

Elstree Hybrid Fund (Managed Fund)

Product Disclosure Statement

Chi-X Code EHF1

ARSN 646 121 280

APIR EIMX100AU

Issue Date 19 March 2021

Investment Manager

Elstree Hybrid Management Pty
Limited (ACN 645 044 579)

Custodian

Mutual Trust Pty Ltd

Responsible Entity

Elstree Investment Management
Limited

(ABN 20 079 036 810)

(AFSL No. 225721)

Web: www.eiml.com.au

This Product Disclosure Statement (“PDS”) was issued on 19 March 2020. This PDS is for the offer of interests in the Elstree Hybrid Fund ARSN 646 121 280, APIR EIMX100AU (referred throughout this PDS as the “Fund”).

The PDS has been prepared and issued by Elstree Investment Management Limited (ABN 20 079 036 810, AFSL No. 225721) in its capacity as the responsible entity of the Fund (referred throughout this PDS as the “Responsible Entity”, “Elstree”, “us” or “we”). The investment manager is Elstree Hybrid Management Pty Limited (referred to throughout this PDS as the “Investment Manager”).

At the time of lodgement of this PDS with ASIC, Elstree has made an application to Chi-X for the quotation of Units in the Fund with the exchange ticker: EHF1. If the application is approved by Chi-X and the Units in the Fund are quoted on Chi-X, the Units will be able to be traded on Chi-X. No representation is made concerning the Fund’s quotation on Chi-X.

Elstree has authorised the use of this PDS as disclosure to investors and prospective investors who acquire units in the Fund on Chi-X, as well as investors and prospective investors of an investor directed portfolio service, master trust, wrap account or an investor directed portfolio service-like scheme (“IDPS”). This PDS is available for use by persons acquiring Units through an IDPS (“Indirect Investors”).

The operator of an IDPS is referred to in this PDS as the “IDPS Operator” and the disclosure document for an IDPS is referred to as the “IDPS Guide”. If you invest through an IDPS, your rights and liabilities will be governed by the terms and conditions of the IDPS Guide. Indirect Investors should carefully read the IDPS Guide before investing in the Fund. Indirect Investors should note that they are directing the IDPS Operator to arrange for their money to be invested in the Fund on their behalf. Indirect Investors do not become unit holders in the Fund or have the rights of unit holders. The IDPS Operator becomes the unit holder in the Fund and acquires these rights. The IDPS Operator can exercise or decline to exercise the rights on an Indirect Investor’s behalf according to the arrangement governing the IDPS. Indirect Investors should refer to their IDPS Guide for information relating to their rights and responsibilities as an Indirect Investor, including information on any fees and charges applicable to their investment. Information regarding how Indirect Investors can apply for Units in the Fund (including an application form where applicable) will also be contained in the IDPS Guide. Elstree accepts no responsibility for IDPS Operators or any failure by an IDPS Operator to provide Indirect Investors with a current version of this PDS or to withdraw the PDS from circulation if required by Elstree. Please ask your adviser if you have any questions about investing in the Fund (either directly or indirectly through an IDPS). In New Zealand, the IDPS operator needs to be licensed as a Discretionary Investment Management Service provider.

This PDS is prepared for your general information only. It is not intended to be a recommendation by Elstree, Investment Manager, any associate, employee, agent or officer of Elstree, Investment Manager or any other person to invest in the Fund. This PDS does not take into account the investment objectives, financial situation or needs of any particular investor. You should not base your decision to invest in the Fund solely on the information in this PDS. You should consider whether the information in this PDS is appropriate for you, having regard to your objectives, financial situation and needs and you may want to seek professional financial advice before making an investment decision.

Elstree, the Investment Manager and their employees, associates, agents or officers do not guarantee the success, repayment of capital or any rate of return on income or capital or the investment performance of the Fund. Past performance is no indication of future performance. An investment in the Fund does not represent a deposit with or a liability of Elstree, the Investment Manager or any of their associates. An investment is subject to investment risk, including possible delays in repayment and loss of income or capital invested. Units in the Fund are offered and issued by Elstree on the terms and conditions described in this PDS. You should read this PDS in its entirety because you will become bound by it if you become a direct investor in the Fund.

In considering whether to invest in the Fund, investors should consider the risk factors that could affect the financial performance of the Fund. Some of the risk factors affecting the Fund are summarised in Section 7.

The offer to which this PDS relates is only available to persons receiving this PDS in Australia and New Zealand (electronically or otherwise). All references to dollars or “\$” in this PDS are to Australian dollars. New Zealand

investors wishing to invest in the Fund should be aware that there may be different tax implications of investing in the Fund and should seek their own tax advice as necessary.

New Zealand WARNING STATEMENT

- (a) This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Cth) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
- (b) This offer and the content of the offer document (PDS) is principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Cth) and the regulations made under that Act set out how the offer must be made.
- (c) There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
- (d) The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
- (e) Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.
- (f) The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
- (g) If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.
- (h) The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.
- (i) If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.
- (j) The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

The distribution of this PDS (including electronic copy) in jurisdictions outside Australia may be restricted by law. Persons in such jurisdictions who come into possession of this PDS should seek professional advice on and observe any such restrictions. It is the responsibility of the persons receiving the PDS who are outside Australia to ensure compliance with the laws of that jurisdiction. Applications from outside Australia may not be accepted and are done so at Elstree' sole discretion and in compliance with applicable laws in the relevant jurisdictions. This PDS does not constitute an offer or solicitation to anyone in any jurisdiction where such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

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

If you received this PDS electronically, you will need to print and read this document in its entirety. We will provide a paper copy free upon request during the life of this PDS.

Certain information in this PDS is subject to change. We may update this information. You can obtain any updated information:

- by contacting Elstree on +613 8698 1389 or; or
- by visiting the Elstree on website at www.elstreehybridfund.com.au
- A paper copy of the updated information will be provided free of charge on request.

You may also contact Elstree:

- by writing to GPO Box Level 5, 30 Collins Street, Melbourne VIC 3000 ; or
- by calling +613 8698 1389

Unless otherwise stated, all fees quoted in the PDS are inclusive of GST, after allowing for an estimate for Reduced Input Tax Credits (“RITC”). All amounts are in Australian dollars unless otherwise specified. All references to legislation are to Australian law unless otherwise specified.

1. Fund at a glance

	Summary	For further information
Name of the Fund	Elstree Hybrid Fund	--
ARSN	646 121 280	--
APIR	EIMX100AU	--
Chi-X Code	EHF1	--
Responsible Entity	Elstree Investment Management Limited (ABN 20 079 036 110 AFSL 22 5721)	Section 2
Investment Manager	Elstree Hybrid Management Pty Limited (ACN 645 04 579)	Section 2
About the Fund	<p>The Fund is a registered managed investment scheme. Application has been made to Chi-X to admit units in the Fund to quotation on Chi-X. Once admitted to quotation on Chi-X, units in the Fund will be able to be traded on Chi-X like any quoted Security.</p> <p>The investment process combines top down fundamental qualitative and quantitative research with detailed individual security analysis. Security weightings typically range from 0% to 10% depending on risk weights applied. That results in a diversified portfolio with the number holdings in the range 15 – 35.</p> <p>The risk management process involves monitoring the risk of individual securities and by monitoring a range of portfolio risk measures. Cash holdings will vary according to security valuations and market risk. FX derivatives may be used to hedge currency risk if the Fund owns securities that are not denominated in AUD.</p>	Section 3, Section 6, Section 8
Investment objective	The Fund aims to deliver a return over the short term interest rates (over a 3 year period) by creating a diversified portfolio of hybrid securities and taking advantage of market inefficiencies.	Section 8
Asset allocation	<p>The portfolio allocation will generally be:</p> <ul style="list-style-type: none"> ▪ Exchange traded hybrid securities - Minimum of 1 securities, Maximum of 50 securities Minimum 1%, Maximum 90% ▪ Cash - Minimum 10%, Maximum 90% <p>The Investment Manager actively adjusts the investment mix within the ranges above. Remember the investment mix can change within the ranges and sometimes quickly. Ask your adviser or contact us for the latest investment mix and size of the Fund. Assets are held directly.</p>	Section 8
Net Asset Value	The Net Asset Value (“NAV”) of the Fund is calculated by deducting the liabilities (including	Section 3

Summary

For further information

any accrued fees) of the Fund from the aggregate value of assets. The NAV published on a particular Business Day reflects the value of the Fund on the previous day at the close of trading in each market in which the Fund invests.

The NAV per Unit is calculated by dividing the NAV by the number of Units on issue in the Fund.

An indicative NAV per Unit (“iNAV”) will be published by the Fund throughout the Chi-X Trading Day. The iNAV reflects the real time movements in stock markets and currencies during the Chi-X Trading Day and, for securities not trading during the Chi-X Trading Day, listed proxy instruments selected on the basis of correlations with the underlying investments. The proxies and their correlations with underlying instruments are reviewed regularly and updated as required.

Market liquidity

The offer for units in the Fund made in this PDS is only available to Authorised Participants.

Section 4

An Authorised Participant can apply for creation/redemption of units in the Fund in accordance with their AP Agreement by submitting a request to Elstree or the Fund’s Registrar.

Requests to apply for/redemption of units in the Fund can be submitted via an Application/Redemption Form.

Applications and redemptions consist only of a cash amount equal to the application or withdrawal amount as appropriate, adjusted by the applicable buy-sell spread for the transaction.

Once quoted (and subject to market conditions), investors may purchase/sell their units on the market. The price investors enter and exit the Fund will be the price at which they buy or sell the units on the market.

The purchase/sale of units on Chi-X is not governed by the terms of this PDS and therefore the minimum investment/redemption requirement does not apply to units purchased on Chi-X.

Investors can buy and sell units from/to other investors on Chi-X in the same way as other listed and quoted securities.

	Summary	For further information
Distributions	Distributions will generally be made quarterly but may be made more frequently at the discretion of Elstree.	Section 3
Fees and other costs	Please refer to Section 9 for a detailed explanation of fees and costs.	Section 9
Risks	All investments are subject to risk. The significant risks associated with the Fund are described in this PDS.	Section 4
Cooling off rights	Investors do not have cooling-off rights in respect of units in the Fund (regardless of whether they were purchased on Chi-X or applied for directly with Elstree).	Section 12
General information and updates	Further information, including any updates issued by Elstree and other statutory reports, can be found at www.elstreehybridfund.com.au .	Section 12
Transaction confirmations	Investors buying or selling Units on Chi-X will receive transaction confirmations from their stockbroker. Direct investors will receive transaction confirmations directly from the Administrator.	Section 13
Annual tax reporting	Annual tax statements will be made available in respect of the Fund.	Section 11

2. Who is Managing the Fund

Responsible Entity

Elstree Investment Management Limited

Elstree is the responsible entity of the Fund. Elstree holds an Australian Financial Services (AFS) license number 225721.

Established in 2002, Elstree is a boutique funds management business. Elstree specialises in the management of portfolios of listed debt Hybrid Securities and has been managing portfolios of these Securities since May 2003.

Investment Manager

Elstree Hybrid Management Pty Limited

Elstree Hybrid Management Pty Limited is a wholly-owned subsidiary and Corporate Authorised Representative of Elstree.

3. About Elstree Hybrid Fund and Units

Investors' application monies is pooled together with other investors' money. Elstree pools the application monies of all unitholders to buy investments and manage them on behalf of unitholders in accordance with the Fund's investment strategy. By investing in the Fund, unitholders have access to investments they may not be able to access on their own and benefit from the investment capabilities of Elstree investment team. The Fund serves as an efficient mechanism to invest on behalf of all unitholders

Units and NAV per Unit

The Issuer has applied to Chi-X for quotation of the Fund as a Chi-X exchange traded fund. Once the Fund has been admitted to quotation on Chi-X, the Units of the Fund will be trade on Chi-X like any quoted Security.

The Net Asset Value (NAV) estimates of the Fund at the close of trading on a previous day in each market in which the Fund invests. The NAV per unit will be published daily on Elstree's website at www.elstreehybridfund.com.au prior to the commencement of each trading on Chi-X. The NAV per unit may fluctuate each day as the market value of the Fund's assets rises or falls. Elstree's NAV Permitted Discretions Policy provides further information about how the NAV is calculated.

The RE has engaged an agent to calculate and disseminate an indicative NAV per unit (iNAV) which will be published on Elstree's website throughout the Chi-X Trading Day. The iNAV reflects the real time movements in stock markets and currencies during the Chi-X Trading Day and, for securities not trading during the Chi-X Trading Day, listed proxy instruments selected on the basis of correlations with the underlying investments. The proxies and their correlations with underlying instruments are reviewed regularly and updated as required. The Issuer or its appointed agents gives no guarantees that the iNAV will be published continuously or that it will be up to date or free from error. To the extent permitted by law, neither Elstree nor its appointed agent shall be liable to any person who relies on the iNAV. The price at which Units trade on Chi-X may not reflect with the NAV per Unit or the iNAV.

Investing through an IDPS

Elstree has authorised the use of this PDS as disclosure to investors or prospective clients of IDPSs, which provide investors with a menu of investment opportunities.

Investors who invest through an IDPS may rely on the information in this PDS to give a direction to the operator of the IDPS to invest in the Fund on their behalf. Elstree agrees to provide notice to the operators of the IDPSs promptly of any supplementary or replacement PDS that is issued under the Corporations Act.

Importantly, investors who invest in the Fund through an IDPS do not become unit holders of the Fund. In those instances the unit holder of the Fund is the operator of the IDPS. The unit holder's rights set out in this PDS may only be exercised by the operator of the IDPS on behalf of the investor for whom they have acquired the Units.

Investors should read this PDS in conjunction with the offer documents issued by the IDPS Operator. Investors complete the application form provided by the IDPS Operator and receive reports concerning the Fund from their IDPS Operator. Enquiries should be directed to the IDPS Operator.

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

Buying Units on Chi-X	
How do I make an investment in the Fund?	Once the Units are quoted on Chi-X, investors can invest in the Fund by purchasing Units via their trading platform or stockbroker. Investors do not need to complete an application form and they will settle the purchase of their Units in the same way they would settle purchases of quoted securities via the CHESS settlement service.

What is my entry price when I make an investment in the Fund?	There is no minimum number of Units investors can buy on Chi-X.
Selling on Chi-X	
How do I withdraw my investment?	Investors can withdraw from the Fund by selling Units on Chi-X via their stockbroker. Investors do not need to complete a withdrawal form and they will receive the proceeds from the sale of their Units in the same way they would receive proceeds from the sale of listed securities via the CHESS settlement service.
At what price can I sell my Units in the Fund?	An investor's exit price will be the price at which they have sold Units on Chi-X. Investors will incur customary brokerage fees and commissions when buying and selling the Units on Chi-X. Investors should consult their stockbroker for more information in relation to their fees and charges.
Is there a minimum number of Units I need to withdraw?	There is no minimum number of Units investors can sell on Chi-X.

Compulsory withdrawal

Elstree may redeem some or all of an investor's Units without asking them in accordance with the Constitution or as permitted by law. As an example, this may occur where an investor breaches their obligations to Elstree (for example, where Elstree believes that the Units are held in breach of prohibitions contained within the Constitution) or where Elstree believes that the Units are held in circumstances which might result in a violation of an applicable law or regulation.

Distributions

An investor's share of any distributable income is calculated in accordance with the Constitution and is generally based on the number of Units held by the investor at the end of the distribution period. The Fund usually distributes income quarterly. Distributions are calculated effective the last day of the distribution period and are normally paid to investors as soon as practicable after the distribution calculation date.

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

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

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

In some circumstances, the Constitution may allow for an investor's withdrawal proceeds to be taken to include a component of distributable income.

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

New Zealand investors

New Zealand investors can only have their distribution directly credited if an AUD Australian domiciled bank account is provided, otherwise it must be reinvested. If New Zealand investors elect to have their distribution paid in cash, they will need to nominate a bank account held in their own name with an Australian domiciled bank. Cash distributions will only be paid in Australian dollars to such an account. When the distribution is reinvested, New Zealand investors will be allotted Units in accordance with the terms and conditions set out above.

The distribution reinvestment plan described above is offered to New Zealand investors on the following basis:

- At the time the price of the Units allotted pursuant to the distribution reinvestment plan is set, Elstree will not have any information that is not publicly available that would, or would be likely to, have a material adverse effect on the realisable price of the Units if the information were publicly available.
- The right to acquire, or require Elstree to issue, Units will be offered to all investors of the same class, other than those resident outside New Zealand who are excluded so as to avoid breaching overseas laws.
- Units will be issued on the terms disclosed to you, and will be subject to the same rights as Units issued to all investors of the same class as you.

There is available from Elstree, on request and free of charge, a copy of the most recent Annual Report (if any) of the Fund, the most recent financial statements (if any) of the Fund, the auditor's report on those financial statements or, if those financial statements are not audited or reviewed by an auditor, a statement to that effect, the PDS and the Constitution for the Fund (including any amendments). Other than the Constitution, these documents may be obtained electronically from www.elstreehybridfund.com.au.

4. Managing Risk

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

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

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

Chi-X liquidity risk

The liquidity of trading in the Units on Chi-X may be limited. This may affect an investor's ability to buy or sell Units. Investors will not be able to purchase or sell Units on Chi-X during any period that Chi-X suspends trading of Units in the Fund.

Material Portfolio Information Risk

There is a risk that the bids and offers displayed and the price at which the Fund Units trade on Chi-X may be materially different from the Fund's quoted NAV and iNAV. The bids, offers and trading price are dependent upon a number of factors, including demand for the units in the Fund.

In particular, the market maker will rely upon the Material Portfolio Information which comprises a daily basket of securities selected to track the movements of the Fund as closely as possible in order to post bids and offers on market. There is a risk that the market value of this basket of securities may deviate from the market value of the Fund. For example, this deviation may arise due to circumstances in which it is difficult for the fair value of assets to be determined such as volatile market conditions or where assets are not regularly or easily traded or where the Fund holds securities that have been suspended or are not traded on a recognised exchange.

iNAV risk

The iNAV published by the Fund is indicative only and might not accurately reflect the underlying value of the Fund.

Conflicts of interest risk

Elstree, the Manager and third party service providers may, in the course of their business, have potential conflicts of interest which may not be managed effectively and may be detrimental to the Fund and its Investors. Elstree has an established Conflicts Management Policy to manage our obligations to the Fund and to ensure that any perceived or actual conflict is managed appropriately.

Individual investment risk

Investments to which the Fund is exposed, such as securities on a stock market, can (and do) fall in value for many reasons, such as changes in a company's internal operations or management, or in its business environment. The Investment Manager aims to reduce these risks with careful analysis from a large range of sources to identify changes in companies which may impact on the Fund's investments.

Market risk

Economic, technological, political or legal conditions, interest rates and even market sentiment, can (and do) change, and changes in the value of investment markets can affect the value of the investments in the Fund.

Investment manager risk

Investment managers can be wound up or liquidated, they can cease to manage the relevant fund and be replaced, their investment methodology can change, they can poorly manage operational risks and their funds can perform poorly. If any of these occurred, Elstree would do all things reasonably practicable to recover the value of the Fund's investments and seek a new investment manager or program, with a similar investment profile, if thought appropriate. If the investment program changed significantly, you will be given at least 30 days' notice before those changes come into effect. Further, only a small number of investment professionals are responsible for managing the Fund and their personal circumstances can change. We aim to reduce this risk by having additional resources available through Elstree.

Credit risk

The fund invests in securities which are generally subordinate to senior debt and which may have credit ratings that are below investment grade. This means they may have greater credit risk than other debt like securities which are senior in ranking or which have investment grade credit ratings.

Fund risk

Risks particular to the Fund include that it could terminate (for example, at a date we decide), the fees and expenses could change (although we would always give you at least 30 days' notice if fees were to increase), Elstree could be replaced as responsible entity and our management and staff could change. There is also a risk that investing in the Fund may give different results than investing individually because of income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other investors.

Derivative risk

The Fund may make use of exchange-traded derivatives, including, but not limited to, futures and options as part of its investment policy. Derivatives may be used to manage equity and foreign exchange risk. Derivatives are highly specialised instruments that require investment techniques and risk analysis different from those associated with equities securities. The use of a derivative requires an understanding not only of the underlying instrument, but also of the derivative itself. In particular, the use and complexity of derivatives requires the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative transaction adds to a portfolio. As such, there can be no guarantee or assurance that the use of derivatives will meet or assist in meeting the investment objectives of the Fund.

Derivatives can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses.

The Fund may be removed from quotation by Chi-X or terminated

Chi-X imposes certain requirements for the continued quotation of securities, such as the Units, on Chi-X under the Chi-X Operating Rules. Investors cannot be assured that the Fund will continue to meet the requirements necessary to maintain quotation on Chi-X. In addition, Chi-X may change the quotation requirements.

Elstree may elect, in accordance with the Constitution and Corporations Act, to terminate the Fund for any reason including if Units cease to be quoted on Chi-X. Information about the Chi-X Operating Rules applicable to quotation of Units in the Fund on Chi-X is set out in Section 3 of this PDS.

Market maker risk

Elstree has appointed a market maker to execute the Fund's market making obligations and provide liquidity to investors. There is a risk that the market maker could make an error in executing its market making activities. Additionally, the Fund may enter into transactions to acquire or to liquidate assets in anticipation of the market

maker fulfilling its settlement processing obligations in a correct and timely manner. If the market making agent does not fulfil its settlement processing obligations in a correct and timely manner, the Fund could suffer a loss.

Liquidity risk

There are circumstances under which access to your money may be delayed. Further, the level of overall market liquidity is an important factor that may contribute to the profitability of the Fund and access to your money. Illiquid markets can make it difficult to trade profitably and to realise assets in a timely fashion to meet withdrawal requests.

Regulatory risk

This is the risk that the value or tax treatment of either the Fund itself or investments of the Fund, or the effectiveness of a Fund's trading or investment strategy, may be adversely affected by changes in government (including taxation) policies, regulations and laws, or changes in generally accepted accounting policies or valuation methods.

Counterparty risk

Counterparty risk is the risk that the counterparty to a transaction or contract (such as a broker or other agent of Elstree) may default on their obligations and that the Fund may, as a result, experience an adverse investment outcome or liability.

Operational risk

There are operational risk in carrying on a funds management business that may require us, the Custodian, Unit Registry, Administrator, the market maker appointed by Elstree to provide liquidity to investors on Chi-X or other external service providers. Some of services provided by these parties relate specifically to the operation of the Fund. Any shortcomings in the services provided or in the capabilities of the people operating them could adversely impact the operation of the Fund and cause a decrease in the value of Units.

5. How we manage your money

5.1 Investment philosophy

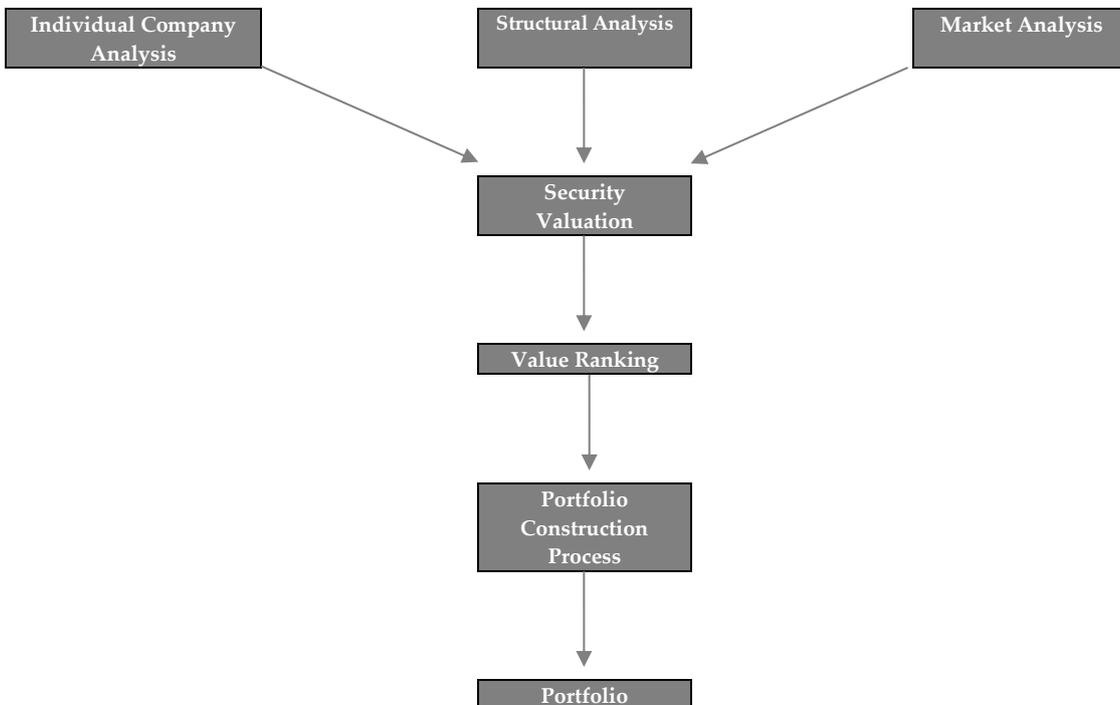
Our investment philosophy is based on the observation that the Australian listed debt equity hybrid market is inefficient. It is inefficient for the following reasons:

- The investor base is comprised largely of retail investors; and
- Security structures are complex and require a comprehensive understanding of the PDS pursuant to which the security is issued.

5.2 The investment process adopted by Elstree

We use a bottom up research process to analyse each Security. We undertake additional analysis which allows us to rank each Security on a risk adjusted basis from most preferred to least preferred. We then construct a diversified portfolio containing our most preferred Securities.

The Fund's Security selection process is detailed in the chart below.



5.3 Company Analysis, Structure Analysis and Market Analysis

We analyse both the issuing company and the structure of each Security. In particular we focus on quantifying the credit risks and understanding any terms in the structure that may change the expected maturity date or maturity value. This step involves analysis of financial statements and offer documents and may also involve company visits. We also consider demand and supply factors that are most likely to influence prices at both the individual Security level and the market in general

5.4 Security Valuation and Ranking

Following analysis of the company and the structure, we derive a yield to expected maturity for each Security. We then rank each Security from most preferred to least preferred.

5.5 Portfolio Construction

Portfolios are constructed based on the research process which identifies a range of Securities that are trading below what we believe to be their fair value.

The weighting of each Security in the portfolio is dependent on its credit quality and term, its relative value and its liquidity. We have constraints in place to ensure that the portfolio demonstrates an acceptable risk/return profile.

5.6 Risk Management

We construct portfolios which aim to deliver risk and return outcomes within certain parameters. These parameters may change from time to time and include a number of rules which limit the amount and type of risk the portfolio can undertake. These parameters are designed to ensure (as soon as practicable having regard to all the circumstances) that Securities are sold when they exceed specific risk limits or are replaced with other Securities where those Securities demonstrate a more attractive risk and return profile. Specific rules include:

- Each individual Security holding will not exceed 10% of the Fund size;
- The Fund will not hold Securities with material exposure to the equity value. This is defined as when the underlying equity price exceeds the strike price of any option embedded in the Security. The Security shall be sold within 3 months of this occurrence.

Variations from these parameters may occur. If you would like additional information, contact us on 03 8689 1348 or speak to your Licensed Financial Adviser.

5.7 Distributions

The Fund aims to pay a cash distribution on a quarterly basis.

5.8 Investing in overseas listed securities

The Fund may invest up to 25% of the Fund's Net Asset Value in selected overseas markets where Securities are actively traded. This broadens the Fund's investible universe providing an additional diversification benefit. .

5.9 Foreign exchange exposure

All foreign currency exposure will be fully hedged back to Australian Dollars (AUD). Hedging foreign exchange exposure back to Australian Dollars eliminates the risk typically associated with unfavourable movements in foreign currencies. Hedging does not however eliminate the risks typically associated with investing in the underlying asset.

5.10 Short Selling

The Fund may, at times, short sell Securities. The Fund will only short sell securities as a hedging strategy to offset risks that exist in the portfolio.

5.11 Changes to the investment strategy

We will notify you of any material changes to the investment philosophy and/or investment process at least one month prior to the new strategy being implemented.

6. Applications and Withdrawals on Chi-X

Applications via Chi-X

Once the Units are quoted on Chi-X, Investors can invest in the Fund by buying units through a broker who will settle the buy order on the CHESS settlement service. Application Forms are not required to be completed and there is no minimum investment amount. The price applied to the investors buy order will be the market price at the time of purchase as reflected by the price at which they have bought units on Chi-X.

Withdrawing via Chi-X

Once the Units are quoted on Chi-X, Investors can withdraw from the Fund by selling Units through a broker who will settle the sell order on the CHESS settlement service. Withdrawal Forms are not required to be completed and there is no minimum withdrawal amount. The exit price applied to the investors sell order will be the market price as reflected by the price at which they have sold units on Chi-X. You are only able to withdraw whole units and any residual units will be cancelled and become the assets of the Fund.

Chi-X liquidity

Once the Units are quoted on Chi-X, Units are transacted (bought and sold) on the secondary market, in the same manner as securities quoted on an exchange.

Market Maker

Elstree has obligations in to facilitate an orderly and liquid market in the Fund. Elstree has appointed a market maker to maintain continuous liquidity to the market by acting as a buyer and seller to the secondary market.

A market maker will create and redeem units as required to hold an inventory of units enabling it to provide buy and sell prices to the secondary market, while also potentially hedging their underlying positions.

The market maker uses information such as the Material Portfolio Information (see Section 12 Other Important Information), NAV and the iNAV to determine the price of Fund units and places a bid/ask spread around this value before sending these prices to Chi-X as bid and ask orders.

Elstree has appointed a market maker that:

- has experience in making markets in exchange quoted products and other types of listed securities in both Australia and overseas;
- is a Chi-X participant and has an agreement with Chi-X to act as a market maker; and
- has the necessary skill and expertise to perform a market making function.

Under the market making arrangements, the market maker will generally retain for its own account any trading profit or bear any loss generated by its market making activities.

Elstree may replace a market maker appointed in respect of the Fund or appoint additional market makers. .

7. Applications and Withdrawals by Authorised Participants

Requests for the creation or redemption of units in the Fund may only be submitted by Authorised Participants.

Investors who are not Authorised Participants cannot apply for or redeem units in the Fund (other than in exceptional circumstances) directly with Elstree through this PDS but may buy or sell units in the Fund on Chi-X through their stockbroker or adviser.

7.1 Authorised Participants

(a) Authorised Participant Agreement (AP Agreement)

Authorised Participants are required to provide Elstree with a signed AP Agreement prior to transacting with Elstree and are required to comply with any additional requirements set out in the AP Agreement.

(b) Operating Procedures

Prior to transacting, Elstree will provide Authorised Participants with a manual that outlines the Operating Procedures.

Authorised Participants should read the Operating Procedures before transacting. The Operating Procedures include the following important information. Please note the information below only relates to Authorised Participants:

- the cut-off time for requests to create or redeem units in the Fund,
- Chi-X Trading Days the Fund is open for unit creation and redemption requests,
- settlement timeframes for requests to create and redeem units in the Fund,
- minimum unit redemption sizes (note that buy-sell spreads may apply when Authorised Participants redeem units in the Fund), and
- details on how additional requests to create or redeem units in the Fund can be made.

The Operating Procedures may be updated at any time and Elstree will provide notification and a copy of the Operating Procedures to all Authorised Participants. Authorised Participants can also request a copy of the most recent Operating Procedures by contacting the Elstree on info@eiml.com.au (between 9:00am to 5:00pm Sydney time).

(c) Applying and redeeming

An Authorised Participant can make a request to apply for and/or redeem multiples of a creation unit in the Fund in accordance with their AP Agreement by submitting a request to Elstree or the Fund's Registrar. Requests to apply/redeem units in the Fund can be submitted via an Application/Redemption Form.

Applications or redemptions consist only of a cash amount equal to the application or withdrawal amount as appropriate, adjusted by the applicable buy spread for the transaction.

Only whole units in the Fund will be issued. The Authorised Participant must transfer to the Fund the corresponding cash amount for the whole number of units, in return for which we will issue the Authorised Participant with that number of units. The exchange of units for cash consideration will be settled through CHESS.

Units issued pursuant to the above processes will be quoted under the Chi-X Operating Rules with effect from the settlement of the issue of the relevant units. On a monthly basis we will announce via the Chi-X Market Announcements Platform the Fund's total units on issue.

An Authorised Participant may only apply to redeem units in cash. Only whole units in the Fund will be redeemed. Accordingly, redemption amounts will be rounded down to the next whole unit. The Authorised Participant must transfer units being redeemed to us for cancellation in return for a corresponding cash amount from the Fund.

A sell spread may be payable by Authorised Participants for unit redemptions. Refer to 'Additional explanation of fees and costs' for more information on sell spreads.

Elstree may refuse any application or redemption request as permitted by the Constitution or if the request is not in accordance with the terms of the AP Agreement. If this occurs, Elstree will notify the Authorised Participant.

7.2 Restrictions on withdrawals

Under the Constitution, redemption proceeds must be paid within 21 days after the redemption request is received. Elstree will, however, endeavour to pay redemption requests as soon as possible. Normally, redemption proceeds will be paid within 2 Business Days following receipt of an Authorised Participant's request.

In exceptional circumstances, redemptions may take longer than the periods described above. There may be occasions where Elstree may suspend redemption requests. This may occur where it is impractical to calculate the unit prices (e.g. because of closure of or trading restrictions on the underlying securities), where a delay is in the best interests of the investors as a whole or as otherwise permitted by the Constitution and the law.

Under the Corporations Act, a fund is illiquid if it has less than 80% liquid assets (generally cash and marketable securities). If the Fund is not liquid, Authorised Participants may only redeem from the Fund in accordance with the terms of a redemption offer made by Elstree.

8. The investment objective and strategy

The Fund is generally suited for persons seeking exposure to hybrid and interest rate securities.

Investment objective	The Fund aims to deliver a return over the short term interest rates (over a 3 year period) by creating a diversified portfolio of hybrid securities and taking advantage of market inefficiencies.
Minimum suggested time frame for holding investment	The minimum suggested investment time frame for the Fund is 3 years.
Asset classes and asset allocation ranges	<p>The portfolio allocation will generally be:</p> <ul style="list-style-type: none">▪ Australian Hybrid and Interest Rate Securities (10%-99%)▪ Cash (1%-90%)▪ The Fund may make use of derivatives, including, but not limited to, futures and options as part of its investment policy. Derivatives will only be used to hedge existing risks of the Fund. <p>The Investment Manager actively adjusts the investment mix within the ranges above. Remember the investment mix can change within the ranges and sometimes quickly. Ask your adviser or contact us for the latest investment mix and size of the Fund. Assets are held directly.</p>
Risk level of the Fund	Medium
Fund performance	Up to date information on the performance of the Fund can be obtained from www.elstreehybridfund.com.au . A free of charge paper copy of the information will also be available on request.

Benchmark

For the purposes of reporting the Fund will be benchmarked against the Solactive Australian Hybrid Securities Index

Investment style and approach

The Fund will be actively managed with the Investment Manager seeking to construct portfolios which deliver consistent income levels and take advantage of the opportunities which exist in the market

Changing the investment strategy

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

Labour, environmental, social and ethical considerations

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

9. Fees and other costs

The warning statement below is required by law to be displayed at the beginning of the 'Fees and other costs' section of product disclosure statements for managed investment products. The example given in the warning statement does not relate to any investments described within this PDS.

DID YOU KNOW?

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

For example, total annual fees and costs of 2% of your 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.

Fees and other costs table

You should read all the information about fees and costs because it is important to understand their impact on your investment.

The following table 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 assets of the Fund as a whole. Information about taxation is set out in Section 11 of this document.

TYPE OF FEE OR COST	Amount
Fees when your money moves in or out of the Fund	
Establishment fee	Nil
Contribution fee	Nil
Withdrawal fee	Nil
Termination fee	Nil
Management costs	
The fees and costs for managing your investment ¹	Management fees: 0.62% p.a. when the of the NAV of the Fund ² is less than \$100m 0.57% p.a. when the NAV of the Fund is greater than \$100m Fund Expenses recovery : capped at 0.21% of NAV of the Fund

¹ All fees quoted above are inclusive of Goods and Services Tax (GST) and net of any Reduced Input Tax Credits (RITC). See below for more details as to how management costs are calculated

² Management fees can be negotiated. See "Differential fees" below.

Additional Explanation of fees and costs

What do the management costs pay for?

Management costs comprise the additional fees or costs that an investor incurs by investing in the Fund rather than by investing directly in the underlying assets of the Fund. Management costs include management fees

In addition, management costs do not include transactional and operational costs (i.e. costs associated with investing the underlying assets, some of which may be met by Buy/Sell Spreads).

Management fees

The management fees of 0.62% when the NAV of the Fund is less than \$100m and 0.57% when the NAV of the Fund is greater than \$100m are payable to Elstree by the Fund for managing the assets and overseeing the operations of the Fund. The management fees are accrued daily and paid from the Fund monthly in arrears and reflected in the unit price.

Fund Expenses recovery

Expenses incurred in the operation of the Fund, such as custodian fees (excluding transaction-based fees such as trading or settlement costs incurred by the custodian), administration and audit fees, and other ordinary expenses of operating the Fund are capped at 0.21% of the NAV of the Fund.

The management fees shown above do not include extraordinary expenses (if they are incurred in future), such as litigation costs and the costs of convening investor meetings.

Market making cost

Elstree has appointed a market participant as the Fund's market maker to provide liquidity in the units on Chi-X and to facilitate settlement.

The market maker will earn a transaction-based fee from these activities. The transaction-based fee is paid by transacting investors in the form of the bid/offer spread and a per annum flat fee.

Where a flat fee is payable, these costs are recovered from the Fund and are disclosed as a management cost of the Fund. At the date of this PDS, Elstree cannot provide an estimate of the future market maker costs which may be recovered from the Fund.

Buy/sell spreads

When Authorised Participants transact with the Fund, the Fund incurs transactional and operational costs such as brokerage, buy/sell spreads in underlying securities, government taxes, duties and levies incurred when acquiring or disposing of part or all of the Fund's underlying investments. These transactional and operational costs are recovered in the form of a buy/sell spread and will be reflected in the price at which units are issued or redeemed. The buy/sell spread aims to ensure that only investors transacting at a particular time in the Fund's units bear the costs of acquiring and disposing of the Fund's assets as a consequence of the transaction.

Elstree may vary the buy/sell spread from time to time without notice to ensure that non-transacting investors are not adversely impacted by the application and redemption activities of other investors. For example, in stressed and dislocated market conditions, the buy/sell spread may increase significantly. To obtain an indication of the current buy/sell spreads that may apply to units to be traded in the Fund, see www.elstreehybridfund.com.au.

The buy/sell spread is additional to the costs incurred as detailed in the 'Fees and other costs' table in this PDS. No part of the buy/sell spread is paid to Elstree, instead the amount is retained in the assets of the Fund to protect ongoing investors from the transaction activity driven by applications and withdrawals.

Transactional and operational costs such as bank charges, trade repository charges, custody transaction and processing costs (for example, fees for filing tax reclaims) that cannot be reasonably incorporated into the buy/sell spread will be paid out of the assets of the Fund.

Stockbroker fees for investors

Investors will incur customary brokerage fees and commissions when buying and selling the Units on Chi-X. Investors should consult their stockbroker for more information in relation to their fees and charges.

Can the fees change?

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

Differential fees

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

Payments to IDPS Operators

The Fund is offered on the investment menus of some IDPS Operators. This access is paid for by the Investment Manager out of its management fees and is not an additional cost to the investor. If in future the payment of fees to IDPS Operators is limited or prohibited by law, Elstree will ensure the payment of such fees is reduced or ceased.

Example of annual fees and costs for the Fund

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

EXAMPLE – Elstree Hybrid Fund		
BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR		
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
Plus	0.83% p.a.	And, for every \$50,000 you have in the Fund you will be charged \$415 each year comprising:
Management costs		
Comprising:		
Management fees:	0.62% p.a	\$310
Fund Expenses recovery	0.21%	\$105
Equals		
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: \$415*
		What it costs you will depend on the fees you negotiate.

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.

* Additional fees may apply. Please note that this example does not capture all the fees and costs that may apply to you such as the Buy/Sell Spread.

Warning: If you have consulted a financial adviser, you may pay additional fees. You should refer to the Statement of Advice or Financial Services Guide provided by your financial adviser in which details of the fees are set out.

ASIC provides a fee calculator on www.moneySMART.gov.au, which you may use to calculate the effects of fees and costs on account balances.

10. About Chi-X Operating Rules and CHESS

AQUA Rules framework

An application has been made for the quotation of the Fund to trading status on Chi-X and upon approval will be quoted under the Chi-X Operating Rules framework. The Chi-X Operating Rules are accessible at www.chi-x.com.au.

The key distinction between listed equities quoted on Chi-X pursuant to the ASX Listing Rules and those quoted on Chi-X under the Chi-X Operating Rules is the level of control and influence that the issuer of the relevant product has over the value of the underlying assets of the product.

Typically, listed equity securities reflect the value of the business operated by the issuer. By contrast, the value of a fund product quoted under the Chi-X Operating Rules typically reflects the performance of the underlying assets of the fund.

In this way, the Chi-X Operating Rules perform the same function as the ASX AQUA Rules.

The following table highlights the key specific differences between the Chi-X Operating Rules and the typical main board Listing Rules..

Requirement	Listing Rules	Chi-X Operating Rules
Continuous disclosure	Issuers are subject to continuous disclosure requirements under typical main board listing rules and section 674 of the Corporations Act.	<p>Issuers of products quoted under the Chi-X Operating Rules are not subject to continuous disclosure requirements under any listing rules or under section 674 of the Corporations Act.</p> <p>The Responsible Entity will comply with the disclosure requirements in section 675 of the Corporations Act. This means that we will disclose to ASIC information which is not generally available and that a reasonable person would expect, if the information were generally available, to have a material effect on the price or value of the units, provided that such information has not already been included in this PDS (as supplemented or amended).</p> <p>Elstree will publish such information on the Chi-X announcements platform and the website at the same time as it is disclosed to ASIC.</p> <p>Elstree is required to disclose information about the NAV of the Fund daily. The NAV of each Fund will be calculated in accordance with Elstree's Unit</p>

Requirement	Listing Rules	Chi-X Operating Rules
		<p>Pricing Policy. Elstree must also disclose information about:</p> <ul style="list-style-type: none"> • net monthly applications and redemptions; • distributions and other disbursements; • any other information which is required to be disclosed to ASIC under section 675 of the Corporations Act; and • any other information that would be required to be disclosed under the Corporations Act. <p>In addition, under the Chi-X Operating Rules the Elstree must immediately notify Chi-X of any information the non-disclosure of which may lead to the establishment of a false market in the Units or which would be likely to materially affect the price of the Units.</p>
Periodic disclosure	<p>Issuers are required to disclose half-yearly and annual financial information and reports to the exchange announcements platform.</p>	<p>Issuers of products quoted under the Chi-X Rules are not required to disclose half-yearly or annual financial information or reports to the Chi-X announcements platform.</p> <p>Elstree is however, required to lodge financial information and reports in respect of the Fund with ASIC under Chapter 2M of the Corporations Act and lodge with the Chi-X announcements platform.</p>
Corporate governance	<p>Listed companies and listed managed investment schemes are subject to notification requirements under the Corporations Act and the exchange listing rules relating to takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings.</p>	<p>Although the Units are quoted under the Chi-X Rules, neither the Fund nor Elstree itself is listed and they are therefore not subject to certain corporate governance requirements.</p> <p>Elstree will still be required to comply with the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act and section 601FM of the</p>

Requirement	Listing Rules	Chi-X Operating Rules
		Corporations Act including that Elstree may be removed by an extraordinary resolution of members on which Elstree would not be entitled to vote.
Related Party transactions	Exchange listing rules typically regulate transactions between an entity and a person in a position to influence the entity and sets out controls over related party transactions.	No listing rules apply to Chi-X Operating Rules quoted products. Elstree will still be required to comply with the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act.
Auditor rotation obligations	Division 5 of Part 2M.4 of the Corporations Act imposes specific rotation obligations on auditors of listed companies and listed managed investment schemes.	Issuers of products quoted under the Chi-X Operating Rules are not subject to the auditor rotation requirements in Division 5 of Part 2M.4 of the Corporations Act. An auditor will be appointed by Elstree to audit the financial statements and Compliance Plan of the Fund.
Net Asset Value	Typically main board listing rules do not address disclosure of net asset value as a separate matter, rather disclosure of matters that are relevant to the value of main board quoted securities is typically required on a continuous disclosure basis	A Chi-X quoted managed fund that is an actively managed fund, must immediately disclose its net asset value whenever the product issuer's management activities have caused the net asset value of the fund to move by more than 10% since the last net asset value.

Spread Requirements

Typically there are requirements under home exchange listing rules that main board issuers satisfy certain minimum spread requirements (i.e. a minimum number of holders each having a minimum parcel size). Equivalent requirements do not apply to issuers of fund products quoted under Chi-X Operating Rules. Unless and until a suitable spread of holders is achieved, a fund product issuer must ensure a reasonable bid and volume is maintained for the fund on Chi-X except in permitted circumstances or have in place other arrangements which meet Chi-X's requirements for providing liquidity, generally through the appointment of a market maker.

About CHESS

Elstree participates in the Clearing House Electronic Sub-register System ("CHESS"). CHESS is a fast and economical clearing and settlement facility which also provides an electronic sub-register service. The Unit Registry has established and will maintain an electronic sub-register with CHESS on behalf of Elstree.

Elstree will not issue investors with certificates in respect of their Units. Instead, when investors purchase Units on Chi-X they will receive a holding statement from the Unit Registry which will set out the number of Units they hold. The holding statement will specify the "Holder Identification Number" or "Shareholder Reference Number" allocated by CHESS.

Subject to Chi-X Operating Rules, Elstree may decline to register a purchaser of a Unit or Units.

11. Taxation

Taxation

The following information summarises some of the Australian taxation issues you may wish to consider before making an investment in the Fund and assumes that you hold your investment in the Fund on capital account and are not considered to be carrying on a business of investing, trading in investments or investing for the purpose of profit making by sale. The information should be used as a guide only and does not constitute professional tax advice as individual circumstances may differ.

A number of tax reform measures are currently under review by the Australian Government. These reforms may impact on the tax position of the Fund and its investors. Accordingly, it is recommended that investors seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Fund.

General

The Fund is an Australian resident trust for Australian tax purposes. Therefore, the Fund is required to determine its net income (taxable income) for the year of income. On the basis that investors are presently entitled (which is the intention of Elstree) to the net income of the Fund (including net taxable capital gains) or will be attributed their share of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) of the Fund and the Fund is not a public trading trust, the Fund should be treated as a flow-through trust for tax purposes. This means that investors should be taxed on their share of the Fund's net taxable income or the amount attributed to them, and the Fund should not be subject to Australian income tax.

In the case where the Fund makes a loss for Australian tax purposes, the Fund cannot distribute the tax loss to investors. However, the tax loss may be carried forward by the Fund for offset against taxable income of the Fund in subsequent years, subject to the operation of the trust loss rules.

Attribution Managed Investment Trust (“AMIT”) – core rules

The Fund may qualify as an eligible Attribution Managed Investment Trust (AMIT), and if so, intends to elect into the AMIT regime. The AMIT legislation applies an attribution model whereby Elstree as responsible entity of the Fund attributes amounts of trust components of a particular character to investors on a fair and reasonable basis consistent with the operation of the Fund's Constitution, which includes provisions in relation to AMIT. Under the AMIT rules, the following will apply:

Fair and reasonable attribution: Each year, the Fund's determined trust components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) will be allocated to investors on a “fair and reasonable” attribution basis, rather than being allocated proportionally based on each investor's present entitlement to the income of the Fund.

Unders or overs adjustments: Where the Fund's determined trust components for a year are revised in a subsequent year (e.g. due to actual amounts differing to the estimates of income, gains / losses or expenses), then unders and overs may arise. Unders and overs will generally be carried forward and adjusted in the year of discovery.

Cost base adjustments: Where the distribution made is less than (or more than) certain components attributed to investors, then the cost base of an investor's units may be increased (or decreased). Details of cost base adjustments will be included on an investor's annual tax statement, referred to as an AMIT Member Annual Statement (“AMMA”).

Large withdrawals: In certain circumstances, gains may be attributed to a specific investor, for example, gains on disposal of assets to fund a large withdrawal being attributed to the redeeming investor.

Penalties: In certain circumstances (e.g. failure to comply with certain AMIT rules), specific penalties may be imposed.

The rules are intended to reduce complexity, increase certainty and reduce compliance costs for managed investment trusts and their investors. Where the Fund does not elect into the AMIT regime, or has made the election but the election is not effective for the income year (e.g. the Fund does not satisfy the requirements to be

a managed investment trust for the income year), the Tax Law applicable to non-AMITs should be relevant. In particular, the Fund should not generally pay tax on behalf of its investors and instead, investors should be assessed for tax on any income and capital gains generated by the Fund to which they become presently entitled.

Deemed Capital Gains Tax (“CGT”) Election

Eligible managed investment trusts (“MITs”) may make an election to apply a deemed capital account treatment for gains and losses on disposal of certain eligible investments (including equities and units in other trusts but excluding derivatives, debt securities and foreign exchange contracts). Where the election is made the Fund should hold its eligible investments on capital account and gains/(losses) from the disposal of eligible investments should be treated as capital gains/(losses). Capital gains arising on the disposal of eligible investments held for 12 months or greater may be eligible to be treated as discount capital gains.

Where the CGT election is not made, the Fund should hold its eligible investments on revenue account and gains/(losses) from the disposal of eligible investments should be treated as revenue gains or losses.

Controlled Foreign Company (“CFC”) Provisions

There are certain tax rules (i.e. the CFC provisions) which may result in assessable income arising in the Fund in relation to investments in foreign equities, where certain control thresholds are met. If such interests were to be held at the end of the income year, the taxable income of the Fund may include a share of net income and gains (i.e. CFC attributable income) from such investments.

Taxation of Financial Arrangements (“TOFA”)

The TOFA rules may apply to certain “financial arrangements” held by the Fund. In broad terms, the TOFA regime seeks to recognise “sufficiently certain” returns on certain financial arrangements on an accruals basis for tax purposes rather than on a realisation basis. Where returns from derivative instruments are not “sufficiently certain” they will continue to be recognised on a realisation basis, unless specific tax timing elections are made.

Taxation Reform

The tax information included in this PDS is based on the taxation legislation and administrative practice as at the issue date of this PDS, together with proposed changes to the taxation legislation as announced by the Government. However, the Australian tax system is in a continuing state of reform, and based on the Government’s reform agenda, it is likely to escalate rather than diminish. Any reform of a tax system creates uncertainty as to the full extent of announced reforms, or uncertainty as to the meaning of new law that is enacted pending interpretation through the judicial process. These reforms may impact on the tax position of the Fund and its investors. Accordingly, it will be necessary to closely monitor the progress of these reforms, and investors should seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Fund.

Tax File Number (“TFN”) and Australian Business Number (“ABN”)

It is not compulsory for an investor to quote their TFN or ABN. If an investor is making this investment in the course of a business or enterprise, the investor may quote an ABN instead of a TFN. Failure by an investor to quote an ABN or TFN or claim an exemption may cause Elstree to withhold tax at the top marginal rate, plus the Medicare Levy, on gross payments including distributions or attribution of income to the investor. The investor may be able to claim a credit in their tax return for any TFN or ABN tax withheld. Collection of TFNs is permitted under taxation and privacy legislation.

By quoting their TFN or ABN, the investor authorises Elstree to apply it in respect of all the investor’s investments with Elstree. If the investor does not want to quote their TFN or ABN for some investments, Elstree should be advised.

GST

The Fund is registered for GST. The issue or withdrawal of units in the Fund and receipt of distributions are not subject to GST.

The Fund may be required to pay GST included in management and other fees, charges, costs and expenses incurred by the Fund. However, to the extent permissible, Elstree will claim on behalf of the Fund a proportion of this GST as a reduced input tax credit. Unless otherwise stated, fees and charges quoted in this PDS are inclusive of GST and take into account any available reduced input tax credits. The Fund may be entitled to as yet undetermined additional input tax credits on the fees, charges or costs incurred. If Elstree is unable to claim input tax credits on behalf of the Fund, Elstree retains the ability to recover the entire GST component of all fees and charges.

The impact of GST payments and credits will be reflected in the unit price of the Fund. Investors should seek professional advice with respect to the GST consequences arising from their unit holding.

Australian Taxation of Australian Resident Investors

Distributions

For each year of income, each Australian resident investor will be required to include within their own tax calculations and tax return filings the assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) of the Fund attributed to them by Elstree as responsible entity of the Fund.

The tax consequences for investors in the Fund depends on the tax components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) of the Fund attributed to them.

Investors will receive an Annual Tax Statement (or an “AMMA” for an AMIT) detailing all relevant taxation information concerning attributed amounts and cash distributions, including any Foreign Income Tax Offset (“FITO”) and franking credit entitlements, returns of capital, assessable income, and any upwards or downwards cost base adjustment in the capital gains tax cost base of their units in the Fund (in the case of an AMIT).

An investor may receive their share of attributed tax components of the Fund or net income in respect of distributions made during the year or where they have made a large withdrawal from the Fund, in which case their withdrawal proceeds may include their share of net income or attributed tax components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits). In addition, because Australian investors can move into and out of the Fund at different points in time, there is the risk that taxation liabilities in respect of gains that have benefited past investors may have to be met by subsequent investors.

Foreign Income

The Fund may derive foreign source income that is subject to tax overseas, for example withholding tax. Australian resident investors should include their share of both the foreign income and the amount of the foreign tax withheld in their assessable income. In such circumstances, investors may be entitled to a FITO for the foreign tax paid, against the Australian tax payable on the foreign source income. To the extent the investors do not have sufficient overall foreign source income to utilise all of the FITOs relevant to a particular year of income, the excess FITOs cannot be carried forward to a future income year.

Disposal of Units by Australian Resident Investors

If an Australian resident investor transfers or redeems their units in the Fund, this may constitute a disposal for tax purposes depending on their specific circumstances.

Where an investor holds their units in the Fund on capital account, a capital gain or loss may arise on disposal and each investor should calculate their capital gain or loss according to their own particular facts and circumstances. As noted above, proceeds on disposal may include a component of distributable income. In calculating the taxable amount of a capital gain, a discount of 50% for individuals and trusts or 33 & 1/3% for complying Australian superannuation funds may be allowed where the units in the Fund have been held for 12 months or more. No CGT discount is available to corporate investors.

Any capital losses arising from the disposal of the investment may be used to offset other capital gains the investor may have derived. Net capital losses may be carried forward for offset against capital gains of subsequent years but may not be offset against ordinary income.

The discount capital gains concession may be denied in certain circumstances where an investor (together with associates) holds 10% or more of the issued units of the Fund, the Fund has less than 300 beneficiaries and other

requirements are met. Investors who together with associates are likely to hold more than 10% of the units in the Fund should seek advice on this issue.

Australian Taxation of Non-Resident Investors

Tax on Income

The Fund expects to derive income which may be subject to Australian withholding tax when attributed by Elstree as responsible entity of the Fund to non-resident investors.

Australian withholding tax may be withheld from distributions of Australian source income and gains attributed to a non-resident investor. The various components of the net income of the Fund which may be regarded as having an Australian source include Australian sourced interest, Australian sourced other gains, Australian sourced dividends, and CGT taxable Australian property.

We recommend that non-resident investors seek independent tax advice before investing, taking into account their particular circumstances and the provisions of any relevant Double Taxation Agreement/ Exchange of Information Agreement (“EOI”) between Australia and their country of residence.

Disposal of Units by Non-Resident Investors

Based on the Fund’s investment profile, generally non-resident investors holding their units on capital account should not be subject to Australian capital gains tax on the disposal of units in the Fund unless the units were capital assets held by the investor in carrying on a business through a permanent establishment in Australia. Australian tax may apply in certain circumstances if the non-resident holds their units on revenue account. CGT may also apply in some cases where the Fund has a direct or indirect interest in Australian real property. We recommend that non-resident investors seek independent tax advice in relation to the tax consequences of the disposal of their units.

12. Other important information

Cooling off period

Investors do not have cooling-off rights in respect of Units in the Fund.

ASIC relief

Class Order Relief - Ongoing Disclosure

ASIC has granted Class Order relief (CO 13/721) under section 1020F(1)(a) of the Corporations Act from the ongoing disclosure requirements in section 1017B on the condition that Elstree complies with the continuous disclosure requirements in section 675 of the Corporations Act as if the Fund was an unlisted disclosing entity. Elstree will comply with these continuous disclosure requirements of the Corporations Act as if the Fund was an unlisted disclosing entity.

Class Order Relief - Periodic Statements

ASIC has granted relief under Class Order 13/1200 which exempts Elstree from certain periodic statement requirements. In particular, we are not required to include purchase or sale price information or return on investment information where we are unable to determine such information provided we explain why this information is not included and how it can be obtained or calculated. In addition, Class Order 13/1200 requires us to report in the periodic statement whether the Funds have met their investment objectives.

Exemption – Unequal Treatment In Withdrawal From A Chi-X Managed Fund

Pursuant to ASIC Class Order [CO 13/721], ASIC has granted relief under section 601QA of the Corporations Act from the equal treatment requirement in section 601FC(1)(d), to the extent that it would prevent Elstree from permitting only Authorised Participants to withdraw from the Fund. For the purposes of this relief:

- the Fund invests primarily in global listed equity securities on recognised exchanges and investment grade bonds creating a diversified portfolio of exchange traded hybrid securities and taking advantage of market inefficiencies;
- Elstree will not treat members of the same class equally to the extent that it restricts withdrawal from the Fund to Authorised Participants;
- except in exceptional circumstances only Authorised Participants may withdraw their interests from the Fund, but other members may sell their interests on the Chi-X Market; and
- when interests in the Fund are suspended from trading on the Chi-X Market for more than 5 consecutive Business Days, members have a right to withdraw from the Fund and receive payment for their interests in money within a reasonable time of request unless any of the following apply:
 - the Fund is being wound up;
 - the Fund is not liquid as defined in subsection 601KA(4) of the Corporations Act; or
 - Elstree suspends withdrawals in accordance with the constitution.

In the event that such a redemption occurs, any withdrawal fee per unit payable by unitholders who are not Authorised Participants will not be greater than the withdrawal fee per unit that would generally be payable by an Authorised Participant receiving redemption proceeds in cash when withdrawing the minimum parcel of units.

Chi-X conditions of admission

As part of the Fund's conditions of admission to Chi-X under the Chi-X Operating Rules, Elstree has agreed to:

- disclose the Fund's portfolio holdings on a quarterly basis within two months of the end of each calendar quarter;

- disclosure of the correlation between the disclosed Material Portfolio Information and the performance of the Fund.
- make available half year and annual financial reports, distribution information and other required disclosures on the Chi-X announcements platform; and
- provide the iNAV as described in this PDS and
- make the Material Portfolio Information available on a daily basis

Material Portfolio Information

Elstree will not disclose every portfolio holding and its weighting on a daily basis as this creates an unacceptable risk to the Fund and existing investors through the disclosure of the ongoing investment strategy for the Fund.

The Fund and the market maker have agreement on Material Portfolio Information that will enable the market maker to determine the price at which it buys and sells units on the Chi-X market. Elstree will disclose the Material Portfolio Information on a daily basis.

The Material Portfolio Information is intended to represent the value of the Fund during the Chi-X trading day. The market maker creates and redeems units in the Fund with Elstree at prices that are determined by the published NAV of the Fund as at the end of the day. At the date of the PDS, the Material Portfolio Information will comprise the average of the top 15 security holdings in the portfolio with the value of the Fund units based on the assumption that the top 15 holdings are equally weighted. Elstree will monitor the Material Portfolio Information on a daily basis and any changes to the Material Portfolio Information will be made available at www.elstreehybridfund.com.au.

The NAV is based on the value of every underlying asset in the Fund. This means the market maker has a strong incentive to ensure there is minimal or no difference between the price at which it buys and sells units based on the Material Portfolio Information and the price of units created or redeemed based on the NAV of the Fund. However, there is a risk to transacting investors that unit prices determined by the Material Portfolio Information during the trading day will not accurately represent the Fund's value. This risk could arise due to, for example, market volatility or stale prices in the portfolio holdings but is ameliorated by the publication of the iNAV.

Consent

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

- written consent to be named in this PDS as the investment manager and custodian respectively of the Fund; and
- written consent to the inclusion of the statements made about them which are specifically attributed to them, in the form and context in which they appear.

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

Constitution of the Fund

You will be issued Units in the Fund when you invest. Subject to the rights, obligations and restrictions of a class, each Unit represents an equal undivided fractional beneficial interest in the assets of the Fund as a whole subject to liabilities, but does not give you an interest in any particular property of the Fund.

Elstree's responsibilities and obligations, as Elstree of the Fund, are governed by the Constitution as well as the Corporations Act and general trust law. The Constitution contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both Elstree, as the responsible entity of the Fund, and investors. Some of the provisions of the Constitution are discussed elsewhere in this PDS.

Other provisions relate to an investor's rights under the Constitution, and include:

- an investor’s right to share in any Fund income, and how we calculate it;
- what you are entitled to receive when you withdraw or if the Fund is wound up;
- an investor’s right to withdraw from the Fund - subject to the times when we can cease processing withdrawals, such as if the Fund becomes ‘illiquid’;
- the nature of the Units - identical rights attach to all Units within a class; and
- an investor’s rights to attend and vote at meetings – these provisions are mainly contained in the Corporations Act.

There are also provisions governing our powers and duties, including:

- how we calculate unit prices, the maximum amount of fees we can charge and expenses we can recover;
- when we can amend the Constitution - generally we can only amend the Constitution where we reasonably believe that the changes will not adversely affect investors’ rights. Otherwise, the Constitution can only be amended if approved at a meeting of investors. To the extent that any contract or obligation arises in connection with the acceptance by Elstree of an application or reliance on this PDS by an investor, any amendment to the Constitution may vary or cancel that contract or obligation. Further, that contract or obligation may be varied or cancelled by a deed executed by Elstree with the approval of a special resolution of investors, or without that approval if Elstree considers the variation or cancellation will not materially and adversely affect investor’s rights;
- when we can retire as Elstree of the Fund - which is as permitted by law;
- when we can be removed as Elstree of the Fund - which is when required by law; and
- our broad powers to invest, borrow and generally manage the Fund.

The Constitution also deals with our liabilities in relation to the Fund and when we can be reimbursed out of the Fund’s assets.

For example:

- subject to the Corporations Act we are not liable for acting in reliance and good faith on professional advice;
- subject to the Corporations Act we are not liable for any loss; and
- we can be reimbursed for any liabilities we incur in connection with the proper performance of our powers and duties in respect of the Fund.

As mentioned above, Elstree’ responsibilities and obligations as Elstree of the Fund are governed by the Constitution of the Fund, the Corporations Act and general trust law, which require that we:

- act in the best interests of investors and, if there is a conflict between investors’ interests and our own, give priority to investors;
- ensure the property of the Fund is clearly identified, held separately from other funds and our assets, and is valued regularly;
- ensure payments from the Fund’s property are made in accordance with the Constitution and the Corporations Act; and
- report to ASIC any breach of the Corporations Act in relation to the Fund which has had, or is likely to have, a materially adverse effect on investors’ interests as well as other significant breaches required by law. Copies of the Constitution are available, free of charge, on request from Elstree.

A copy of the Constitution of the Fund is available, free of charge, on request from Elstree.

Quoting of Units

The Units in the Fund are quoted and traded on the Chi-X Platform.

Termination of the Fund

Elstree may resolve at any time to terminate and liquidate the Fund (if it provides investors with notice) in accordance with the Constitution and the Corporations Act. Upon termination and after conversion of the assets of the Fund into cash and payment of, or provision for, all costs, expenses and liabilities (actual and anticipated), the net proceeds will be distributed pro-rata among all investors according to the aggregate of the Withdrawal Price for each of the Units they hold in the Fund.

Our legal relationship with you

Elstree's responsibilities and obligations, as Elstree of the Fund, are governed by the Constitution of the Fund, as well as the Corporations Act and general trust law. The Constitution of the Fund contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both Elstree, as Elstree of the Fund, and investors. Elstree may amend the Constitution if it considers that the amendment will not adversely affect investors' rights. Otherwise the Constitution may be amended by way of a special resolution of investors. To the extent that any contract or obligation arises in connection with the acceptance by Elstree of an application or reliance on this PDS by an investor, any amendment to the Constitution may vary or cancel that contract or obligation. Further, that contract or obligation may be varied or cancelled by a deed executed by Elstree with the approval of a special resolution of investors, or without that approval if Elstree considers the variation or cancellation will not materially and adversely affect investor's rights. A copy of the Constitution of the Fund is available, free of charge, on request from Elstree.

Compliance plan

Elstree has prepared and lodged a compliance plan for the Fund with ASIC. The compliance plan describes the procedures used by Elstree to comply with the Corporations Act and the Constitution of the Fund. Each year the compliance plan for the Fund is audited and the audit report is lodged with ASIC.

Unit pricing discretions policy

Elstree has developed a formal written policy in relation to the guidelines and relevant factors taken into account when exercising any discretion in calculating unit prices (including determining the value of assets and liabilities). A copy of the policy and, where applicable and to the extent required, any other relevant documents in relation to the policy (such as records of any discretions which are outside the scope of, or inconsistent with, the unit pricing policy) will be made available to investors free of charge on request.

Indirect Investors

You may be able to invest indirectly in the Fund via an IDPS by directing the IDPS Operator to acquire Units on your behalf. If you do so, you will need to complete the relevant forms provided by the IDPS Operator and not the Application Form accompanying the PDS. This will mean that you are an Indirect Investor in the Fund and not an investor or member of the Fund. Indirect Investors do not acquire the rights of an investor as such rights are acquired by the IDPS Operator who may exercise, or decline to exercise, these rights on your behalf.

Indirect Investors do not receive reports or statements from us and the IDPS Operator's application and withdrawal conditions determine when you can direct the IDPS Operator to apply or redeem. Your rights as an Indirect Investor should be set out in the IDPS Guide or other disclosure document issued by the IDPS Operator.

Indemnity

Elstree, as responsible entity of the Fund, is indemnified out of the Fund against all liabilities incurred by it in performing or exercising any of its powers or duties in relation to the Fund. To the extent permitted by the Corporations Act, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by Elstree. Subject to the law, Elstree may retain or pay out from the assets of the Fund any sum necessary to affect such an indemnity.

Anti-Money Laundering and Counter Terrorism Financing (“AML/CTF”)

Australia’s AML/CTF laws require Elstree to adopt and maintain a written AML/CTF Program. A fundamental part of the AML/CTF Program is that Elstree must hold up-to-date information about investors (including beneficial owner information) in the Fund.

To meet this legal requirement, we need to collect certain identification information (including beneficial owner information) and documentation (“KYC Documents”) from new investors. Existing investors may also be asked to provide KYC Documents as part of an ongoing customer due diligence/verification process to comply with AML/CTF laws. If applicants or investors do not provide the applicable KYC Documents when requested, Elstree may be unable to process an application, or may be unable to provide products or services to existing investors until such time as the information is provided.

In order to comply with AML/CTF Laws, Elstree may also disclose information including your personal information that it holds about the applicant, an investor, or any beneficial owner, to its related bodies corporate or service providers, or relevant regulators of AML/CTF Laws (whether inside or outside Australia). Elstree may be prohibited by law from informing applicants or investors that such reporting has occurred.

Elstree and the Investment Manager shall not be liable to applicants or investors for any loss you may suffer because of compliance with the AML/CTF laws.

Common Reporting Standard (“CRS”)

The CRS is developed by the Organisation of Economic Co-operation and Development and requires certain financial institutions resident in a participating jurisdiction to document and identify reportable accounts and implement due diligence procedures. These financial institutions will also be required to report certain information on reportable accounts to their relevant local tax authorities.

Australia signed the CRS Multilateral Competent Authority Agreement and has enacted provisions within the domestic tax legislation to implement CRS in Australia. Australian financial institutions need to document and identify reportable accounts, implement due diligence procedures and report certain information with respect to reportable accounts to the ATO. The ATO may then exchange this information with foreign tax authorities in the relevant signatory countries.

In order to comply with the CRS obligations, we may request certain information from you. Unlike FATCA, there is no withholding tax that is applicable under CRS.

Your privacy

The Australian Privacy Principles contained in the Privacy Act 1988 (Cth) (“Privacy Act”) regulate the way in which we collect, use, disclose, and otherwise handle your personal information. Elstree is committed to respecting and protecting the privacy of your personal information, and our Privacy Policy details how we do this.

It is important to be aware that, in order to provide our products and services to you, Elstree may need to collect personal information about you and any other individuals associated with the product or service offering. In addition to practical reasons, this is necessary to ensure compliance with our legal and regulatory obligations (including under the Corporations Act, the AML/CTF Act and taxation legislation). If you do not provide the information requested, we may not be able to process your application, administer, manage, invest, pay or transfer your investment(s).

You must therefore ensure that any personal information you provide to Elstree is true and correct in every detail. If any of this personal information (including your contact details) changes, you must promptly advise us of the changes in writing. While we will generally collect your personal information from you, your broker or adviser or the Investment Manager and Administrator directly, we may also obtain or confirm information about you from publicly available sources in order to meet regulatory obligations.

In terms of how we deal with your personal information, Elstree will use it for the purpose of providing you with our products and services and complying with our regulatory obligations. Elstree may also disclose it to other members of our corporate group, or to third parties who we work with or engage for these same purposes. Such

third parties may be situated in Australia or offshore, however we take reasonable steps to ensure that they will comply with the Privacy Act when collecting, using or handling your personal information.

The types of third parties that we may disclose your information to include, but are not limited to:

- stockbrokers, financial advisers or adviser dealer groups, their service providers and/or any joint holder of an investment;
- those providing services for administering or managing the Fund, including the Investment Manager, Custodian and Administrator, auditors, or those that provide mailing or printing services;
- our other service providers;
- regulatory bodies such as ASIC, ATO, APRA and AUSTRAC; and
- other third parties who you have consented to us disclosing your information to, or to whom we are required or permitted by law to disclose information to.

Elstree or the Investment Manager may from time to time provide you with direct marketing and/or educational material about products and services they believe may be of interest to you. You have the right to “opt out” of such communications by contacting us using the contact details below.

In addition to the above information, Elstree’s Privacy Policy contains further information about how we handle your personal information, and how you can access information held about you, seek a correction to that information, or make a privacy-related complaint.

Full details of Elstree’s Privacy Policy are available at www.eqt.com.au. You can also request a copy by contacting Elstree’s Privacy Officer on +61 3 8698 1348 or by email to info@eiml.com.au

Information on underlying investments

Information regarding the underlying investments of the Fund will be provided to an investor of the Fund on request, to the extent Elstree is satisfied that such information is required to enable the investor to comply with its statutory reporting obligations. This information will be supplied within a reasonable timeframe having regard to these obligations.

Foreign Account Tax Compliance Act (“FATCA”)

In April 2014, the Australian Government signed an intergovernmental agreement (“IGA”) with the United States of America (“U.S.”), which requires all Australian financial institutions to comply with the FATCA regime.

Under FATCA, Australian financial institutions are required to collect and review their information to identify account holders that are U.S. residents and U.S. controlling persons that invest indirectly through certain passive entities. The information of such account holders is reported to the ATO. The ATO may then pass that information onto the U.S. Internal Revenue Service.

In order to comply with the FATCA obligations, we may request certain information from you. Failure to comply with FATCA obligations may result in the Fund, to the extent relevant, being subject to a 30% withholding tax on payment of U.S. income or gross proceeds from the sale of certain U.S. investments. If the Fund suffers any amount of FATCA withholding and is unable to obtain a refund for the amounts withheld, we will not be required to compensate investors for any such withholding and the effect of the amounts withheld will be reflected in the returns of the Fund.

NAV for the Fund

The NAV for the Fund is available at <http://www.elstreehybridfund.com.au>

13. Keeping track of your investments

Complaints resolution

Elstree has an established complaints handling process and is committed to properly considering and resolving all complaints. If you have a complaint about your investment, please contact us on:

Phone: 03 8689 1348
Post: Elstree Investment Management Limited
Level 5, 30 Collins Street
Melbourne VIC 3000
Email:

We will acknowledge receipt of the complaint as soon as possible and in any case within 3 days of receiving the complaint. We will seek to resolve your complaint as soon as practicable but not more than 45 days after receiving the complaint.

If you are not satisfied with our response to your complaint, you may be able to lodge a complaint with the Australian Financial Complaints Authority (“AFCA”).

Contact details are:

Online: www.afca.org.au
Phone: 1800 931 678
Email: info@afca.org.au
Post: GPO Box 3, Melbourne VIC 3001.

The external dispute resolution body is established to assist you in resolving your complaint where you have been unable to do so with us. However, it’s important that you contact us first.

Reports

We will make the following statements available to all investors;

- A transaction confirmation statement, showing a change in your unit holding (provided when a transaction occurs or on request).
- The Fund’s annual audited accounts for each period ended 30 June.
- Annual distribution, tax and confirmation of holdings statements for each period ended 30 June.

The following information is available on Elstree's website and/or is disclosed monthly:

- the current total NAV of the Fund and the withdrawal value of a unit in each class of units as at the date the NAV was calculated;
- the monthly or annual investment returns over at least a five-year period (or, if the Fund has not been operating for five years, the returns since its inception);
- any change to key service providers if they have changed since last report given to investors;
- for each of the following matters since the last report on those matters:
 - the net return on the Fund’s assets taking into account the value of franking credits after fees, costs and taxes;
 - any material change in the Fund’s risk profile;
 - any material change in the Fund’s strategy; and
 - any change in the individuals playing a key role in investment decisions for the Fund.

By applying to invest in the Fund, you agree that, to the extent permitted by law, any periodic information which is required to be given to you under the Corporations Act or ASIC policy can be given to you by making that information available on Elstree website.

Please note that Indirect Investors who access the Fund through an IDPS will receive reports directly from the IDPS Operator and not from Elstree. However, Elstree will be providing the reports described above to relevant IDPS Operators. Indirect Investors should refer to their IDPS Guide for information on the reports they will receive regarding their investment.

As a disclosing entity the Fund will be subject to regular reporting and disclosure obligations. Investors would have a right to obtain a copy, free of charge, of any of the following documents:

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

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

Copies of these documents lodged with ASIC in relation to the Fund may be obtained through ASIC’s website at www.asic.gov.au.

14. Glossary

AFSL

Australian Financial Services License.

Application Form

The application form attached to the PDS.

Application Price

The price at which Units are acquired

ASIC

Australian Securities and Investments Commission

ATO

Australian Taxation Office

Chi-X

The Chi-X licensed financial market operated by Chi-X Australia Pty Ltd, Level 23 Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000, Australia

Chi-X Operating Rules

Chi-X Operating Rules that apply to the quotation on Chi-X of funds, ETFs and other structured securities and products such as the Units.

The operating rules of Chi-X from time to time.

Chi-X Trading Day

The day and time during which shares are traded on Chi-X.

Business Day

A day other than a Saturday or a Sunday on which banks are open for general banking business in Sydney.

Buy/Sell Spread

The difference between the application price and withdrawal price of units in the FUND, which reflects the estimated transaction costs associated with buying or selling the assets of the Fund, when investors invest in or withdraw from the Fund.

CHESS

Clearing House Electronic Sub-register System, the Australian settlement system for equities and other issued products traded on Chi-X and other exchanges.

Constitution

The document which describes the rights, responsibilities and beneficial interest of both investors and Elstree in relation to the Portfolio, as amended from time to time.

Corporations Act

The Corporations Act 2001 and the Corporations Regulations 2001 (Cth), as amended from time to time.

GST

Goods and Services Tax

HIN

Holder Identification Number

IDPS

Investor-Directed Portfolio Service or investor-directed portfolio-like managed investment scheme. An IDPS is generally the vehicle through which an investor purchases a range of underlying investment options from numerous investment managers. In New Zealand, the IDPS needs to be licensed as a Discretionary Investment Management Service provider.

IDPS Guide

Investor-Directed Portfolio Service Guide.

IDPS Operator

An entity responsible for operating an IDPS.

iNAV

Indicative NAV per Unit.

Indirect Investors

Individuals who invest in the Fund through an IDPS.

Net Asset Value (NAV)

The value of the assets of the Fund less the value of the liabilities of that Fund

NAV per Unit

The NAV per Unit is calculated by dividing the NAV of the Fund by the number of Units on issue.

PDS

This Product Disclosure Statement, issued by Elstree.

Retail Client

Persons or entities defined as such under section 761G of the Corporations Act.

RITC

Reduced Input Tax Credit.

SRN

Securityholder Reference Number

Unit or Units

The securities on offer under this PDS.

US Person

A person so classified under securities or tax law in the United States of America ("US") including, in broad terms, the following persons:

- (a) any citizen of, or natural person resident in, the US, its territories or possessions; or
- (b) any corporation or partnership organised or incorporated under any laws of or in the US or of any other jurisdiction if formed by a US Person (other than by accredited investors who are not natural persons, estates or trusts) principally for the purpose of investing in securities not registered under the US Securities Act of 1933; or
- (c) any agency or branch of a foreign entity located in the US; or
- (d) a pension plan primarily for US employees of a US Person; or
- (e) a US collective investment vehicle unless not offered to US Persons; or

- (f) any estate of which an executor or administrator is a US Person (unless an executor or administrator of the estate who is not a US Person has sole or substantial investment discretion over the assets of the estate and such estate is governed by non-US law) and all the estate income is non-US income not liable to US income tax; or
- (g) any trust of which any trustee is a US Person (unless a trustee who is a professional fiduciary is a US Person and a trustee who is not a US Person has sole or substantial investment discretion over the assets of the trust and no beneficiary (or settlor, if the trust is revocable) of the trust is a US Person); or
- (h) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US Person; or
- (i) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the US for the benefit or account of a US Person.

We, us

Refers to Elstree

Withdrawal Price

The price at which Units are withdrawn

You, your

Refers to an investor.