



# Smallco Investment Fund

## Product Disclosure Statement

1 September 2015

This Product Disclosure Statement is issued by Smallco Investment Manager Limited ABN 89 092 626 090 Australian Financial Services Licence number 224108, as Responsible Entity for the Smallco Investment Fund ARSN 103 148 107

**Smallco**  
Investment Manager

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# 1. Key investor information

Name of Fund	Smallco Investment Fund
Name of Fund Manager	Smallco Investment Manager Limited
Investment vehicle	Unit trust
Recommended time frame	Long term – minimum of three years
Date Fund established	31 October 2000
Approximate Fund size	\$215 million (31 July 2015)
Minimum initial investment	\$40,000 <sup>1</sup>
Minimum additional investment	\$5,000 <sup>1</sup>
Minimum withdrawal	\$5,000 <sup>1</sup>
Buy/sell costs	+/- 0.45%
Application & withdrawal timing	Units are priced daily – applications and redemptions are normally processed as soon as practicable at the end of each Business Day in Sydney
Administration costs	0.25% of the net assets. <sup>2</sup> For more information refer to “Administration costs” in section 10
Investment management fee	1.40% <sup>2</sup> of the total net asset value of the Fund
Performance fee	18.64% <sup>2</sup> of the adjusted net asset increase above the previous high water mark
Distribution	Annually after 30 June
Distribution reinvestment	Available <sup>3</sup>
Asset classification	Australian Equities
APIR Code	ASC0001AU

## Smallco Investment Fund annualised performance to 31 July 2015 <sup>4</sup>

1 year	16.2% pa
3 year	31.3% pa
5 year	23.3% pa
10 year	11.9% pa
Since inception (31 Oct 2000)	14.2% pa

<sup>1</sup> If you are investing through a master trust or wrap account, the minimum investment and withdrawal procedures and other procedural matters are governed by the master trust or wrap account.

<sup>2</sup> Unless otherwise stated, all fees quoted in this PDS are inclusive of GST, after allowing for an estimate for Reduced Input Tax Credits (RITC).

<sup>3</sup> For more information on distribution reinvestment, please refer to section 16.

<sup>4</sup> Based on exit price and assuming reinvestment of all distributions. Returns are calculated after all fees and expenses. Past returns are, however, no guarantee of future performance and are not a reliable guide to future performance. Returns are volatile and may go up and down significantly and sometimes quickly.

Benchmark/ Disclosure Principle	Description	Satisfied	Where in PDS?
<b>Valuation of assets</b>	The Fund's assets are Australian Securities Exchange traded shares. The value of units in the fund are determined by the market prices of those shares.	✓	Section 1 - Key investor information
<b>Periodic reporting</b>	The Fund will provide periodic disclosure of certain key information annually and in some cases monthly.	✓	Section 17 - Keeping investors informed
<b>Investment strategy</b>	Smallco actively looks for high quality, smaller companies with share prices significantly below what it considers to be the true underlying value of the assets. The Manager selects individual securities with an emphasis on achieving growth in the value of the Fund whilst also aiming to achieve some income.	✓	Section 6 - Investment style
<b>Investment manager</b>	The Manager and responsible entity of the Fund is Smallco Investment Manager Limited, which was formed in April 2000. The Manager was formed for the purpose of managing this fund. The investment manager is staffed by Rob Hopkins, Bill Ryan, Andrew Hokin, Paul Graham and Craig Miller who between them have over 100 years of experience in Australian investment markets.	✓	Section 5 - The Manager of the Fund
<b>Fund structure</b>	In Smallco Investment Fund, monies from all investors are added together to form a pool of capital. The capital invested under the direction of the trust Manager in a range of investments authorised by the trust's constitution which enables and largely governs the Fund.	✓	Section 4 - About managed funds.
<b>Valuation location and custody of assets</b>	The assets are securities listed on the Australian Securities Exchange and cash. JP Morgan Chase Bank NA is the custodian of the Fund.	✓	Section 6 - Investment style; Section 23 - The Custodian, investment administrator and prime broker.
<b>Liquidity</b>	The Fund's assets are listed equities which can readily be sold either to meet investor redemptions or enable the Manager to change the Fund's investments.	✓	
<b>Leverage</b>	To enable it to take better advantage of share market opportunities, the Fund may from time to time be geared. Under normal circumstances the Fund is expected to be between 80% and 130% invested i.e. between 20% in cash and 30% geared. At 30% geared, this would provide an exposure of approximately \$1.30 for every \$1.00 invested.	✓	Section 6 - Investment style
<b>Derivatives</b>	The Fund's securities lending arrangement as described in Section 6 may be classified as a derivative transaction. Accordingly, the Fund may invest in derivatives where it borrows shares as part of its investment strategy. These types of derivatives are known as "over-the-counter" or OTC derivatives.	✓	Section 7 - What the Fund Invests in
<b>Short selling</b>	Subject to law, the Fund sometimes effectively short sells shares to take advantage of securities which the Manager considers are overvalued. Typically the Fund will be less than 25% short, but at no time will the value of shorts be more than 50% of the value of the Fund.	✓	Section 6 - Investment style
<b>Withdrawals</b>	You may redeem part or all of your investment by notifying the Manager by 4pm Sydney time on any Business Day. The minimum amount you can withdraw is \$5,000 and the minimum balance remaining will generally need to be \$40,000.	✓	Section 14 - Withdrawals daily

## 2. Introduction

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Smallco Investment Manager Limited ("**Smallco**" or the "**Manager**") invites you to invest in Smallco Investment Fund <sup>5</sup> ("**SIF**" or the "**Fund**"). Smallco is the issuer of this product disclosure statement ("**PDS**") and of units in the Fund.

The Fund invests mostly in smaller Australian Securities Exchange ("**ASX**") listed companies, but may invest up to 20% of the Fund in larger Australian listed companies and some cash. The Manager classifies a smaller Australian listed company as a company outside the top 100 ASX listed companies by market capitalisation at the time the Fund makes its initial investment in the company.

Subject to law, the Fund sometimes effectively short sells and uses gearing. For more information on short selling and gearing, please refer to section 6 'Investment style'.

Smallco expects that a typical investor in the Fund would be seeking some income but mostly capital growth and understands and accepts that the value of their investment can rise and fall. The Fund is not a short-term investment and Smallco suggests that investors adopt a minimum three year time horizon for investment in this Fund.

The Manager recommends that you get professional advice before investing in the Fund.

## 3. Help

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If you need help about investing generally, speak to a licensed financial adviser. The Australian Securities and Investments Commission ("**ASIC**") can help you check if a financial adviser is licensed. If you don't have an adviser, contact us and we can put you in touch with someone who can help.

If you have questions about investing, speak to your adviser. If you have questions about this Fund in particular, speak to your adviser or call Smallco for more information.

## 4. About managed funds

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In a unit trust, such as Smallco Investment Fund, monies from all investors are added together to form a pool of capital. The capital is invested under the direction of the trust Manager in a range of investments authorised by the trust's constitution which establishes and largely governs the Fund.

Investors in a unit trust are allocated a number of units. The price of units reflects changes in the value of the trust assets.

## 5. The Manager of the Fund

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The Manager and responsible entity of the Fund is Smallco Investment Manager Limited, which was formed in April 2000. The Manager was formed for the purpose of managing this Fund.

The investment manager is staffed by Rob Hopkins, Bill Ryan, Andrew Hokin, Paul Graham and Craig Miller who between them have over 100 years of experience in Australian investment markets.

**Rob Hopkins - Managing Director (30 years investment experience)** - Rob founded Smallco in 2000 with Bill Ryan. Prior to Smallco Rob had been specialising in smaller company research since 1994 and was the head of

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<sup>5</sup> The Smallco Investment Fund was named Australian Small Company Investment Fund prior to 1 October 2004.

small company research at Macquarie Equities, BT Alex Brown, ANZ Securities and Macintosh. Rob began his career in the Australian investment industry in 1985 and was a Senior Industrial Analyst at Potts West Trumbull & Company, the General Manager for Australian Equities with Chase Corporation and an analyst with Potter Partners. Rob commenced his working life as a civil engineer and also has an MBA.

**Bill Ryan – Executive Director (19 years investment experience)** – Prior to establishing Smallco with Rob in 2000, Bill commenced his investment career working with Rob at ANZ Securities in 1996. Bill's working life began in the 1980s owning, developing and managing agricultural enterprises. This background has ingrained in Bill a strong focus on risk management and the uncontrollable risks faced by certain industries. It has proven to be an invaluable background for Smallco.

**Andrew Hokin – Portfolio Manager (21 years investment experience)** – Andrew joined Smallco in July 2007 from Macquarie Securities, where he was a Division Director and led the banking sector research team. During more than eight years with Macquarie Andrew gained broad market experience, through coverage of small companies, diversified financials and developers/contractors prior to moving into the banking sector. During this time Andrew built a professional relationship with Rob and Bill, including working with Rob in Macquarie's smaller companies team in 1999. Andrew's investment career began at Adelaide stockbroker Day Cutten in 1994, where he gained exposure to a range of businesses, in particular utilities and property trusts.

**Paul Graham – Portfolio Manager (21 years investment experience)** – Paul joined Smallco in June 2014. Paul has 21 years of experience as an equity analyst in Australia and the UK with the majority of this time covering Australian small caps, including working with Rob Hopkins and Bill Ryan in the late 1990's. Paul has worked at a number of international investment banks including Citi, Credit Suisse, Nomura and HSBC (UK). Paul has Commerce (Hons) and Law degrees from the University of Queensland.

**Craig Miller – Portfolio Manager (10 years investment experience)** – Craig is a portfolio manager at Smallco and spends part of his time overseeing the management of the business with Smallco's Financial Controller. Prior to joining Smallco in 2005 Craig was head of the tax division for GE Commercial Australia and New Zealand for three years. Craig is a Chartered Accountant and spent seven years with Ernst & Young prior to GE.

Smallco does not promise that investors will earn any return on their investment or that their investment will gain or retain its value.

Smallco ensures that its key service providers comply with their service level obligations via annual review. This involves reviewing independent internal control audits performed on the Fund's custodian, JP Morgan Chase, and administrator, White Outsourcing.

## 6. Investment style

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Smallco has historically limited the number of investors in the Fund when necessary to protect capacity and limit liquidity issues. It will continue to manage capacity and limit inflows using its power under the Fund's constitution to reject applications at its discretion.

Smallco will limit inflows at a FUM level it considers will keep SIF nimble by reducing the risk of liquidity issues and reducing the time needed to establish or exit a given stock position.

Smallco actively looks for high quality, smaller companies with share prices significantly below what it considers to be the true underlying value of the shares. The Manager selects individual securities with an emphasis on achieving growth in the value of the Fund whilst also aiming to achieve some income.

Some characteristics of quality, smaller companies that Smallco seeks to identify include:

- **Strong competitive position.** The company should have a business that has a strong or dominant market position in its particular industry or sector. Barriers to entry for new competitors, for example, could create such a market position.
- **Attractive and predictable earnings outlook.** It is essential for the longer term success of an investment that the company has the ability to grow its profits significantly over an extended period of time. Implicit in this is the ability to at least maintain its profit margins, which usually relates to good pricing power for the products or services it offers.
- **High return on funds employed and cash generation ability.** For a company to be an attractive investment, its business should be capable of generating good returns on the cash invested in the business. Typically this will show up as a high historical return on funds employed and strong cash generation.
- **A strong board and good management team.** Not only is it important that the management is competent, but also that the management's interests are aligned with the interests of the shareholders. The most common way for this to occur is for the management to have shares in the company so they think more like shareholders.

Shares are valued using a combination of measures including price to cash flow, price earnings, dividend yield and EBITDA<sup>6</sup> ratios. These assist the Manager to determine whether the share is trading significantly below its intrinsic value and may be worth investing in.

Where the Manager thinks it appropriate, it will meet with management and competitors of a company to assist in the evaluation process.

In selecting shares to invest in, the Manager typically focuses on a three year horizon, after which time it believes earnings forecasts become of considerably less value.

Smallco's philosophy is that it is better to have a small number of good investments rather than a large number of mediocre investments. Accordingly, the Fund will usually be relatively concentrated - generally invested in between 25 and 35 securities.

To make sure the Fund is not too concentrated, the Fund maintains holdings across at least 4 of the ASX's 10 Global Industry Classification Standard (GICS).<sup>7</sup> Additionally the Fund's exposure to any one security is limited to 20% of the total assets of the Fund. If a security were suddenly to increase in value and breach this limit (as a result of a takeover bid for example) the Manager would reduce the Fund's holding in a timely manner which also recognises the financial interests of the Fund.

Investments can (and do) fall in value as well as rise. Generally speaking, the value which the market attributes to an investment will be a function of (amongst other things) the growth in the underlying earnings of that company. However, the Manager believes that, in the short term, market values are often more representative of investor sentiment towards a company, rather than the true underlying value of the company's business.

Investors should look to invest for a period of at least three years.

Subject to law, the Fund sometimes effectively short sells shares to take advantage of securities which the Manager considers are overvalued. Short selling is where the Fund agrees to sell shares it does not own with an expectation that it will purchase them back at a lower value at a later date and therefore generate a profit. The Fund has effectively been short selling shares since inception and this has been a profitable strategy. Typically the Fund will be less than 25% short, but at no time will the value of shorts be more than 50% of the value of the Fund. For the Manager to short sell a security, it may need to borrow the shares. As securities become smaller it tends to be harder to borrow the shares. It has been the Manager's experience that securities in the top 200 ASX listed

<sup>6</sup> EBITDA ratio – A valuation tool similar to price earnings ratio but based on Earnings Before Interest, Tax, Depreciation and Amortisation

<sup>7</sup> GICS classifies companies around the world according to the type of business operation they perform. GICS consists of 10 economic sectors aggregated from approximately 24 industry groups, 68 industries, and 154 sub-industries currently covering over 27,000 companies globally.



companies by market capitalisation are mostly able to be borrowed while it is often difficult to borrow securities outside the top 200 ASX listed companies by market capitalisation.

The Manager has entered into a securities lending arrangement with Macquarie Bank Limited in order to borrow shares to be short sold. The Manager will only deal with reputable market participants for its security lending activities to minimise any risks to the Fund. The key risks involved in securities lending arrangements are described in Section 9 under "Securities borrowing risk". The Fund may from time to time be geared. Gearing means borrowing to invest. Gearing magnifies both positive and negative returns from the investments purchased relative to the returns of a comparable ungeared investment portfolio. The Fund (not the individual investor) may borrow money to increase the Fund's investments. The Fund's gearing will never be more than 50% of the net asset value of the Fund. Under normal circumstances the Fund is expected to be between 80% and 130% invested i.e. between 20% in cash and 30% geared. At 30% geared, this would provide an exposure of approximately \$1.30 for every \$1.00 invested in the Fund.

If the fund was 50% geared for example and the assets the fund was invested in increased in value by 5% the value of your investment would increase by 7.5% all things being equal and conversely if the value of the securities the fund was invested in fell by 5% your investment would decrease by 7.5% all things being equal.

The Manager does not explicitly take into account labour standards or environmental, social or other ethical considerations (apart from those outlined below) when selecting, realising or retaining investments for the Fund, as its research processes do not endeavour to screen or rank securities based on these considerations. However, the Manager has adopted an ethical investment policy that the Fund will not gain from investments that benefit from addictions or armaments and consequently will not invest in companies which have publicly reported that their principal business activity is in alcohol, tobacco products, gambling equipment or facilities or armaments. This policy also applies to the Fund's short selling positions. If an existing holding of the Fund acquires a principal business activity that is excluded by the Manager's ethical investment policy it will exit this position in a timely manner that also recognises the financial interests of the Fund.

## 7. What the Fund invests in

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Smallco invests mostly in smaller Australian listed companies, but may invest up to 20% of the Fund in larger Australian listed companies and may also hold some cash. The Manager classifies a smaller company as one outside the top 100 ASX listed companies by market capitalisation at the time the Fund makes its initial investment. Smallco focuses particularly on companies with \$100 million to \$500 million market capitalisation.

The Fund's securities lending arrangement as described in Section 6 may be classified as a derivative transaction. Accordingly, the Fund may invest in derivatives when it borrows shares as part of its investment strategy. These types of derivatives are known as "over-the-counter" or OTC derivatives being derivatives not listed on any financial market. The Fund's constitution permits it to invest this way.

## 8. The benefits

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The main benefit the Manager aims to achieve is high compound returns by investing in the securities market, although returns are not guaranteed.

It is the aim of the Manager that high compound returns will come mostly from capital appreciation which will be reflected in the unit price, but net realised profits, if they occur, will be distributed annually shortly after 30 June of each year. These distributions may carry imputation tax credits. The Fund is generally not taxed itself, but investors will usually be taxed on the realised gains they make from the Fund. See section 18 'Tax' for more details. It is important that investors seek their own professional advice, including advice regarding tax.

Under normal circumstances you can redeem all or part of your investment daily subject to a minimum withdrawal amount of \$5,000 and a minimum holding balance of \$40,000. Further details are included in section 14 'Withdrawals daily'.

## 9. Significant risks

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### About risk and return

All investments are subject to risks. Different asset classes perform differently at different times and have different risk characteristics and volatility. These are some of the reasons why investors might consider diversifying their investments. This Fund offers limited diversification across asset classes as it invests only in a particular type of Australian share and sometimes New Zealand shares listed on the ASX.

As with most investing, it is not guaranteed that investors will make money from their investment. The value of the investment can go up and down.

### What about the risks of this Fund?

Although Smallco seeks to manage the risks for this Fund, there is always the possibility that it may not succeed in choosing investments that perform well or in selecting the optimum asset mix for the Fund.

Smallco considers the significant risks for this Fund to be:

- **Individual investment risk:** Individual investments bought can (and do) rise and fall in value for many reasons such as changes in the entity's internal operations or management, or in its business environment.

The Manager aims to reduce these risks with careful analysis of a company which usually includes publicly available information, broker research and talking to the people who run the company and those who are responsible for changes which impact on the Fund's investments.

- **Market risk:** Economic, technological, political 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 Fund's investments.

Smallco uses research and analysis to form a view on these matters as best it can and then re-balance the investment mix of the Fund to reduce any negative 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 the Fund's or of a company's borrowing can increase or decrease.

- **Currency risk:** The Fund can invest in companies listed in Australia which have operations in foreign countries. When that country's currency changes in value relative to the Australian dollar, the value of the investment changes. Smallco does not manage this relative exchange rate exposure.

- **Fund risk:** Risks particular to the Fund include that the Fund could terminate, Smallco could be replaced as Manager and Smallco's investment professionals could change. There is also a risk that investing via the Fund may give different results as opposed to investing directly because of income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other investors.

Smallco aims to keep this risk to a minimum by monitoring the development of the Fund and acting always in investors' best interests.

- **Gearing risk:** As gearing amplifies both potential positive and negative returns, the level of risk increases when the Fund is geared. The more the Fund borrows to invest, the greater the potential for investors to lose their capital.

Smallco monitors the gearing of the Fund daily and makes adjustments upwards or downwards as required (and at its discretion) so that the Fund remains conservatively geared. Gearing will never exceed 50% of the net asset value of the Fund.

- **Counterparty or Default Risk:** Counterparty or default risk refers to the risk that a party which has entered into a contractual obligation in relation to the Fund fails to perform their obligations. This may result in a loss of capital for the Fund. Counterparties may include stockbrokers, banks and other parties to shares and options transactions.

The Manager seeks to control this risk by dealing only with reputable stockbrokers and regulated market participants.

- **Concentration Risk:** The Fund will generally hold shares in 25 to 35 companies but it is not restricted to this sized portfolio. Investing in a small number of companies reduces diversification benefits and increases risk as does holding stocks within a particular sector.

The Manager will manage this risk by ensuring that the investments are spread across a diversified range of industries and companies.

- **Liquidity risk:** If the Fund has no cash, or has problems selling its listed investments and does not wish to take on debt, access to your money could be delayed. Similarly, if there is an interruption of regular trading on the ASX or for a particular asset of the Fund, there may be delays in processing withdrawal requests.

Smallco closely monitors cash levels in the Fund to manage this risk and aims to ensure there is adequate liquidity to meet the needs of investors. See also section 14 "Withdrawals daily".

- **Risk from taking short positions:** Subject to any restrictions the law might impose, the Fund can effectively take short positions in individual investments. Individual investments sold can (and do) rise in value for many reasons as discussed above and because of takeovers. If the Fund has a short position in a security which rises in value, then this can cause a substantial decrease in the value of the Fund. The size of the loss will increase as the share price increases. As there is no upper limit on the share price there is no limit on the potential loss from a short position.

Smallco aims to keep this risk to a minimum by carefully selecting the securities in which it takes short positions and closely monitoring the value of those securities.

- **Securities borrowing risk:** Subject to any restrictions the law might impose, the Fund can borrow securities to establish short positions. There is a risk that such securities may be recalled by the lender at short notice and the Fund will have to buy the shares on the market at an unfavourable price, resulting in losses.

The consequences of some or all of these risks occurring are that distributions may be lower than expected (or there may be none), the value of an investment in the Fund could fall or there could be delays for investors in accessing their money.

## 10. Fees and other costs

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### 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 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 contribution fees and management costs where applicable. Ask the fund or your financial adviser.**

### To find out more

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

This document shows 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's assets as a whole.

You should read all of the information about fees and costs as it is important to understand their impact on your investment. Taxes are set out in section 18 'Tax'.

Type of fee or costs	Amount <sup>8</sup>	How and when paid
<b>Fees when your money moves in or out of the Fund</b>		
<b>Establishment fee</b> The fee to open your investment.	Nil	N/A
<b>Contribution fee</b> The fee on each amount contributed to your investment.	Nil	N/A
<b>Withdrawal fee</b> The fee on each amount you take out of your investment.	Nil	N/A
<b>Termination fee</b> This is the fee when you finally close your investment.	Nil	N/A
<b>Management costs</b> The fees and costs for managing your investments		
<b>Administration costs</b>	0.25% pa	The fees and costs for operating the Fund including accounting, administration and distribution costs. The administration costs are reflected in the unit price and are paid monthly from the assets in the Fund.
<b>Investment management fee</b>	1.40% pa	The fees and costs for investing the assets. These include fees charged by Smallco as issuer of the Fund and other expenses incurred in investing the assets (excluding transacting costs and buy/sell spread). Accrued daily based on the daily value of the Fund and paid monthly in arrears to the Manager. The amount of this fee can be negotiated with wholesale clients. Please refer to "Additional explanation of fees and costs" for more information.
<b>Performance fee</b>	18.64% of the adjusted net asset increase above the previous high water mark. For a worked dollar example of the fees (both where a performance fee is charged and where it is not) refer to "Example of Annual Fees and Costs" on page 15-16.	This fee is charged when the Fund's net asset value per unit (adjusted for distributions) has reached a new all time end-of-six-month high ("high water mark"). The performance fee, if payable, is accrued daily by deduction from the unit price and paid to the Manager in arrears at the end of the relevant six month period (i.e. 31 December and 30 June of each year).
<b>Service fees</b>		
<b>Switching fee</b> The fee for changing investment options.	N/A	N/A

<sup>8</sup> Unless otherwise stated, all fees quoted in this PDS are inclusive of GST, after allowing for an estimate for Reduced Input Tax Credits (RITC).

## **Additional explanation of fees and costs**

### **Transaction costs and the buy-sell spread**

Transaction costs (such as brokerage costs and government or bank charges) are the costs associated with the buying and selling of the Fund's investments. Transaction costs will be paid by the Fund.

Our estimate of the average transaction costs associated with buying and selling investments is reflected in the buy and sell spreads. However, the actual transaction costs may be higher than this (for example if brokerage, government or bank charges significantly increase or market liquidity declines).

Buy costs are charged to enter the Fund (buy units) and sell costs are charged to exit the Fund (sell units). They are charged because entering or exiting the Fund may necessitate the buying or selling of investments, which means the Fund will incur transaction costs, such as brokerage and government charges. The costs are incurred in the day to day management of the Fund. The buy costs are built into the Fund's entry price and the sell costs are built into the exit price. The buy and sell costs are based on our estimates of the average transaction costs incurred by the Fund.

The current buy costs are 0.45%.

The current sell costs are 0.45%.

So, for example, if you invested \$50,000 in the Fund and the unit price was \$1, it would cost you \$225. If you later withdrew \$50,000 and the unit price was \$1, it would cost you \$225.

The buy-sell spread aims to ensure that other investors do not pay the transaction costs associated with an investor entering or exiting the Fund. The buy and sell costs are not fees paid to Smallco – they are retained in the Fund to cover those transaction costs.

The buy-sell spread will impact on the return on your investment.

Reinvested distributions do not incur the buy costs.

### **Administration costs**

The Fund's constitution allows all costs, charges and expenses reasonably and properly incurred by the Manager in connection with the Fund or in performing its obligations under the constitution to be reimbursed out of the Fund's assets.

The administration costs include all fees, costs, charges, taxes (such as GST, imposts or duties), expenses and outgoings which are incurred in connection with the Fund (including without limitation the cost of audit, fund administration, custodial, compliance, taxation advice, annual financial statements, investor reporting, product disclosure statements and distribution - including wrap service providers, marketing and other allowable miscellaneous expenses).

The 0.25% administration fee is the cost to investors during the 2015 financial year, it is not capped and may increase if expenses reasonably and properly incurred by the Manager in connection with the Fund increase above historic levels or if the Funds Under Management fall significantly.

For a worked dollar example, please see "Example of annual fees and costs" on pages 15-16.

## Investment management fee

The constitution allows Smallco to receive an annual management fee of 1.4% pa of the total net asset value of the Fund, calculated daily and payable monthly in arrears.

The Manager cannot increase this fee without the approval of investors.

## Performance fee

The "Management costs" part of the fee table includes the performance fee methodology. So that the Manager's interests are aligned with investors the Manager is entitled to a performance fee if the net asset value per unit (adjusted for distributions) of the Fund has reached a new all time end-of-six-month high (a high water mark).

The Manager is entitled to 18.64% of the difference between the net asset value of the Fund (before any distributions) (B) and the value at the beginning of the period, where a performance fee was paid in the immediately preceding period the beginning of the period will be the last day of that period, otherwise the beginning of the period will be the last day the net asset value per unit (adjusted for distributions) became greater than it had been on the last day of any prior six month period (A). Any increase because of new money into the Fund (I) or any decrease because investors have withdrawn money (O) is cancelled out.

The formula used is therefore  $18.64\% \times (B-A-I+O)$ .

For a worked dollar example of the effect of performance fees on an investment, please see "Example of annual fees and costs".

The Manager cannot increase this fee without the approval of investors.

## Differential fees

We may individually negotiate our fees with wholesale investors as defined in the *Corporations Act 2001* (Cth) and otherwise in accordance with ASIC policy. The size of the investment and other relevant factors may be taken into account. If you qualify as a wholesale investor the terms of these individual arrangements will be at our discretion.

We do not negotiate fees with retail investors. If you qualify as a wholesale investor, contact Smallco on 02 8256 1000 for more information on how you can negotiate fees.

## Tax

Unless otherwise stated, all fees quoted in this PDS are inclusive of GST where applicable, after allowing for an estimate of reduced input tax credits.

Greater detail on tax is set out in section 18 "Tax".

## Can the fees change?

It is possible for the fees and costs to change. Although to date this has not occurred.

We cannot charge more than the Fund's constitution allows – to change the constitution in this regard we require investor approval. As such any increase in the Investment management fee or performance fee as detailed in section 10 'Fees and other costs' would require investor approval.

The administration costs detailed in section 10 'Fees and other costs' may vary from year to year. Please refer to 'Administration costs' under section 10 for details.

## Example of annual fees and costs

The following tables give two examples of how the fees and costs charged by the Fund can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

<b>EXAMPLE A</b>		
<b>Where a performance fee is not payable</b>		
<b>Balance of \$50,000 including a contribution of \$5,000 at the beginning of the year</b>		
<b>Contribution fees</b>	Nil	For the additional \$5,000 you put in, you will be charged \$0
<b>PLUS</b> management costs, comprising		
<b>Administration costs</b>	0.25% pa <sup>9</sup> PLUS	And, for every \$50,000 you have in the Fund you will be charged \$125 each year (this cost can vary from one year to the next – please refer to ‘Administration costs’ in section 10 for details)
<b>Investment fee</b>	1.40% pa <sup>9</sup> PLUS	And, for every \$50,000 you have in the Fund you will be charged \$700 each year
<b>Performance fee *</b>	18.64% of the adjusted net asset increase above the previous high water mark <sup>9</sup>	And, for every \$50,000 you have in the Fund you will be charged \$0 each year where the criteria for a performance fee has not been met
<b>EQUALS</b> Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of:  <b>\$825 **</b>  <b>What it costs you will depend on the fees you negotiate with your Fund or financial adviser.</b>

\* See ‘Performance fee’ on page 14 for a detailed description of how the performance fee is calculated.

\*\* The example above assumes that your balance remains constant at \$50,000 throughout the year (i.e. no further contributions are made and the Fund’s unit prices do not change) and fees are not individually negotiated with us or your financial adviser.

<sup>9</sup> Unless otherwise stated, all fees quoted in this PDS are inclusive of GST where applicable, after allowing for an estimate for Reduced Input Tax Credits (RITC).



## EXAMPLE B

### Where a performance fee is payable

Balance of \$50,000 including a contribution of \$5,000 at the beginning of the year

<b>Contribution fees</b>	Nil	For the additional \$5,000 you put in, you will be charged \$0
<b>PLUS</b> management costs, comprising		
<b>Administration costs</b>	0.25% pa <sup>10</sup> PLUS	And, for every \$50,000 you have in the Fund you will be charged \$125 each year (this cost can vary from one year to the next – please refer to 'Administration costs' in section 10 for details)
<b>Investment fee</b>	1.40% pa <sup>10</sup> PLUS	And, for every \$50,000 you have in the Fund you will be charged \$700 each year
<b>Performance fee *</b>	18.64% of the adjusted net asset increase above the previous high water mark <sup>10</sup>	And, for every \$50,000 you have in the Fund you will be charged \$466 each year where the criteria for a performance fee have been met
<b>EQUALS</b> Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of:  <b>\$1,291 **</b>  <b>What it costs you will depend upon the fees you negotiate with your Fund or financial adviser.</b>

\* See 'Performance fee' on page 14 for a detailed description of how the performance fee is calculated.

\*\* The example above assumes that your balance remains constant at \$50,000 throughout the year (i.e. no further contributions are made and the Fund's unit prices do not change), that the Fund's annual return after fees and expenses is 5% above the high water mark, that performance is over a whole year and not over six monthly periods (which is how the performance fee is actually calculated) and that all other management costs are deducted prior to calculation of performance fees and fees are not individually negotiated with us or your financial adviser. The Fund's performance is not guaranteed.

## 11. Fund performance

The Fund was formed on 31 October 2000. Its size at 31 July 2015 was approximately \$215 million.

The Manager makes available a Quarterly Update Sheet which has current performance and other relevant information. The Quarterly Update Sheet is available on the Smallco web site or on request from your adviser or the Manager.

Past returns are no guarantee of future performance and are not a reliable guide to future performance. Returns are volatile and may go up and down significantly and sometimes quickly.

The Fund and its Manager do not guarantee any potential rate of return.

<sup>10</sup> Unless otherwise stated, all fees quoted in this PDS are inclusive of GST where applicable, after allowing for an estimate for Reduced Input Tax Credits (RITC).

SIF annualised performance to 31 July 2015 *	
1 year	16.2% pa
3 year	31.3% pa
5 year	23.3% pa
10 year	11.9% pa
Since inception (31 Oct 2000)	14.2% pa

\* Based on exit price and assuming reinvestment of all distributions. Returns are calculated after all fees and expenses.

## 12. Investing details

Generally the minimum investment amount is \$40,000 unless you are investing indirectly through a master trust or wrap account. If investing directly, you should apply using the application form at the back of this PDS. See section 27 'Guide to the application form'. If investing indirectly, please see section 21 'Investing through a master trust or wrap account'.

The Manager generally issues units every day that is a business day in Sydney ("**Business Day**"). You will be notified regarding the acceptance of your application. Smallco may reject an application without giving any reason, and if rejected your application monies will be returned to you without interest. Any interest earned will be credited to the benefit of the Fund.

Valid application forms and monies received by the Manager by 4pm Sydney time on a Business Day will have applied to them the price at the close of business on that day. Valid application forms and monies received after 4pm Sydney time on a Business Day will have applied to them the price at the close of business on the following Business Day.

To make a further investment simply use another application form from the most recent PDS, including your account number. Any subsequent investment generally needs to be at least \$5,000. Further investment is made on the basis of the then current PDS.

If you are investing through a master trust or wrap account, do not complete our application forms. Instead, complete the forms the master trust or wrap account operator requires and if you have enquiries, that operator can help you. In this case, minimum investment and withdrawal procedures and other procedural matters are governed by the arrangements offered by the master trust or wrap account.

## 13. Cooling-off period

If you decide within a specified cooling off period that you don't want the units issued to you, the Manager must repay your money, provided you do not exercise any rights or powers attached to the units (such as voting on units held at a meeting of investors).

If you change your mind, you have 14 days to contact the Manager and advise that you have changed your mind.

The 14 day cooling-off period commences on the earlier of:

- when the Manager sends you confirmation that you are invested; or
- the end of the 5th day after the day on which you are issued the units.

The Manager is allowed to (and generally will) make adjustments for market movements up or down, as well as any tax and reasonable transaction and administration costs. The amount returned may be less than your original investment.

## 14. Withdrawals daily

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You may redeem part or all of your investment by notifying the Manager in writing by 4pm Sydney time on any Business Day. The request must be an original and signed by the signatories on the account. The minimum amount you can withdraw is \$5,000 and the minimum balance remaining will generally need to be \$40,000. The Manager reserves the right to require an investor to fully redeem a holding of less than \$40,000.

The Manager determines the market value of the Fund daily based on the most recently available information. The unit price is calculated as follows: the value of the Fund's liabilities are deducted from the value of its assets and that figure is divided by the number of units on issue. An adjustment is made for transaction costs (the buy and sell costs).

A copy of documents outlining the Fund's unit pricing methodology and practices (including information about the circumstances in which Smallco may exercise discretion in determining a unit price and the value of Fund assets and how Smallco has exercised discretion in certain circumstances, including any exercise of discretions which are outside the scope of, or inconsistent with, the Fund's unit pricing methodology and practices) is available on request at no charge by contacting Smallco.

Units will be redeemed at the redemption unit price. The effective date of your withdrawal request is the date on which we receive your correctly completed request. Valid withdrawal requests received by the Manager by 4pm Sydney time on a Business Day will have applied to them the price at the close of business on that day. Valid withdrawal requests received after 4pm Sydney time on a Business Day will have applied to them the price at the close of business on the following Business Day.

It usually takes 5 Business Days to process a withdrawal request, although the Fund's constitution allows the Manager 30 days. The funds are then paid directly to your nominated account.

The Manager can delay access to your money in some circumstances (although as at the date of the PDS this has never happened):

- when something impacts on the ability to calculate net asset value (for example, if markets are closed or disrupted) ~ then the Manager can delay payment for so long as this goes on or;
- when a quantity of withdrawal requests representing more than 10% of the Fund's value is received in a rolling month ~ then the Manager can stagger withdrawal payments. The Manager must redeem a minimum of 10% of the Fund's units per month until all requested redemptions are complete.

## 15. Enquiries

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An electronic version of this PDS and other historical information on the Fund and the Manager can be obtained from the Smallco web site [www.smallco.com.au](http://www.smallco.com.au).

Investors with questions on how to complete the application form or who require printed copies of this PDS should contact their financial adviser or Smallco on 02 8256 1000 or 1300 888 583 (for the cost of a local call) or by email to [smallco@smallco.com.au](mailto:smallco@smallco.com.au).

If you are investing through a master trust or wrap account then any enquiries should be directed to the operator of that service, not to Smallco.

## 16. Distributions

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Deposits to your account are sent as soon as practicable after the end of June each year.

You may elect to reinvest automatically any income distributions in additional units. Use the application form or contact us. Any distributions reinvested are reinvested at the price relevant at the end of the relevant distribution period. The price of such additional units will not be subject to a contribution fee or transaction costs or GST.

## 17. Keeping investors informed

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The Manager will:

- confirm every transaction investors make;
- report to investors annually including their opening and closing balances, a summary of all transactions, the Fund's net asset value, updated performance, unit price, asset allocation, liquidity profile, gearing and maturity levels of liabilities and derivative counterparties and any change in key service providers;<sup>11</sup>
- send a distribution tax statement as soon as is practicable after June 30; and
- notify you when the Annual Financial Reports of the Fund are available each year, (around September).

Investors investing through a master trust or wrap account will receive reports on their investment from the operator of that service, not from Smallco.

The Manager intends to satisfy its continuous disclosure obligations for any relevant matters as required under the Corporations Act by posting continuous disclosure notices on its website at <http://smallco.com.au/>. As the Fund has more than 100 investors and is therefore a disclosing entity, you have the right to obtain a copy of the Fund's annual financial report most recently lodged with ASIC, any half year financial report lodged with ASIC and any continuous disclosure notices lodged after the annual report and before the date of this PDS and any notices moving forward. We will provide you with copies of these documents free, if you ask.

## 18. Tax

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The Fund is not a tax paying entity under the present law as the trustee distributes all of the income of the Fund in each financial year. Your tax liability, however, ultimately depends on your circumstances. So it's important that you seek professional advice before you invest or deal with your investment.

Smallco will send you a tax statement as soon as is practicable after June 30 each year. It will contain all the information you need each year to complete your tax return.

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<sup>11</sup> We will provide the report as soon as practicable after 30 June each year.

### **Will I be liable for tax on money I receive from the Fund?**

Probably yes.

The tax impact for you depends on what makes up the distributions. Distributions could comprise:

- income (like dividends and interest);
- net capital gains (from the sale of Fund investments ~ the gains can be both discounted and non-discounted depending on the type of investor you are); and
- tax credits (like franking credits attached to dividend income).

### **Will I be liable for tax when I withdraw money from the Fund?**

Probably yes.

Australian residents are generally subject to capital gains tax on gains when they withdraw any money or transfer units to someone else.

If you are an individual and have held your units for more than a year, you will normally be entitled to a capital gains concession which will reduce the liability by up to one half. If you are a complying superannuation fund and you have held your units for more than a year, the capital gains concession will reduce the liability by up to one-third. The capital gains concession is not applicable to company investors.

### **Do I need to provide my tax file number ("TFN") or Australian business number ("ABN")?**

It's not compulsory, but we recommend it. Use the application form.

If you choose not to give us your TFN or ABN and don't have an exemption, we must deduct tax at the highest personal rate, plus the Medicare levy, before passing on any distribution to you. The law is very strict on how we can use these details.

## **19. The Manager's responsibilities to investors**

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The constitution, the PDS and the law govern Smallco's relationship with investors. The constitution limits the Manager's need to compensate investors if things go wrong. Generally, if we comply with our duties, then we do not need to compensate you unless the law so requires.

The constitution also governs what happens if the Fund is terminated and describes the rights, obligations and liability of the Manager.

Smallco is required by law to obtain your approval to make any changes to the constitution which might adversely affect investors' rights.

## **20. Complaints**

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If you have a complaint about Smallco or about your investment in the Fund, please contact us on (02) 8256 1000 or 1300 888 583 (for the cost of a local call) or by email to [smallco@smallco.com.au](mailto:smallco@smallco.com.au).

Smallco will always acknowledge any complaint, in writing where applicable, and respond within 45 days of receipt of the complaint.

If you remain unhappy you can contact Financial Ombudsman Service ("FOS"), which is independent from Smallco. Contact FOS on:

<b>Telephone</b>	1800 367 287 (free call)	<b>Fax</b>	(03) 9613 6399
<b>Mail</b>	Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001	<b>Email</b>	info@fos.org.au

FOS is an independent body and is approved by ASIC to consider complaints. In order for a complaint to be considered by FOS, the claim must be less than \$500,000.

If you are investing through a master trust or wrap account then any enquiries and complaints should be directed to the operator of that service, not to Smallco.

## 21. Investing through a master trust or wrap account

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In the case of investments through a master trust or wrap account, the operator of that service (not the individual) is the investor in the Fund. It follows that the operator has the rights of an investor and can exercise, or decline to exercise, those rights in accordance with that operator's arrangements with the individual investor.

Smallco is not responsible for the operation of any master trust or wrap account service through which individual investors invest. However, investors can still rely on the information in this PDS. In addition to reading this PDS, investors investing via a master trust or wrap account should read the disclosure document from the operator of that service which explains the master trust or wrap service.

Indirect investors do not receive income or reports directly from Smallco, nor do they directly participate in investor meetings or winding up of the Fund.

Redemption times depend on the redemption times of the operator of the relevant master trust or wrap service. Indirect investors should also take into account the fees and charges associated with investing via a master trust or wrap account.

It is uncertain whether the master trust or wrap account operator has the cooling off right. Investors should refer to the agreement with the operator for their policy on cooling off.

You should consult your adviser if you have any questions on investing in the Fund through a master trust or wrap account, nominee or custody service.

Indirect investors should not complete the application form from this PDS.

## 22. Privacy

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The Manager uses personal information about investors to administer their investments and also to conduct research. If you do not provide your contact details and other information then your application may not be processed. Smallco will not give anyone any information it has about an investor unless:

- the law requires it to (including under anti-money laundering and counter-terrorism financing legislation);
- we need to provide your personal information confidentially to external service providers including custodians, auditors, taxation and legal advisers and information technology consultants; and
- it considers that the investor's adviser needs the information.

If you fail to provide the required information or if you provide incomplete or inaccurate information the Manager may not be able to provide you with the products or services you are seeking.

If you think our records are wrong or out of date, particularly your address, e-mail address or adviser details, it is important that you contact Smallco and we will correct them.

Individuals who wish to access the personal information Smallco holds about them should contact Smallco on 02 8256 1000.

The Manager has a Privacy Policy which can be obtained by contacting the Manager.

## 23. The custodian, investment administrator and prime broker

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White Outsourcing Pty Limited and JP Morgan Chase Bank NA have given, and have not withdrawn before the preparation date of this PDS, its written consent to be named in this PDS as the investment administrator or custodian (as relevant) for the Fund.

As investment administrator, White Outsourcing Pty Limited is responsible for the day to day administration of the Fund. White Outsourcing Pty Limited as investment administrator and JP Morgan Chase Bank NA as custodian have no supervisory role in relation to the operation of the Fund and has no liability or responsibility to you for any act done or omission made in accordance with the custody agreement to which it is a party with Smallco. White Outsourcing Pty Limited and JP Morgan Chase Bank NA were not involved in preparing, nor take any responsibility for, this PDS and White Outsourcing Pty Limited and JP Morgan Chase Bank NA give no guarantee of the success of the Fund, nor the repayment of capital or any particular rate of capital or income return.

Smallco has an Australian Master Securities Lending Arrangement (AMSLA) relationship with Macquarie Bank Limited which allows the Fund to borrow stock and cash which is transferred and held in custody at JP Morgan Chase Bank NA. In exchange for this collateral in the form of cash or stock is transferred to Macquarie Bank Limited. The collateral provided includes a buffer of 5-15%. Under the AMSLA agreement, if an event of default occurs, an account shall be taken of what is due from each party to the other and the sums due to one party shall be set-off against the sums due from the other and only the balance of the account shall be payable.

The relationships above are reviewed regularly to ensure that service agreement obligations are being met.

The Fund's financial auditor is Crowe Horwath Sydney who conduct a Financial audit at the end of every calendar and financial year, i.e. twice a year.

## 24. About this PDS

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Paper copies of this PDS (with attached application form) are available free on request from Smallco. Alternatively, the operator of your master trust or wrap account service will be able to provide you with paper copies free of charge. Electronic copies can be obtained from the Smallco web site [www.smallco.com.au](http://www.smallco.com.au). Any person receiving this PDS electronically should note that applications can only be accepted if Smallco receives a completed, current application form which accompanied the electronic or paper copy of this PDS.

This PDS is dated 1 September 2015 and has been prepared by Smallco. This PDS has not been lodged with ASIC and is not required by the *Corporations Act 2001* (Cth) to be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS.



Smallco may make available updated information relating to this PDS. Investors may access this information at [www.smallco.com.au](http://www.smallco.com.au), or alternatively may request a paper copy of this information free of charge from their financial adviser or by contacting Smallco. The information that Smallco will make available by way of these updates is subject to change from time to time and will not be information that is materially adverse to investors.

This PDS is not an offer or invitation in relation to units in the Fund in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation.

It is impossible in a document of this type to take into account the investment objectives, financial situation and particular needs of each reader. Accordingly, nothing in this PDS should be construed as a recommendation by Smallco, or any associate of Smallco or any other person concerning an investment in the Fund. Readers should not rely on this PDS as the sole or principal basis of a decision to invest in the Fund and should seek independent financial, legal and taxation advice before making a decision to invest. No person is authorised by Smallco to give any information or to make any representation not contained in this PDS. Any information or representation not contained in this PDS must not be relied upon as having been authorised by or on behalf of Smallco. Nothing in this PDS is, or may be relied upon as, a representation as to the future performance of the Fund.

## 25. Anti-money laundering

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Smallco is bound by laws about the prevention of money laundering and the financing of terrorism, including the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) ("**AML/CTF laws**") and to this end has an Anti-Money Laundering and Counter-Terrorism Policy. By subscribing to the Fund you warrant that:

- You are not aware and have no reason to suspect that the monies used to fund your investment have been derived from or are related to any money laundering, terrorism financing or similar activities that would be illegal under applicable laws or regulations or otherwise prohibited under any international convention or agreement. Furthermore that any proceeds from your investment in the Fund will not be used to finance any illegal activities.
- You will provide us with all additional information and assistance that may be requested in order to comply with our obligation under AML/CTF laws now and in the future. Please refer to the required documentation below in section 28 'Required documentation under AML/CTF laws'.

By subscribing to the Fund you also acknowledge that Smallco:

- Will not accept or process your application until all of the required documentation under AML/CTF laws has been received and we are satisfied that all client identification procedures that we consider necessary to satisfy our obligations under that law have been completed.
- Reserves the right not to accept an application with or without reason and that any money not accepted will be returned to you without interest.
- May delay or refuse any request or transaction in the future including suspending the issue or redemption of units in the Fund if we are concerned that it might breach our obligation, or cause us to commit an offence, under an AML/CTF laws, and that we will incur no liability if we do so.
- Will take any further action we consider necessary in order to comply with our AML/CTF laws obligations with regards to your application or investment in the Fund.



## 26. No offer to foreign investors

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The offer of units in the Fund is not available to foreign investors.

For this purpose, **foreign investors** include:

- a foreign citizen or resident
- a partnership domiciled outside of Australia
- a corporation incorporated or domiciled outside of Australia; or controlled or owned by a foreign individual or entity
- a trust of which any trustee or beneficiary is non-Australian
- an estate of which any executor or administrator is non-Australian

For information on what documentation is required to be sent in along with your application form please see section 28 'Required documentation under AML/CTF laws'. If you are unsure of anything or have any questions regarding the AML/CTF laws requirements please contact us on (02) 8256 1000.

## 27. Guide to the application form

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### Application checklist

If you wish to invest in the Fund please:

- Complete the application form in BLOCK LETTERS.
- Read the required documentation under section 28 'Required documentation under AML/CTF laws' below and supply either an original or certified copy of the documents required. If you have any questions regarding what you are required to send in or are unsure of anything regarding your application please give us a call on (02) 8256 1000.
- Make cheques payable to "Smallco Investment Fund" and cross "not negotiable" (if you wish to transfer funds electronically please contact Smallco on (02) 8256 1000).

Applications are generally processed daily. Applications reaching the Manager by 4pm Sydney time on a Business Day will have the calculated unit price for that day applied.

Send the completed application form and your cheque to:

**Smallco Investment Manager Limited**  
**GPO Box 4564**  
**Sydney NSW 2001**

### Instructions on completing the application form (new investors)

1. Applications must be in the name(s) of natural person(s), companies or other legal entities acceptable to the Manager, up to a maximum of 3 names per application.

- Examples of correct names and account designations to use on your forms are:

Type of investor	Correct name	Incorrect name	Signature(s) required
<b>Individual/joint holdings</b> Use full name of each applicant, not initials	Peter Ross Dunn Amelia May Dunn	Peter R Dunn Milly Dunn	Signature of each applicant
<b>Company</b> Use full company title	ABC Pty Ltd	ABC Inc ABC Co. ABC P/L	1) under common seal; or 2) by two directors or 3) by a director and a secretary; or 4) if there is only a single director, by that director; or 5) by a duly authorised officer or attorney
<b>Trusts/Minors/SMSFs</b> Use trustee(s) / Individual(s) name(s)	Mark Eric Smith ATF <Smith Family Trust>	Mark Smith Family Trust	Signature of each trustee/individual. If trustee is a company see above

- All communications to you from the Manager (e.g. distribution statements) will be mailed or emailed to the person(s) and address shown under contact details.
- You should notify the Manager promptly of any change of address or other contact details.
- For joint applications (i.e. more than one applicant), only one contact address is required.
- Please provide us with telephone numbers (including the person responsible in the case of an application by a company) so that we can contact you quickly if there is an irregularity in your application form.
- The minimum value of units which may be applied for is \$40,000 initially and \$5,000 subsequently.
- If your application form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Manager's decision as to whether to treat your application as valid, and how to construe, amend or complete it shall be final.
- Before signing the application form the applicant(s) should read the PDS to which this application relates.
- Read the required documents under the AML/CTF laws section below and ensure you have included all documents that are required.

#### Instructions on completing the application form (existing investors)

- Please complete items 1 and 8 only.
- Ensure that the relevant signatories sign.

**Please note: If you are making an additional investment with us under an existing account, you do not need to supply the AML/CTF documentation discussed below.**

## 28. Required documentation under AML/CTF laws

To comply with our obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) we are required to collect and confirm certain information about new clients. The type of documentation that we require from you will depend upon the type of investor you are.

**Please note: If you are making an additional investment with us under an existing account, you do not need to supply this documentation.**

Under the Act we are required to either sight an original of the documents or receive a certified copy. A certified copy means a copy of a document that has been certified as a true copy of an original document. In order for a copy of a document to be certified the following paragraph should be included on the copy accompanied by the certifier's signature and date:

***"I, [full name], [category of persons listed below], certify that this [name of document] is a true and correct copy of the original"***

A list of some of the people who are able to certify a document is below. If you are unable to get someone from this list to certify your document please contact us on (02) 8256 1000 for more options.

- **the post office:** a permanent employee of the Australian Postal Corporation with two or more years of continuous service who is employed in an office supplying postal services to the public
- **an accountant** who is a member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants, with two or more years of continuous membership
- **a lawyer** who is enrolled on the roll of the Supreme Court of a state or territory or the High Court of Australia, as a legal practitioner
- **an officer of a financial institution** with two or more years of continuous service with one or more financial institutions (for the purposes of the Statutory Declaration Regulations 1993 (Cth))
- **a judge**
- **a magistrate**
- **a Justice of the Peace**
- **a police officer**

The following is a list of documentation you will need to provide us with upon your initial investment with us. It has been broken up into categories depending on the type of investor you are.

#### **A. Individual Investor/Joint Investors/Sole Trader/Individual or Joint Trustees/Agent of an Investor**

Please provide either an original or certified copy of ONE of the following documents for each Investor/Trustee:

- ◆ a current Australian drivers licence containing your photograph and date of birth.
- ◆ an Australian passport containing your photograph and date of birth (current or that has expired within the past two years).

If you are unable to provide any of these document types for identification please contact Smallco on 02 8256 1000 for further options.

#### **B. Australian Company/Australian Corporate Trustee**

Please provide an ABN or ACN of the company. Smallco will obtain the required documentation.

#### **C. Self-managed superannuation fund**

**Important: When applying as a self-managed superannuation fund you must also supply the relevant documents for the trustee/s. Please refer to above section A for individual trustees or section B for a corporate trustee.**

Please provide an ABN of the superannuation fund. Smallco will obtain the required documentation.

#### D. Trust other than Self-managed superannuation fund

**Important: When applying as a trust you must also supply the relevant documents for the trustee/s. Please refer to above section A for individual trustees or section B for a corporate trustee.**

- ◆ Certified copy of the trust deed
- ◆ Certified copy of current Australian drivers licence or Australian passport of the beneficiaries
- ◆ Certified copy of current Australian drivers licence or Australian passport of the settlor of the trust if the material asset contribution to the trust by the settlor at the time of the trust is established is less than \$10,000

#### E. Partnership

**Please note: If applying as a partnership you must also supply the documentation required for an individual for ONE of the partners.**

Please provide either an original or certified copy of ONE of the following documents:

- ◆ a copy of the partnership agreement
- ◆ a notice issued by the Australian Taxation Office within the last 12 months (eg notice of assessment)  
AND
- ◆ if the partnership is regulated by a professional association: a copy of the current membership certificate
- ◆ if the partnership is NOT regulated by a professional association: the name and address of all partners.

**If you are unsure what type of investor you are, have a question about the documentation you are required to submit with your application form or have any other questions relating to your application and the AML/CTF requirements please contact your financial advisor or telephone Smallco on (02) 8256 1000 or 1300 888 583 (for the cost of a local call).**

# Smallco Investment Fund

ARSN 103 148 107

## Application Form

There is a PDS with information about investing in the Fund. It is advisable to read the PDS before applying. A person who gives another person access to the application form must at the same time and by the same means give the other person access to the PDS and any supplementary PDS. If you have obtained this PDS electronically, we will send a paper copy, any supplementary PDS and the application form, on request without charge.

Issued by Smallco Investment Manager Limited ABN 89 092 626 090

Australian Financial Services Licence No. 224 108

for the SmallCo Investment Fund - Product Disclosure Statement dated 1 September 2015

### 1. Additional Investments to Existing Accounts

If you do not already hold units in Smallco Investment Fund (SIF) go to Section 2.

Account name

SIF account number

Go to Section 8.

### 2. New Investor Details

#### Individual Investor/Trustee 1 *Please mark 'x' in one box*

Mr  Ms  Mrs  Miss  Other

Given Names\*

Surname\*

TFN/Exemption

Date of Birth\*

Residential Address (to match AML/CTF documentation)\*

Post Code

Are you a foreign investor:  
(as Defined in Section 26)

No

Yes^

#### Individual Investor/Trustee 2 *Please mark 'x' in one box*

Mr  Ms  Mrs  Miss  Other

Given Names\*

Surname\*

TFN/Exemption

Date of Birth\*

Residential Address (to match AML/CTF documentation)\*

Post Code

Are you a foreign investor:  
(as Defined in Section 26)

No

Yes^

#### Company/corporate trustee *If applicable (Trusts including SMSF need to include trustee details here or above)*

Company/corporate trustee name\*

Company type (eg listed, regulated, private/proprietary, foreign)\*

ABN/ACN\*

TFN/Exemption\*

Registered Address\*

Post Code

Are you a foreign investor (as Defined in Section 26)

No

Yes^

\* Required information for AML/CTF purposes

^ The offer of units in the Fund is not available to foreign investors (as defined in Section 26)

## 2. New Investor Details (continued)

**Trusts** *If applicable (Trusts including SMSF need to include trust details here and trustee details above)*

Trust name\*

Trust Type (eg SMSF, registered managed investment scheme, other)\*

ABN\*

TFN/Exemption\*

  

Registered Address\*

 Post Code 

Are you a foreign investor (as Defined in Section 26)

No

Yes^

\* Required information for AML/CTF purposes

^ The offer of units in the Fund is not available to foreign investors (as defined in Section 26)

## 3. Contact Details

Contact Person

Postal Address

 Post Code 

Phone (include area code)

Business

Home

Fax

Mobile number

Email

## 4. Additional Information Election

As well as the other information you receive from Smallco, the law states that Smallco must notify all investors when a copy of the Annual Financial Statements of Fund are available. We will do this each year and provide the direct website address where they are available. In addition you can elect to receive, free of charge, an electronic or hard copy. Please indicate below should you wish to do that.

Please mark 'x' if you wish to receive an electronic copy of the Annual Financial Statements via email. A soft copy of the accounts is available every year at [www.smallco.com.au](http://www.smallco.com.au).

Please mark 'x' if you wish to receive a hard copy of the Annual Financial Statements to your postal address. A soft copy of the accounts is available every year at [www.smallco.com.au](http://www.smallco.com.au). Please consider the environment before choosing to receive printed documents.

## 5. Income Distributions

How would you like to receive your income distributions? Please tick one of the following boxes:

Reinvested in additional units in the Fund

Credited to my bank, building society or credit union account

*please provide account details in Section 6*

**If you do not tick one of the boxes, your income distributions will be automatically reinvested in additional units in the Fund.**

## 6. Investor Nominated Bank Account Details

Investor nominated bank account name

Institution

Branch

BSB number

Bank account number

## 7. AML/CTF Documents (please provide any additional information here)

Please cross this box to indicate you have included the documentation required to be submitted with this application form under AML/CTF laws.

Please refer to section 28 of the PDS for required documentation or contact Smallco on (02) 8256 1000 or 1300 888 583 (cost of a local call)

## 8. Investment Details

Investment amount (minimum \$40,000 initial investment)

## Adviser Use Only

Adviser name

Adviser's Stamp

## Declaration and Statements

I/we request Smallco to issue the units applied for and authorise Smallco to register the applicant(s) as the holder(s) of the units and declare that the execution of this application form by me/us constitutes a representation by me/us that:

- ◆ this application was detached from a PDS for the Smallco Investment Fund dated 1 September 2015;
- ◆ the PDS and application form were provided to me/us at the same time;
- ◆ I/we read and understood that PDS;
- ◆ I/we understand that neither the repayment of capital nor the performance of the Smallco Investment Fund is guaranteed;
- ◆ I/we agree to be bound by the terms of the PDS and the Constitution of the Smallco Investment Fund, as amended from time to time, and understand that a copy of the Constitution is available to me/us for free if I/we wish;
- ◆ the details given in this application are correct;
- ◆ I am/we are over 18 years of age;
- ◆ I/we declare that I am/we are not commonly known by any other names different from those disclosed in this application form;
- ◆ I/we declare any documents or information whatsoever used for verification purposes in support of my/our application are complete and correct;
- ◆ I/we acknowledge that this application form, once signed by me/us, holds me/us to a number of representations and warranties, among other things, relating to matters which the Manager must seek confirmation of in order to comply with the provisions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth);
- ◆ I/we agree to give further information or personal details to Smallco if it reasonably believes that they are required to meet its obligations under Anti-Money Laundering, Counter-Terrorism or taxation legislation;
- ◆ I/we declare that the monies I/am we/are investing are not the proceeds of crime, money laundering or connected with the financing of terrorism;
- ◆ I/we agree that Smallco may in its absolute discretion determine not to issue units to me/us, may cancel any units which have been issued to me/us or may redeem any such units if it believes such action to be necessary or desirable in light of its obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth);
- ◆ I/we will not transfer the units to anyone who does not agree to these things;
- ◆ none of the units being applied for will breach or result in a breach of any exchange control, fiscal or other laws or regulations for the time being applicable;
- ◆ I/we agree to indemnify Smallco and any of its related bodies corporate against any loss, liability, damage, claim, cost or expense incurred as a result, directly or indirectly, of any of these declarations proving to be untrue or incorrect;
- ◆ the details of my/our investment can be provided to the Smallco Investment Fund by the means and in the format that they direct; and
- ◆ in the case of joint applications, the joint applicants agree that unless otherwise expressly indicated on this application form, the units will be held as joint tenants and either investor is able to operate the account and bind the other investor for future transactions, including additional deposits and withdrawals.

Signature of the applicant(s)

Name (Please Print)

Date

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**Smallco**  
Investment Manager

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