangements on an accruals basis.

Individuals should not be directly subject to TOFA in respect of their investment, unless they have elected for the TOFA rules to apply.

Other investors may be directly subject to the TOFA rules in respect of their investment. Prospective investors should seek their own advice in relation to the potential applicability of TOFA in respect of their particular circumstances.

Withholding taxes

The Fund may derive income from foreign sources which is subject to foreign withholding taxes in those jurisdictions. Such taxes may be reduced under tax treaties which may exist between Australia and the respective foreign jurisdiction. The benefit of foreign taxes paid by the Fund will be attributed/allocated to investors as foreign tax credits to the extent permitted by Australian tax laws.

Australian Investors

Taxation on distributions

You will generally be subject to tax on your share of the taxable income of the Fund that:

- has been attributed to you when the Fund is an AMIT; or
- you are presently entitled to when the Fund is not an AMIT,

regardless of whether you have received the distribution in cash or it is reinvested (or accumulated, when the Fund is an AMIT and we have decided to accumulate all or part of the income).

Depending on your particular circumstances, you may also be subject to capital gains tax (or income tax if you hold your units on revenue account) when you withdraw or otherwise dispose of your units in the Fund.

Quoting your Tax File Number (TFN) or Australian Business Number (ABN)

Investors are not obliged to provide us with their TFN or ABN (if applicable), but if you are an Australian resident for tax purposes and you do not provide either, and do not claim a valid exemption, we are required to deduct tax from distributions that are paid as cash, reinvested or amounts attributed to you, at the highest marginal tax rate, plus the Medicare levy and other applicable levies.

Australian companies and other entities that invest in the course or furtherance of their registered business may provide us with their ABN instead of their TFN.

Non-residents of Australia

For non-resident investors wishing to invest in Australia, we recommend that they seek independent professional tax advice.

If you are a non-resident of Australia for income tax purposes, and have been attributed taxable income of the Fund when it qualifies as an AMIT or you are presently entitled to taxable income of the Fund when it is not an AMIT, you may be subject to non-resident withholding tax on that income.

The amount of withholding tax will depend on the type of income attributed/distributed to you and the country of your tax residency.

Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

Foreign Tax Residency Information

We are required to identify tax residents of a country or countries other than Australia in order to meet account information reporting requirements under domestic and international laws.

If at any time after account opening, information in our possession suggests that you, or the entity or any individual who holds ownership and/or control in the entity of 25% or more (Controlling Person) may be a tax resident of a country or countries other than Australia, you may be contacted to provide further information. Failure to respond may lead to certain reporting requirements applying to the account.

A Controlling Person refers to the individual(s) that directly or indirectly own a legal interest in the entity of 25% or more and/or exercises actual effective control over the entity, whether from an economic or other perspective such as through voting rights.

Where no individuals are identified as exercising control of the entity through ownership interests, the Controlling Person of the entity is deemed to be the individual(s) who hold the position of senior managing official. In the case of a trust, a Controlling Person includes the settlor(s), trustee(s), appointer(s), protector(s) or classes of beneficiaries and in the case of an entity other than a trust, the term includes persons of equivalent or similar positions.

Goods and Services Tax (GST)

GST will not be imposed on the application for, or withdrawal of, units in the Fund. However, the Fund may be charged GST on fees and expenses that it pays.

The Fund may be entitled to claim a refund (Reduced Input Tax Credit) for part of the GST included in certain fees and expenses.

10. How to apply

1. Read this PDS.
2. Direct investors should complete the Application and relevant Form(s) by clicking on 'Apply' at www.pendalgroup.com/products. A copy of the forms can also be requested by calling us. Payment details and methods are included in the Application Form. The offer made in this PDS is only available to persons receiving this PDS (electronically or otherwise) within Australia. Applications from outside Australia will not be accepted.
3. If you have any concerns or complaints, as a first step please contact us and we will do our best to resolve your concern quickly and fairly. Our contact details are on the front cover of this PDS. If you believe that your matter has not been dealt with satisfactorily, you can lodge a complaint with the Australian Financial Complaints Authority, or AFCA.

Website: www.afca.org.au

Email: info@afca.org.au

Telephone: 1800 931 678 (free call)

In writing to: Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001

For more detailed information on how we deal with complaints please visit www.pendalgroup.com, click on 'Contact', and click on 'Concerns or Complaints'.

11. Other important information

Additional disclosure information

As a disclosing entity, the Fund will also be subject to regular reporting and continuous disclosure obligations. For continuous disclosure notices regarding the Fund please visit www.pendalgroup.com, click on 'Products', select the Fund and expand the 'Important Updates' section.

Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office. You can also call us to obtain copies of the following documents, free of charge:

- the Fund's Annual Report most recently lodged with ASIC;
- any half-year report lodged with ASIC after the lodgement of the Annual Report and before the date of this PDS;
- any continuous disclosure notices given by the Fund after lodgement of the Annual Report and before the date of this PDS.

Related party transactions and conflicts of interest

The Fund may, without limit, invest in other funds of which we, or a related entity, are trustee, responsible entity or manager (related funds).

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

In the course of managing the Fund, we may face conflicts in respect of our duties in relation to the Fund, related funds and our own interests. We have policies and procedures in place to manage these appropriately. We will resolve such conflict fairly and reasonably and in accordance with the law, ASIC policy and our policies.

Terms used in this PDS

In this PDS:

'ASIC' means the Australian Securities and Investments Commission;

'Bank Account' means an account with an Australian Authorised Deposit Taking Institution (which includes a building society and credit union);

'Business Day' means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney;

'Fund' means the Pental Pure Alpha Fixed Income Fund ARSN 161 859 936;

'OECD' means the Organisation for Economic Co-operation and Development;

'responsible entity' means Pental Fund Services Limited ABN 13 161 249 332, AFSL 431426;

'we', 'our', 'us' or 'Pental' means the responsible entity of the Fund and, where appropriate, Pental Institutional Limited.

Asset values of the Fund for the purposes described in this PDS are determined in accordance with the Fund's constitution.

Key investment terms defined

These definitions are provided to assist investors in understanding some of the expressions used in this PDS:

Clearing House

A clearing house is a financial institution that provides clearing and settlement services for financial derivatives and securities transactions. An example is the Sydney Futures Exchange.

A clearing house stands between two clearing brokers and its purpose is to reduce the risk of one (or more) clearing brokers failing to honour their trade settlement obligations.

Correlation

A measure of how closely the prices of different securities or asset classes move in tandem. A positive correlation generally indicates the prices move in the same direction. If the correlation is 0, the movements of the securities are said to have no correlation while negative correlation indicates that prices generally move in opposite directions.

Credit default swap index

A credit default swap index is an over-the-counter derivative used to hedge credit risk or to take a position on a basket of credit entities. Credit default swap indices are benchmarks for protecting investors owning bonds against default.

Forward

A forward contract is an agreement between two parties to buy or sell an asset at a specified future time at a price agreed upon today. Most forward contracts are non-exchange traded.

Futures

A futures contract is a contract between two parties to buy or sell a specified asset of a standardised quantity and quality at a price agreed upon today, with delivery of the asset and payment occurring at a specified future date. The buyer of a futures contract expects that the asset price is going to increase, while the seller hopes or expects that the price will decrease in the future. Futures contracts are negotiated and traded on a futures exchange.

ISDA

The ISDA master agreement is the most commonly used master contract for OTC derivative transactions internationally and is published by the International Swaps and Derivatives Association.

Options

An option contract offers the buyer the right, but not the obligation, to buy (call option) or sell (put option) a security (such as shares in company) or other financial asset at a specified price within a specified time period.

- Call options give the buyer the option to buy a security at a certain price, so the buyer would expect the price of the security to go up.
- Put options give the buyer the option to sell at a certain price, so the buyer would expect the price of the relevant security to go down.

Options can be either exchange-traded (standardised) contracts or over-the-counter (customised contracts) that are privately negotiated with a counterparty.

Swap

A swap is a derivative in which counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument. In the case of a swap involving two bonds, the cash flows in question can be the periodic interest (or coupon) payments associated with the bonds. Contrary to a future, a forward or an option, the notional amount of a swap is usually not-exchanged between counterparties (i.e. swaps are over-the-counter derivatives).

