



**Alvia High Conviction Fund  
Information Memorandum**

**4<sup>th</sup> May 2022**



## About Alvia Asset Partners

Alvia Asset Partners Pty Ltd (“Alvia” or “the Manager”) is a Brisbane-based asset manager for high net worth families and individuals. Alvia’s principals founded the investment arm of Keystone Private in 2015, and established Alvia in 2020 to be a truly independent asset partner for its clients. Our philosophy is focused on the principles of capital preservation and sustainable, long-term absolute return investing. Alvia’s tailored advice provides a strategically coordinated approach across all investment types and asset classes. The Manager is agnostic to asset classes, sectors, geographies, and benchmarks.



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## Contact Us

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**Website:** [www.alviapartners.com.au](http://www.alviapartners.com.au)

## Important Notice and Disclaimer

DDH Graham Limited (ABN 28 010 639 219) ("Trustee"), which holds AFSL 226319, is the trustee of the Alvia High Conviction Fund ("Fund") and is the issuer of this Information Memorandum ("IM") and the units offered in this IM. This IM is dated 4 May 2022. The Trustee has appointed Alvia Asset Partners Pty Ltd (ACN 640 085 025) ("Alvia" or "Manager") (AFS Representative 001281968) as the investment manager of the Fund.

This IM is intended to provide prospective investors with general information only and does not constitute a product disclosure statement or other disclosure document required by the Corporations Act. This IM has not been lodged with the Australian Securities and Investments Commission ("ASIC") or any other government body. ASIC takes no responsibility for the contents of this IM.

The offer made under this IM is only available for persons who receive this IM as a hard copy or electronically within Australia and who qualify as wholesale clients (as defined in section 761G(7) of the Corporations Act) or sophisticated investors (as defined in section 761GA of the Corporations Act) (collectively, "Eligible Investors"). The Trustee will not issue units in the Fund to a person unless it is satisfied the person is an Eligible Investor.

Neither the Trustee, Manager, nor their related entities, directors, officers, employees or advisors make any promise or representation, or gives any guarantee as to the success of the Fund, income or capital return, taxation consequences of investing, distributions or the amount you will receive on withdrawal.

This IM does not purport to contain all the information that a prospective investor may require in evaluating a possible investment in the Fund. This IM must be read in conjunction with the Fund's Constitution, a copy of which is available (free of charge) by contacting the Manager by phone on (07) 3153 4879 or e-mail at [info@alviapartners.com.au](mailto:info@alviapartners.com.au). To the extent there are any inconsistencies between the Constitution and this IM, the Constitution will prevail.

An investment in the Fund is subject to investment and other risks including those specific risks set out in Section 3.

The information contained in this IM is general information only and does not consider your individual objectives, financial situation or needs. You should read the IM carefully and assess whether the information is appropriate for you in respect of your objectives, financial situation and needs. If you have a financial or other advisor, we encourage you to talk to them before making an investment decision.

In this IM, an administration service or an investor directed portfolio service such as a wrap account, master trust or nominee service is referred to as an "IDPS". The Trustee consents to the use of this IM by IDPS operators that include the Fund on their investment menu.

The information in this IM is up to date at the time of preparation. However, some information can change from time to time. No representation or warranty, express or implied, is given by the Trustee or Manager or any other person as to the accuracy, reliability or completeness of the information contained in this IM. Information may be updated from time to time and made available at [www.alviapartners.com.au](http://www.alviapartners.com.au) and [www.ddhgraham.com.au](http://www.ddhgraham.com.au). A paper copy of any updated information will be provided to you by Alvia free of charge upon request.

This IM may be accessed at [www.alviapartners.com.au](http://www.alviapartners.com.au) and [www.ddhgraham.com.au](http://www.ddhgraham.com.au). If you have received this IM electronically, the Manager will provide a paper copy free of charge to you upon request to the Manager by calling (07) 3153 4879 or e-mail at [info@alviapartners.com.au](mailto:info@alviapartners.com.au).

The IM contains forward looking statements relating to future matters which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Fund to be materially different from those expressed or implied by such statements.

The Trustee may change any of the terms and conditions of this IM with, in the case of material changes, 30 days' notice to investors.



**Joshua Derrington**

## Letter from the CIO

**Dear Investor,**

On behalf of Alvia Asset Partners, I am pleased to present this Information Memorandum and offer you the opportunity to invest in the Alvia High Conviction Fund ("Fund").

After extensive market research and a review of Alvia's current tailored asset allocation solutions to high net worth families and individuals, the Alvia Investment Team concluded there would be significant benefits in offering a single, unitised investment offering, with a lower minimum investment than what is typically required to gain access to a multi-family office investment solution.

The Fund provides investors with the opportunity to gain exposure to a portfolio of investments based on the Alvia Investment Team's highest conviction ideas across all asset classes, sectors and geographies. The Manager has, and always will apply, a private investor mindset when analysing investment opportunities. Another unique attribute of this offering is that it is completely agnostic with regards to asset class, geography, sectors, benchmarks and the like.

Alvia's long-term, capital preservation first approach extends to this product and hence our focus remains solely on achieving sustainable, long-term absolute returns, rather than returns relative to a benchmark. Investors cannot live off relative returns and hence the ultimate goal at Alvia Asset Partners is to achieve long-term absolute returns at a reasonable level of risk, across an investment portfolio encompassing a number, if not all, of the major asset classes.

The Trustee and Issuer of the Fund is DDH Graham Limited, an experienced fund administrator in the Australian financial markets. DDH will be responsible for all fund administration activities including the investor registry function.

I look forward to welcoming you as an investor in the Alvia High Conviction Fund.

Yours sincerely,

**Joshua Derrington**  
Chief Investment Officer  
Alvia Asset Partners



## Key Offer Information

<b>Fund name</b>	Alvia High Conviction Fund
<b>Manager</b>	Alvia Asset Partners Pty Ltd
<b>Trustee</b>	DDH Graham Limited
<b>Structure</b>	<ul style="list-style-type: none"> <li>• Open-ended, unregistered managed investment scheme structured as a unitised trust (Eligible Investors only)</li> <li>• 1 class only (Ordinary Units)</li> </ul>
<b>Investment objective</b>	To deliver sustainable, long-term risk-adjusted returns with a focus on absolute returns and capital preservation.
<b>Investment mandate</b>	<ul style="list-style-type: none"> <li>• Unconstrained which incorporates listed securities (Australian and international, including ETFs, LICs and LITs), unlisted managed funds and private companies (subject to the Fund's liquidity)</li> <li>• Long and short positions</li> <li>• 20 to 40 long positions</li> <li>• Long positions to be complemented with opportunistic short positions (in listed securities only)</li> <li>• No currency hedging (excluding natural hedges via international investments)</li> <li>• Investment hedging (or asset value protection) using appropriate derivative products.</li> </ul>
<b>Suggested investment timeframe</b>	The Fund is targeting patient, long-term investors with an investment timeframe of at least 5 years.
<b>Pricing currency</b>	Australian dollar
<b>Minimum investment</b>	\$50,000, with two additional investment options: <ul style="list-style-type: none"> <li>• Additional investments of a minimum of \$20,000 each time</li> <li>• Regular savings plan (monthly) with a minimum investment of \$5,000</li> </ul>
<b>Target Return</b>	8% - 12%
<b>Benchmark</b>	6.00% p.a.
<b>Fees</b>	<ul style="list-style-type: none"> <li>• Total management fees: 0.90% p.a., accrued daily and paid monthly in arrears</li> <li>• Performance fee: 15% p.a. of outperformance over the Benchmark, accrued daily and paid quarterly in arrears, and subject to a high-water mark</li> </ul>
<b>Applications (Refer to Section 4.3)</b>	<ul style="list-style-type: none"> <li>• Applications are processed weekly each Friday and at each month end. The Manager may accept additional applications at other times at its discretion.</li> <li>• Investment in the Fund is restricted to Eligible Investors.</li> </ul>
<b>Withdrawals (Refer to Section 4.4)</b>	Withdrawal requests are processed monthly. Withdrawal requests can be lodged with the Trustee at any time.
<b>Unit pricing</b>	Unit pricing is determined at the close of business (Australian Eastern Standard Time) on the last Business Day of each week and on the final Business Day of each month.
<b>Buy/sell spread</b>	<ul style="list-style-type: none"> <li>• A buy spread of 0.30% will be added to the unit price for applications.</li> <li>• A sell spread of 0.30% will be subtracted from the unit price for withdrawals.</li> <li>• The buy and sell spreads represent the Manager's estimate of the relevant transaction costs associated with implementing applications and withdrawals. They may change from time to time at the Trustee's discretion.</li> </ul>
<b>Distributions</b>	Annually, subject to availability of income.



# How to Invest

## Eligible Investors

The Alvia High Conviction Fund is currently only available to certain classes of investors. Eligible Investor requirements are outlined in section 4.2 of this IM. You may require a qualified accountant or financial adviser to assist you complete part of the Application Form, depending on which eligibility criteria you comply with.

## Application Instructions

<b>Read IM</b>	You should read the IM in full and assess whether an investment in the Fund is appropriate for you based on your objectives, financial situation and needs. The Application Forms are attached to or provided with this IM.	
<b>Complete the appropriate Application Form</b>	If you have not invested in the Fund previously, complete an Application Form. To add to an existing investment, complete the Additional Investment Form.	
<b>Pay the investment amount by cheque or electronic transfer</b>	<b>Cheque</b>	Cheques should be drawn on an Australian bank account in the name of the applicant and made out to: DDH Graham Limited Application Account Alvia High Conviction Fund.
	<b>Electronic transfer</b>	If you would like to make payment by electronic transfer, please indicate the reference you have used on the Application Form.
<b>Post your forms (and cheque if applicable)</b>	Mail to the Fund's registrar at	DDH Graham Limited GPO Box 330 Brisbane Qld 4001

## Application Instructions

Cut off for applications/withdrawals	Applications: Weekly, 1pm (Brisbane time) on the last Business Day of each week, and on the last Business Day of each month Withdrawals: Monthly, 1pm (Brisbane time) on the last Business Day of each month
Unit Pricing	Weekly, as at the last Business Day of the week and on the last Business Day of each month
Distribution payments	Annually, subject to availability of income
Withdrawal payments	Usually within 10 Business Days of the end of the month
Investment/withdrawal confirmations dispatched	Usually within 10 Business Days following the relevant unit pricing date



# 1. Fund Overview

## 1.1 The Fund

The Fund provides investors with access to a concentrated portfolio of the Manager's highest conviction ideas, in a unitised structure, with a minimum investment amount well below the typical amount required for Alvia's holistic asset allocation offering.

The strategy is unconstrained, meaning there is no geographic, sector or asset class bias.

The Fund is focused on absolute returns and capital preservation, with the objective of generating attractive risk-adjusted returns for investors over the long term (considered 5 years and longer).

The Manager will be investing alongside investors to ensure an alignment of interests.

## 1.2 Investment Objective

The objective of the Fund is to achieve superior risk-adjusted returns on an absolute basis with a focus on capital preservation. The Fund is focused on compounding real returns over the long term. The Investment Team equates 'risk' to the potential of a permanent loss of capital.

The Manager acknowledges that investors cannot live on institutional minded benchmark returns and its preference is for compounding absolute returns, not relative return percentages. The Manager's investment process is geography, asset class, sector and index agnostic and entirely focused on delivering the best risk-adjusted long-term returns. The Manager's mindset is that of a private investor – it only invests in businesses that it would be comfortable owning outright.

## 1.3 Alvia Asset Partners - Fund Investment Promise

*The experience and expertise of our team must, of course, be extensive and exceptional.*

*We will never take for granted your trust in us and we are inherently aware of this responsibility.*

*We will always manage your wealth as if it were our own. This will never change!*

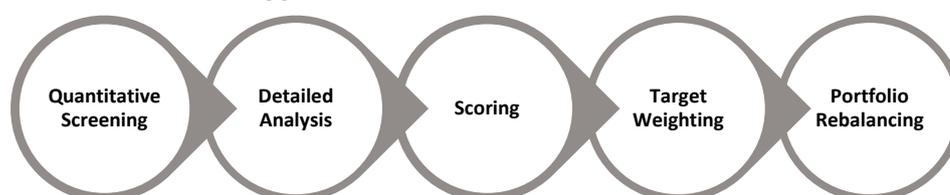


## 1.4 Alvia Philosophy

At Alvia, our process is founded on the underlying principle that good investing requires as much a solid temperament as strong analysis. Everything we do is premised on the underlying belief that price is what you pay and long-term value is what you receive. We believe that investing is principled upon long-term compounding returns, not short-term speculative price forecasts.

It is our belief in the concept of planting seeds now to provide shade for future generations that enables us to stick to our process, avoid noise and narrative and ultimately enables us to generate long-term absolute returns. We will apply our philosophy in managing the Fund's assets.

## 1.5 Investment Strategy



### Quantitative Screening

The Manager runs quantitative screens on at least a monthly basis to identify the most up to date investment universe (for listed securities). For private investments, the Manager reviews new opportunities when they are presented and shortlists those that are considered appropriate for further detailed due diligence. The Manager also explores ideas further by leveraging its extensive network of managers, clients and business owners.

Investment opportunities (both current Portfolio holdings and prospective holdings) are segmented into seven key investment areas:

1. **Long-term Compounder:** a business that is the leader or one of the leaders in its industry that has consistently delivered growth in revenue, earnings and cash flow across the business cycle.
2. **Asset Value Play:** a business that is currently priced at a material discount to its book value or net asset value ("NAV").
3. **Cyclical Opportunity:** a business that operates in an industry with earnings that are highly correlated to commodity prices and/or economic activity, where the Manager believes there is a material mispricing relative to the current stage of the economic cycle.
4. **Income Buttresses:** investments that have a strong and stable income profile with lower levels of price volatility. These investments tend to have a lower (or negative) correlation to typical equity and equity-like securities.
5. **Portfolio Hedges:** investments that have a low or negative correlation to listed equities and other equity-like asset classes, to reduce the volatility of Portfolio returns (e.g. gold and US dollar).
6. **Unlisted Co-investments:** The Manager will complement the Fund's listed investments with co-investments in private companies. The Fund's allocation to this investment area will be subject to the Fund's liquidity requirements.



- 7. Short Propositions:** The Manager will selectively enter short positions in listed equities where the Manager has identified a comprehensive short thesis and the catalysts that will result in the short-term realisation of this thesis. A short thesis will be premised on a fundamental deficiency in the company's business model, rather than primarily on valuation. The Manager acknowledges the higher degree of risk in short positions and hence approaches this investment area with caution (i.e. it is highly likely there will be instances where the Fund will have no outstanding short positions).

Segmenting the Portfolio into the investment areas above provides the Manager with a condensed asset allocation framework in a similar vein to Alvia's multi-family office clients, whereby the risk of the client's investment portfolio is reviewed in the context of the asset class weightings. Within the Portfolio, the Manager will review the risk of the Portfolio in the context of its weights to these key investment areas.

## Detailed Analysis

Shortlisted investment opportunities are analysed in a bottom-up manner. The detailed analysis involves both quantitative and qualitative attributes:

- **Quantitative analysis – financial model:** incorporates key balance sheet, income statement and cash flow items for historical and forecast periods. Forecasts are prepared by the Manager.
- **Qualitative review:** includes detailed analysis of the business and its key earnings drivers, competitive positioning and management quality, in addition to financial disclosures and reporting consistency.

## Scoring

Once the Manager has prepared the quantitative and qualitative analysis for an investment, the Business Investment Opportunity Score ("BIOS") is calculated. The BIOS score is weighted 60% to quantitative attributes and 40% to qualitative attributes.

An investment can achieve a maximum BIOS of 100 points. Over time, if an investment's BIOS falls below 60, the investment is divested from the Portfolio.

## Target Weighting

The cash allocation of the Portfolio is set at the discretion of the Manager, based on the risk and return attributes of the underlying asset classes of the Portfolio. The remaining asset allocation of the Portfolio (i.e. the non-cash component) is invested in a range of listed and unlisted investments. The unlisted investments weighting will be determined based on the liquidity requirements for the Fund.

Listed investments are weighted based on the BIOS. Target weightings are set for each listed investment holding within the Portfolio, based on the individual holding's BIOS as a percentage of the combined BIOS for the Portfolio's listed investment holdings.



## Portfolio Rebalancing

The Manager undertakes weekly reviews of the Portfolio weightings, which consider material events, and may result in reweighting specific investment positions. On a weekly basis, the Investment Team reviews the target weights and actual weights of all holdings. If there is a difference of more than 100bps then the holding is increased or decreased accordingly.

## 1.6 Portfolio Asset Allocation Constraints

The unconstrained nature of the Fund provides the Manager with the scope to adjust the Portfolio asset allocations. This enables the Manager to target investments that it considers will provide the highest risk-adjusted returns.

Asset class	Weighting range
Cash (may be held in currencies other than the Australian dollar)	0% to 100%
Listed securities	0% to 85% No single holding greater than 15%
Unlisted securities (including over the counter securities)	0% to 40% No single holding greater than 10%
Short listed securities	0% to 15% No single holding greater than 5%
Listed investment companies (LICs), Listed investment trusts (LITs), Exchange traded funds (ETFs)	0% to 50% No single holding greater than 15%
Unlisted managed funds	0% to 50% No single holding greater than 15%



An illustrative asset allocation of the Portfolio is set out below:

Investment description	Asset class	Weight
<b>Cash</b>		
Australian dollar	Cash	5.0%
<b>Total Cash</b>		<b>5.0%</b>
<b>Long-term Compounder</b>		
International travel booking portal	Listed equities	7.0%
International hospital owner and operator	Listed equities	6.0%
Media conglomerate	Listed equities	5.0%
Global healthcare company	Listed equities	5.0%
International technology product provider	Listed equities	5.0%
<b>Total Long-term Compounder</b>		<b>28.0%</b>
<b>Asset Value Play</b>		
Shopping centre owner and operator	Listed property	7.0%
Airport operator	Listed infrastructure	7.0%
UK financial institution	Listed equities	5.0%
<b>Total Asset Value Play</b>		<b>19.0%</b>
<b>Cyclical Opportunity</b>		
Diversified resource company	Listed equities	7.0%
Single commodity resource company	Listed equities	5.0%
<b>Total Cyclical Opportunity</b>		<b>12.0%</b>
<b>Income Buttresses</b>		
US state landholder	Listed equities	6.0%
Corporate bond	OTC securities	4.0%
Australian property trust	Listed property	4.0%
<b>Total Income Buttresses</b>		<b>14.0%</b>
<b>Portfolio Hedges</b>		
Precious metals ETF	ETF	4.0%
Commodity futures ETF	ETF	4.0%
US dollar	Cash	4.0%
<b>Total Portfolio Hedges</b>		<b>12.0%</b>
<b>Unlisted Co-investments</b>		
Integrated apartment and resort complex	Unlisted securities	5.0%
US based infrastructure product provider	Unlisted securities	5.0%
<b>Total Unlisted Co-investments</b>		<b>10.0%</b>
<b>Total</b>		<b>100.0%</b>



## 1.7 Risk Management

The Manager is responsible for the construction of the Portfolio, which is constructed in accordance with the investment strategy and process set out in this document. The Fund has a broad mandate to invest across all asset classes, regions, and sectors, across long and short positions and listed and unlisted securities, including private companies where liquidity allows.

### **Leverage**

The Fund does not intend to borrow funds for any of its investments. The Portfolio may become leveraged using short selling, however only under selective risk weighted circumstances (see below).

### **Valuation**

The assets held within the Fund will be valued using market accepted practices to price all securities and other assets accurately and independently within the Portfolio.

### **Short selling**

The Fund may engage in short selling as part of its investment strategy to seek to benefit from a decline in security prices. Short selling will only be conducted for securities whereby the Manager has conducted extensive due diligence and concluded that there is a significant margin of safety relative to the current share price.

The Fund may engage in short selling by borrowing securities from a prime broker or custodian and providing collateral based on the terms and conditions in the relevant agreement.

Short selling can magnify gains whilst also magnifying losses in the Portfolio. Short selling will never be a major component of the investment strategy of the Fund and will only be used for select opportunities when the Manager has a very high conviction in the investment thesis. The role of short selling is to support the absolute return objective of the Fund and will be complementary to the long positions to be held by the Fund.

### **Portfolio construction**

The speed in which the Fund's capital deployment will be undertaken will be dependent on market conditions, coupled with the Manager's ability to identify appropriate investment opportunities. The Fund will therefore retain capital in cash until suitable investment opportunities have been identified.

The Investment Team has adopted this approach to all client deployments and the Manager's approach to the Fund is no different. This disciplined approach may mean that the Fund may experience lower investment returns in the short term, with the aim of achieving attractive long-term risk-adjusted performance.



## Currency

Investments in securities that are denominated in currencies other than the Australian dollar (the Fund's pricing currency) create an exposure to foreign currency, which can change the value of the investments when measured in the Portfolio's pricing currency.

The Fund will not operate an active foreign currency hedging strategy using currency-based derivatives, rather it will engage in natural hedging. A natural hedge is developed through investing in international companies with the broker converting the price of the investment from the local currency to the Australian dollar.

## Derivatives

The Fund may purchase derivative products as part of its investment strategy to protect the value of an underlying investment due to market movements. There will be no trading in derivatives solely for investment purposes.

## 1.8 Distribution Policy

We will pay distributions annually, where income is available for distribution. We may also, in consultation with the Manager, pay a half-year distribution if it is considered in the best interests of investors and the Fund has sufficient funds available for distribution.

Any cash distributions will be paid by electronic funds transfer into your nominated financial institution account and, where a distribution is paid, this will typically occur within 10 Business Days after the last day of the distribution period (being 30 June for annual distributions) by direct debit to your nominated account.

The Manager's investment strategy is focused first and foremost on capital preservation and generating attractive risk-adjusted returns over the long-term. The tax treatment of the Fund's investments may reduce the ability to pay distributions. It should also be noted that a number of the investments in overseas markets may have low payout / dividend ratios which will also reduce the Fund's ability to pay distributions.

## 1.9 Fund Performance

Performance and additional Fund information is available from:

- [www.alviapartners.com.au](http://www.alviapartners.com.au)
- [www.ddhgraham.com.au](http://www.ddhgraham.com.au)

Past performance is not necessarily an indication of future performance. Prospective investors should not make an investment decision based on the Fund's previous performance.



## 1.10 Unit Pricing

The value of an investment in the Fund, which is represented by the value of units in the Fund, will vary as the market value of the Fund's assets and liabilities increase and decrease. The number of units issued to an investor on application and the number of units redeemed when an investor withdraws units will be dependent on the issue price (for applications) and withdrawal price (for withdrawals) calculated for the relevant Business Day.

Direct investors can obtain unit prices online at [www.alviapartners.com.au](http://www.alviapartners.com.au), by contacting their financial or other adviser or by contacting Alvia at [info@alviapartners.com.au](mailto:info@alviapartners.com.au) or (07) 3153 4879. Indirect investors can obtain unit prices from their IDPS operator.

### 1.10.1 Unit Pricing Methodology

Issue and withdrawal prices for units in the Fund are calculated on the final Business Day of the respective week (applications only) and each month end (applications and withdrawals), in accordance with the Fund's Constitution. Investors should be aware of the withdrawal policy outlined in Section 4.4. The Trustee has a unit pricing discretion policy which is subject to the terms of the Fund's Constitution regarding unit pricing. Investors can request, free of charge, a copy of that policy and the record of any discretion exercised outside of the policy by contacting Alvia Asset Partners.

Unit prices are calculated by:

- Determining the net asset value of the Fund, which is calculated by deducting the value of the Fund's liabilities from the value of its assets. The value of the Fund's assets and liabilities are calculated in accordance with the Fund's Constitution and unit pricing discretion policy.
- For the issue price, dividing the net asset value of the Fund by the number of units on issue and adding the buy spread.
- For the withdrawal price, dividing the net asset value of the Fund by the number of units on issue and subtracting the sell spread.

Generally, where the Fund holds an investment in an underlying fund, that investment will be valued at the unit price most recently published by the manager of that fund. Some unlisted funds price units less frequently than daily (for example, monthly or quarterly) and some may not publish unit prices at regular intervals (for example, once the fund is closed to new investment). If that is the case, the value of the Fund's investment will be calculated by the Trustee based on the most recent publicly available information. The Fund's assets may also include accrued income not yet received from its investments. The Fund's liabilities may include accruals for Fund costs and amounts calculated for the Manager's and Trustee's fees, but not yet due for payment.

## 1.11 Indirect Investors

If you are investing via an IDPS service you should refer to the IDPS Guide for details of the minimum investment amount and you should use the application form attached to the IDPS Guide (and not the Application Form for the Fund) to invest in the Fund.



## 2. Manager's Investment Team

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### **Joshua Derrington**

Director, Chief Investment Officer

*B.Ec. (Finance), Dip. FS, M.AppFin, MAICD, SAFIN, ADA 1 & 2 AMP*

- Head of internal investment committee and asset allocation
  - Previously Head of the Private Client Division at DNR Capital. Advisory roles at Macquarie bank and Goldman Sachs JBWere
  - Director Private Emergency Health Australia, Australian Institute of Professional Counsellors Reg QLD, Rosella Family Investments
  - Finalist for Investment Adviser of the Year at the 2019 IFA Awards
  - Advanced Management Alumni, Melbourne Business School
  - Value investing, Columbia University, NY
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### **James Duffy**

Portfolio Manager

*B.Com (Finance), B.Ec (International Trade & Finance), RG146, ADA 1, Level II CFA candidate*

- Responsible for all private investment opportunities, family investment management across all asset classes and maintaining relationships with key stakeholders and strategic partners
  - Whilst leading the private equity and special situation investments, James supports the portfolio management of the Australian, international, fixed income, property and alternatives portfolios
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### **Chris Scarpato**

Portfolio Manager

*B.Com (Accounting & Finance), DipAppFin (Corporate Finance/Advisory), CFA*

- Leads the analysis and portfolio management for Alvia's Australian, international and listed property equities
  - Supports the analysis of alternatives, fixed income and private investment opportunities
  - Previously an investment analyst at Hyperion Asset Management, a Brisbane-based equities fund manager, covering the research of Australian and international equities
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### **Daniel Martin**

Investment Analyst

*Advanced dual B.Com (Finance Hons), B.Ec, Level II CFA candidate*

- Provides ongoing macroeconomic data and research whilst leading the analysis of alternative asset opportunities
  - Supports the portfolio managers across Australian and international equities, property, fixed income and private investments
  - Provides ongoing quarterly reporting and communication to clients
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**Eddie Barrett**

COO and Investment Committee Member  
*B.Com (Finance), B.LLB, CFA*

- Eddie brings more than 20 years' experience across the financial services industry and as a C-suite executive in commercial roles, with over 12 years as a CFA charterholder
- Eddie is responsible for oversight of Alvia's investment framework, including management of the investment strategy and specifically adds property and alternative asset class experience to the investment committee
- Eddie is also a Director and the Chief Operating Officer, leading the non-investment functions within the Alvia business



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**Jim Christensen**

Investment Committee Member and Chair  
*BSc, BEs and Mec*

- *Jim was formerly the State Chief Investment Officer at QIC, and prior to that the Managing Director Global Multi-Assets at QIC*
- *Jim's distinguished QIC career has recently ended, and he has joined the Alvia Investment Committee to bring a further depth to our independence, in addition to significant experience in financial markets*
- *Prior to QIC, Jim spent 6 years transforming Telstra Super as their Chief Investment Officer*
- *Jim chairs the Alvia investment committee and supports in the oversight of Alvia's investment process, in addition to compliance and governance processes*



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**Matt Morgan**

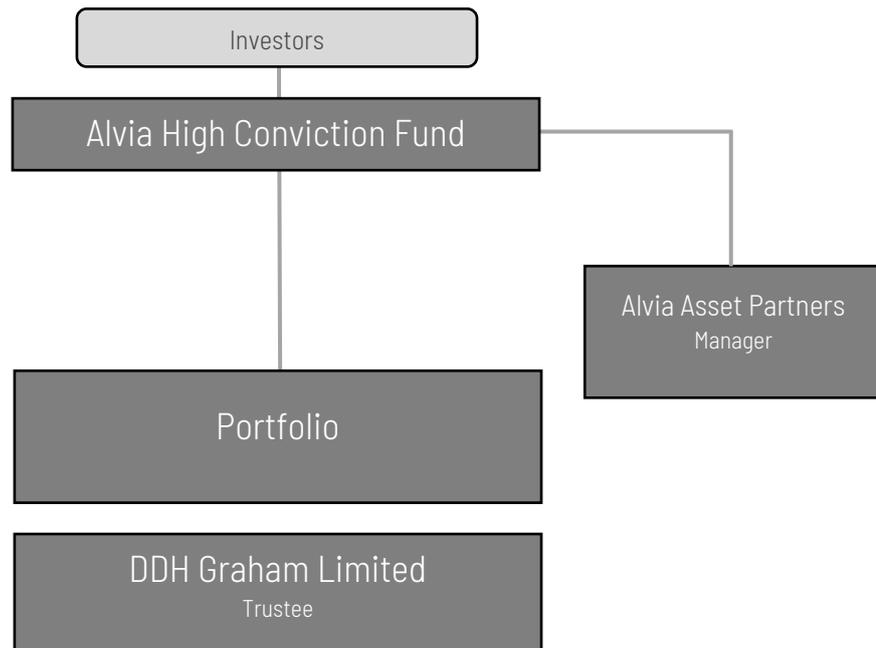
Investment Committee Member  
*B. Com, B. App Sc, MBA, Kauffman Fellow*

- Matthew is a member of Alvia Asset Partner's Investment Committee and meets with the Investment Team on a regular basis to challenge and review the investment strategy process
  - Matthew is the Principal of Millers Point Company, an advisory business focused on growth and turnaround investment. He was the co-founder of Diversa Ltd, a former venture capital investor for QIC and experienced ICM for venture capital and growth equity investment funds
  - Matthew is currently a director of Infratech Growth Partners, Logicamms Ltd (ASX:LCM), Total Brain Ltd (ASX:TTB), Leaf Resources Ltd (ASX:LER) and Think Mobility
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## 2.1 Investment Structure

The Fund is a unitised trust and investors are issued units in the Fund. Alvia is the Investment manager.



## 2.2 Trustee

DDH Graham Limited is an independently-owned Queensland-based funds management and administration organisation founded in 1981. DDH has considerable experience in trust management and administration. It is the trustee or responsible entity for a number of financial asset funds and property funds and operates money market products. DDH is an unlisted public company and is the holder of an Australian Financial Services Licence (Licence No. 226319).

DDH is the trustee of the Fund. As trustee, DDH is responsible for the management and administration of the Fund.



## 3. Risks of Investing

All investments carry risk. The level of risk may be different for different types of funds depending on the underlying assets held in accordance with a fund's investment strategy. In general, assets with the highest long-term returns may also carry the highest level of short-term risk.

The key risks of investing in the Fund are typical of the risks associated with managed investment schemes that have an investment strategy that involves investing in listed and unlisted Australian and international securities.

Prospective investors should be aware that the value of the underlying investments of the Fund will vary over time. In addition, the value of your investment and the returns from your investment in the Fund will vary over time. Future returns may differ from past returns. The performance or returns of the Fund are not guaranteed and you may lose some or all of the money that you have invested in the Fund.

The level of risk you are prepared to accept when investing in the Fund will depend upon various factors including your age, financial objectives, investment timeframe, risk tolerance, where other parts of your wealth are invested and whether your investment portfolio will be appropriately diversified after making the investment.

The significant risks of the Fund are described below, but there could be other risks that adversely affect the Fund. You should seek your own professional advice on the appropriateness of this investment for your particular circumstances and financial objectives.

A summary of the significant risks for the Fund are outlined below.

### 3.1 Market, Country and Political Risk

Economic, technological, political, legal and market conditions are variable. Changes in these factors can have both positive and negative influences on the value of the Fund's investments.

Returns from listed securities, in particular, can fluctuate significantly. These fluctuations can be caused by market volatility, which is typically caused by interest rates, economic cycles, political events and levels of economic growth on both a global and domestic scale. The Manager's investment approach is geography, asset class, sector and benchmark agnostic and we do not seek to replicate industry and/or market benchmarks.

### 3.2 Manager Risk

By investing in the Fund, you delegate your control over investment decisions to the Manager. The performance of the Fund is therefore affected by the Manager's performance and there is a risk that the Manager will not perform according to expectations.

As an actively managed portfolio, there is no assurance that the investment techniques and the risk analysis employed by the Manager in making investment decisions for the Fund will produce the desired results. In addition, the Fund could be adversely affected by changes to the Manager's management or investment team.



### 3.3 Individual Investment Risk

Individual investments made by the Fund will fluctuate in value, meaning that they can and do rise or fall in value for several reasons. For example, a company may undergo changes in its financial or operating circumstances and may also face broader influences such as political and industry changes. Unlisted securities are considerably less liquid than listed securities.

### 3.4 Short Selling Risk

Short selling involves the borrowing of securities which are then sold immediately. If the price of the securities declines, then the Fund can purchase those securities at a lower price to transfer back to the lender of the securities. Short selling can be viewed as a type of leverage and may magnify the gains and losses achieved in the Portfolio.

### 3.5 Liquidity Risk

If an investment is not actively traded it may not be readily bought or sold without some adverse impact on the price paid or obtained. As the Fund will invest in securities listed on licensed financial markets (such as the Australian Securities Exchange or ASX), if there is an interruption of regular trading in the market or for a particular asset of the Fund, there may be delays in processing withdrawal requests.

In addition, illiquid investments may cause the Fund to have difficulty in satisfying commitments associated with certain financial instruments in the Portfolio. In addition, the Fund may invest in unlisted managed funds and private investments, which may increase the liquidity risk of the Fund. However, the Manager will manage the level of unlisted investments to help mitigate the degree of liquidity risk in the Portfolio.

### 3.6 Currency Risk

Investing in assets that are denominated in a foreign currency creates an exposure to foreign currency fluctuations, which can change the value of the Portfolio's investments measured in Australian dollars. The Fund may hold funds in foreign currencies to facilitate the purchase of investments that are denominated in that respective foreign currency; however, the Manager will not actively hedge foreign currency exposure of the Portfolio. The Manager's focus is on selecting the highest quality investment ideas in the relevant investment universe, rather than taking a view on the direction of foreign currencies, relative to the Australian dollar.



### 3.7 Leverage Risk

The Fund may be exposed to particular investment strategies that utilise leverage. The exposure of a leveraged investment portfolio to movements in the instruments and markets in which it invests can magnify gains and losses.

### 3.8 Counterparty Risk

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

### 3.9 Performance Risk

The performance of the Fund or the return of capital is not guaranteed. The value of your investment in the Fund will go up and down with the value of the Fund's assets. The level of returns will vary and future returns may differ from past returns. Accordingly, you could receive back less than you invested and there is no guarantee that you will receive any income.

### 3.10 Derivatives Risk

Derivatives risks include illiquidity, the value of derivative positions not moving in line with the movement in the underlying asset and the Fund being unable to meet payment obligations as they arise in relation to derivatives contracts. There is also counterparty risk, where the counterparty to the derivative contract cannot meet its obligations.

### 3.11 Cybersecurity Risk

There is a risk of financial loss, fraud, business interruption or a data breach (including access to personal information of investors) because of unauthorised access to our systems or the Fund's broking or banking accounts.



## 4. How the Fund Works

### 4.1 About the Fund

The Fund is a managed investment scheme, structured as a unit trust. When you invest in the Fund, your money is pooled with other investors' money and used to acquire assets in accordance with the Fund's investment strategy for the benefit of all Investors.

The terms of the units, including an investor's rights and obligations, are set out in this Information Memorandum and the Fund's Constitution. The Constitution can be amended in certain circumstances, for example, the Trustee can amend the Constitution without investor approval if it reasonably considers that the amendments will not defeat an investor's entitlement to income or capital of the Fund. Otherwise, the Trustee must obtain approval for the amendment by a special resolution of investors (and a resolution may bind investors, regardless of how or whether you vote). A copy of the Fund's Constitution is available upon request by contacting the Manager.

As an investor you have a fixed beneficial interest in the assets of the Fund (as a whole), calculated as the proportion that your unit holding bears to all of the units in the Fund which have been issued. You do not have a right to demand that any assets of the Fund be transferred to you.

### 4.2 Eligible Investors

Investment in the Fund is restricted to those persons who qualify as Eligible Investors. An Eligible Investor is a person:

- who is a wholesale client (see below for details); or
- who is a 'sophisticated investor' by providing a certification from an AFSL holder as having previous experience in using financial services and investing in financial products that allows you to assess the merits, value and risks of investing in the Fund, the person's own information needs and the adequacy of the information we provide.

A person will be considered a 'wholesale client', as that term is defined in the Corporations Act, if they satisfy one of the following:

- Invest at least \$500,000 in the Fund;
- Provide an Accountant's Certificate. Certificates must be no more than 2 years old, confirming the Applicant has at least \$2.5 million in net assets or \$250,000 of gross income for the last two financial years. If the Applicant is a trustee of a unit trust, discretionary trust or self-managed superannuation fund ('SMSF'), the certificate must be in the name of the trustee or a person who controls the trustee;
- Be a 'professional investor' as that term is defined under the Corporations Act, such as an AFSL holder; or
- Otherwise confirm to our satisfaction that you are not a retail client.

Investment in the Fund is open to all types of investors, e.g., individuals, companies and self-managed superannuation funds.

**IMPORTANT:** This document does not contain personal advice that considers the personal circumstances of any person. Prospective investors should seek their own advice regarding the suitability of an investment in the Fund.



## 4.3 Applications

### Application Form

Applications to invest in the Fund must be lodged with a completed Application Form which can be found at [www.alviapartners.com.au](http://www.alviapartners.com.au) or contact the Manager to obtain one.

If you are investing via an IDPS service, you should use the application form attached to the IDPS Guide (and not the Application Form for the Fund) to invest in the Fund.

### Payment of Application Money

Application Money can be paid by cheque or electronic funds transfer (EFT). If you choose to pay your Application Money by EFT, you must send a completed Application Form to the Trustee before your application can be processed.

### Minimum Investment Amount

The minimum initial investment amount is \$50,000. The Trustee, in consultation with the Manager, reserves the right to vary the minimum initial investment amount to a lower amount at its discretion. Interest is not payable on Application Money.

If you are investing via an IDPS service, you should refer to the IDPS Guide for the minimum investment amount.

### Additional Investments

Additional investments in the Fund can be made through a regular savings plan (monthly) at a minimum of \$5,000 per regular contribution or through additional investments. An Additional Investment Form can be accessed at either [www.alviapartners.com.au](http://www.alviapartners.com.au) or requested by contacting the Manager at [info@alviapartners.com.au](mailto:info@alviapartners.com.au) or on (07) 3153 4879.

If you are investing via an IDPS service, you should refer to the IDPS Guide for the process to invest further amounts in the Fund.

### Acceptance or Rejection of Applications

The Trustee may accept or reject an application in whole or in part, for any reason. If your application is rejected (in whole or in part), then the Trustee will repay the applicable Application Money to you, less any applicable taxes, bank fees and charges.



## 4.4 Withdrawals

### Minimum Investment Balance

#### *Term*

The minimum investment balance in the Fund is \$50,000. If you wish to withdraw below the minimum threshold, this must be approved by the Trustee (who will consult with the Manager).

If you have invested through an IDPS, your IDPS operator will provide you with information about withdrawals and any additional requirements.

### Withdrawal Process

You can withdraw part or all your investment in the Fund at any time by writing to the Trustee and requesting a withdrawal, which will also require the completion of Withdrawal Form. Please ensure that the withdrawal request is signed by all relevant parties to the investment.

### Minimum Withdrawal Amount

The minimum withdrawal amount is \$10,000. If a withdrawal could result in an investment balance less than \$50,000, then the Trustee may regard the withdrawal request as being for the entire amount invested.

### Payment of Withdrawal Proceeds

Withdrawal requests are processed as at the final Business Day of each calendar month, and withdrawal requests must be received by 1pm (Brisbane time) on the final Business Day of a calendar month to be processed that month. Withdrawal proceeds are usually paid within 10 business days after the end of the applicable calendar month and are paid by direct credit to your nominated bank account. Withdrawal requests are processed in accordance with our specified procedures and cut-off times.

### Suspension of Withdrawals

It is expected that the Fund will always remain liquid. However, if the Fund is not liquid (as defined in the Corporations Act), then you will only be able to withdraw units if the Trustee (in consultation with the Manager) makes a withdrawal offer to investors.

In some circumstances, we may suspend withdrawals in which case you will not be able to withdraw from the Fund within the usual period. Circumstances where we may suspend the processing and payment of withdrawals include if we receive withdrawal requests at any one time for more than 10% of the value of the net assets of the Fund or due to economic, military or health issues (such as a financial market crash, war or a global pandemic) we are unable to realise Fund investments or we consider it is in the best interests of investors to suspend withdrawals. Any withdrawal request received during a period of suspension will be taken to have been received immediately after the end of the suspension period.



## 4.5 Cut-Off Times

Applications for the Fund are accepted and processed weekly and at each month end.

Withdrawals for the Fund are accepted and processed monthly.

The cut-off time for applications is the final Friday of each week, and the last Business Day of the month at 1pm (Brisbane time). The cut-off time for withdrawals is the last Business Day of the month at 1pm (Brisbane time). Generally, if we receive a completed application or redemption request on or before 1pm (Brisbane time) on the appropriate day, then the application or redemption will be processed as part of the upcoming window, at the applicable unit price at the close of business that day (i.e. the last Business Day of the month). If we receive a completed application or redemption request after 1pm (Brisbane time), then the application or redemption will be processed at the unit price for the next appropriate window.

The processing time for applications and redemption requests may take longer if the application or redemption request is not complete, e.g., if the required identification documents are not provided. Any delay in processing an application or redemption request may result in you receiving a different unit price than you expected.

## 4.6 Unit Pricing

When you invest in the Fund, you will be issued units based on the issue price. The price of units will vary as the value of the assets in the Fund increase or decrease. Unit prices are generally calculated following the close of business on the final Business Day of the month (Brisbane time) based on the Net Asset Value ("NAV") of the Fund, divided by the number of units on issue.

The unit price will be adjusted for transaction costs (also described as the 'buy/sell spread'), such as brokerage, stamp duty and other taxes or charges incurred in buying or selling the underlying assets within the Fund (see Section 5 for further information). In the case of the unit price on the issue of units, the unit price is increased by an allowance for the estimated costs of the purchase of assets in the Fund. In the case of a withdrawal price, the unit price is reduced by the allowance for the estimated cost of the sale of assets in the Fund.

The Trustee may exercise any discretion it has under the Fund's Constitution in relation to unit pricing.

## 4.7 Distributions

The Fund is expected to earn income from its investments, such as distributions, dividends, franking credits, interest and realised gains. Distributions are generally paid on an annual basis, as soon as practicable after the end of each financial year. The Trustee may (in consultation with the Manager) decide to make half-year or other interim distributions and, if so, will inform investors accordingly.

Your share of a distribution from the Fund depends on how many units you hold on the relevant distribution calculation date. The distribution amount an investor receives is calculated by multiplying the number of units the investor holds on the relevant distribution calculation date (i.e. the last day of the distribution period) by the distribution rate per unit.



The amount of each distribution may vary and unit prices for the Fund normally decrease following a distribution.

If you (or your IDPS operator in respect of indirect investors) redeem units from the Fund before a distribution calculation date, then you might turn accrued income into a capital gain (or a reduction in your capital losses) as the withdrawal proceeds might reflect a share of the undistributed income for the distribution period. We recommend that you seek professional tax advice relevant to your particular situation.

If units are transferred to another person during a distribution period (before a distribution is declared), then the transferee will be entitled to receive any distributions in respect of the units declared after the effective date of the transfer.

You can have your distribution reinvested or directly paid into your nominated bank account. If you do not make a direction on the Application Form, your distribution will be automatically reinvested in additional units in the Fund. Transaction costs are not applied in calculating the issue price for units issued under a distribution reinvestment.

Investors may vary their election by writing to us at any time. A letter of variation becomes effective on the next distribution payment date.

## 4.8 Transferring Units

### **Transfer process**

You may transfer units in the Fund to another person by providing us with:

- An approved standard transfer form completed and signed by the transferee and transferor; and
- other such information and confirmations (including Eligible Investor status and identification details for the transferee) that we may request.

Transfers of Units are not effective until the Trustee has updated the register of investors for the Fund. The Trustee may refuse to update the register of investors or withhold its consent to a proposed transfer of units for a number of reasons, including:

- the parties have not completed a standard transfer form in an approved form;
- the transferee does not agree to be bound by the Constitution; or
- the transferee does not qualify as an Eligible Investor.

A transfer of units involves a disposal of units, which may have tax implications, such as capital gains tax and stamp duty. Stamp duty is payable by the transferee unless the parties otherwise agree. You should obtain taxation advice before requesting a transfer.

### **Administrative assistance**

Administrative assistance will be provided to assist Investors with this transfer process, including providing a transfer form.

### **No secondary market**

There is no established secondary market for units in the Fund and units will not be listed on any securities exchange.



## 4.9 Keeping you Informed

The Trustee and the Manager intend to keep investors informed regarding the performance of the Fund. Investors will receive the following:

- Transaction statements for each application and withdrawal you make;
- Annual distribution statement;
- Annual tax statement;
- Quarterly Fund performance reports; and
- Annual audited financial report for the Fund, commencing with the financial year ending 30 June 2021.

Investors who access the Fund through an IDPS will receive reports directly from the IDPS operator, not from the Trustee or Manager.

## 4.10 Taxation

### **Taxation**

Investing in the Fund will have tax consequences. The information contained in the following summary is intended to be of a general nature only. It does not constitute tax advice and should not be relied on as such. Taxation law is complex and its application is dependent on your individual circumstances. You are strongly advised to seek independent professional advice on the tax consequences of an investment in the Fund, based on your circumstances, before making an investment decision.

Your investment in the Fund is likely to have tax consequences, which generally will occur on an annual basis even if you do not change your investment.

Distributions from the Fund will include the income the Fund has generated from its investing activities. The income is expected to retain its character as it passes to the investors. As a result, you may receive distributions from the Fund that include interest, dividends and other income. Australian resident investors are generally subject to tax on their share of the taxable income of the Fund.

Any disposal or redemption of your units in the Fund is likely to trigger a capital gains tax event (provided your investment is held on capital account) and as such you will be required to calculate your capital gain or loss on the disposal.



## **Attribution Managed Investment Trust (AMIT)**

Under the Attribution Managed Investment Trust (AMIT) regime, in broad terms, a managed investment trust (MIT) is allowed to make an election to apply the regime to permit unitholders to have defined interests in relation to the income or capital of the trust.

If the Trustee makes the election for the Fund to operate under AMIT and the Fund satisfies the criteria to apply the AMIT regime, the AMIT rules contain a number of provisions that will impact on the taxation treatment of the Fund. The key features of this include:

- an attribution model for determining member tax liabilities, which also allows amounts to retain;
- their tax character as they flow through a MIT to its unitholders;
- the ability to carry forward understatements and overstatements of taxable income, instead of re-issuing Investor statements;
- deemed fixed trust treatment under the income tax law;
- upwards cost base adjustments to units to address double taxation; and
- legislative certainty about the treatment of tax deferred distributions.

## **Quotation of TFN or ABN**

The Application Form provides for the notification by Investors of their Tax File Number (TFN), TFN exemption or Australian Business Number (ABN). It is not compulsory for an Investor to provide a TFN (or exemption) or ABN. However, if the Trustee is not provided with this information, tax will be required to be deducted from the Investor's income distribution at the highest marginal tax rate.

## **FATCA and CRS**

The Trustee is required to collect information about the tax residency status of investors, including whether the investor is a US citizen or resident for US tax purposes and other relevant information under the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) rules. If an investor is identified as a foreign resident, its account information may be reported to the Australian Taxation Office (ATO) under the FATCA and CRS rules, who in turn may share this information with foreign tax authorities.

## **GST**

The Fund is registered for GST. The issue and redemption of units in each Fund and receipt of distributions will not be subject to GST. However, the Fund may incur GST on fees and expenses that it pays. The Fund may be entitled to claim input tax credits and/or reduced input tax credits on certain of these fees and expenses.



## 5. Fees & Expenses

This section shows fees and expenses that may be charged in connection with an investment in the Fund. You should read all information about fees and expenses, as it is important to understand their impact on an investment in the Fund.

The following tables sets out the fees payable in connection with an investment in the Fund.

Fee for money movements	Amount	How & When Paid
<i>Establishment Fee:</i> Fee on opening investment	Nil	Not Applicable
<i>Contribution Fee:</i> Fee on each amount contributed to investment	Nil	Not Applicable
<i>Redemption Fee:</i> Fee on amount of investment redeemed	Nil	Not Applicable
<i>Exit Fee:</i> Fee to exit the Fund	Nil	Not Applicable
<b>Management Fee</b>		
Fees associated with managing the Fund	0.90% (exclusive of GST) p.a. of the Fund's gross asset value	The management fees accrue daily and is paid from the Fund assets at the end of each month in arrears. This fee is reflected in the unit price.
<b>Performance Fee</b>		
The Manager will only receive a performance fee provided all of the following hurdles are met: <ul style="list-style-type: none"> <li>• The Fund's total return is positive;</li> <li>• The Fund outperforms the Benchmark; and</li> <li>• The previous high-water mark has been exceeded.</li> </ul>	15% (exclusive of GST) for performance above the Benchmark and subject to the high water mark	The performance fee accrues daily and, if payable, is paid from the Fund assets at the end of each calendar quarter in arrears. This fee is reflected in the unit price.



## 5.1 Management Fee

The total management fees payable for the management and operation of the Fund are equal to 0.90% per annum of the Gross Asset Value (GAV) of the Fund (excluding GST) and comprise fees payable to the Trustee and to the Manager.

The Trustee is entitled to be paid:

- a trustee fee of \$1,000 per month (excluding GST); and
- an administration fee of \$30,000 per annum (excluding GST) plus, where applicable, 0.025% per annum (excluding GST) of the amount by which the Fund's GAV exceeds \$20 million.

The fees payable to the Trustee accrue daily and are paid monthly in arrears from the Fund assets.

The administration fee is increased each financial year, commencing the financial year ending 30 June 2021, by the amount of any increase in the CPI over the applicable financial year.

The Manager is entitled a management fee which is equal to the difference between an amount equal of 0.90% per annum (excluding GST) of the Fund's GAV and the fees payable to the Trustee. The management fee payable to the Manager accrues daily and is paid monthly in arrears from the Fund's assets.

The management fees paid to the Trustee and Manager are reflected in the Fund's unit price.

If the trustee fee and administration fee payable to the Trustee would exceed an amount equal to 0.90% per annum of Fund GAV, the excess will be payable by the Manager to the Trustee rather than from the Fund assets. If the Fund has insufficient funds to pay the Trustee, then the Manager will fund any shortfall from its own funds.

## 5.2 Performance Fee

The Manager is entitled to receive a performance fee of 15% (excluding GST) of the Fund's performance above the Benchmark, being 6.00%, and subject to a high water mark. The high water mark is the highest previous quarter-end Fund NAV amount (net of any performance fee paid for that quarter).

A performance fee is not payable for a calendar quarter (being each three month period ending 30 September, 31 December, 31 March or 30 June) unless the Fund NAV at the end of that quarter exceeds the previous high water mark. If the Fund NAV at the beginning of the quarter is less than the high water mark but the Fund NAV at end of the quarter is greater than the current high water mark (and the Fund's performance has exceeded the Benchmark), the performance fee is only calculated on the outperformance in excess of that current high water mark. Where a performance fee is payable for a quarter, the Fund NAV at the end of that quarter less the amount of the performance fee paid becomes the new high water mark.

The performance fee accrues daily and, if payable, is paid quarterly in arrears. The performance fee is deducted from the Fund's assets and is reflected in the Fund's unit price.

The Fund's performance is based on all income (including franking credits) and capital gains / losses of the Fund, calculated on a quarterly basis.

The performance fee calculations must be approved by the Trustee.



An example performance fee calculation is provided below assuming the Fund outperforms the Benchmark and the Fund NAV at the end of the quarter is greater than the high water mark.

#### *Example 1*

*Assume:*

- *the Fund's NAV at the beginning of a quarter is \$10,000,000, which is also the current high water mark;*
- *the Fund's NAV (excluding the impact of any applications into or withdrawals from the Fund and less management fees and expenses payable to the Trustee and Manager) increases to \$10,250,000 at the end of the quarter; and*
- *the Benchmark is 6.00% per annum (which equates to 1.50% for the quarter),*

*then:*

- *the Fund's return for that quarter is \$250,000;*
- *the Benchmark return for that quarter is \$150,000 (1.50% per annum x \$10 million);*
- *the Fund's outperformance for that quarter is \$100,000;*
- *the Manager is entitled to a performance fee for that quarter of \$15,000 (excluding GST) (being 15% x \$100,000); and*
- *the new high water mark for the Fund is \$10,235,000 (being \$10,250,000 less \$15,000).*

The above example is to illustrate how the performance fee is calculated and is not a representation or forecast of the performance of the Fund.

#### *Example 2*

*Assume:*

- *the Fund's NAV at the beginning of a quarter is \$10,000,000, which is also the current high water mark;*
- *the Fund's NAV (excluding the impact of any applications into or withdrawals from the Fund and less management fees and expenses payable to the Trustee and Manager) decreases to \$9,750,000 at the end of the quarter; and*
- *the Benchmark is 6.00% per annum (which equates to 1.50% for the quarter),*

*then:*

- *the Fund's return for that quarter is a loss of \$250,000;*
- *the Benchmark return for that quarter is \$150,000 (1.50% per annum x \$10 million);*
- *the Fund has under performed the benchmark by \$400,000;*
- *the Manager is NOT entitled to a performance fee; and*
- *the high water mark remains at \$10,000,000.*

The above example is to illustrate how the performance fee is calculated and is not a representation or forecast of the performance of the Fund.



### Example 3

Assume:

- The Fund's NAV at the beginning of a quarter is \$9,750,000, which is below the current high water mark of \$10,000,000;
- the Fund's NAV (excluding the impact of any applications into or withdrawals from the Fund and less management fees and expenses payable to the Trustee and Manager) increases to \$10,600,000 at the end of the quarter; and
- the Benchmark is 6.00% per annum (which equates to 1.50% for the quarter),

then:

- the Fund's return for that quarter is \$850,000;
- the Benchmark return for that quarter is \$146,250 (1.50% per annum x \$9.75 million);
- the Fund has outperformed the benchmark by \$703,750;
- the Manager is entitled to a performance fee;
- The performance fee shall only be paid on the performance above the high water mark;
- The performance above the high water mark is \$600,000 (being \$10,600,000 - \$10,000,000);
- the performance fee is \$90,000 (excluding GST) (being 15% x \$600,000); and
- the new high water mark of the Fund is \$10,510,000 (being \$10,600,000 less \$90,000).

All the above scenarios assume the Benchmark has remained unchanged during the period. Any changes to the Benchmark during the period shall be taken into account when calculating Performance Fees.

## 5.3 Expenses

The Fund's Constitution allows all properly incurred expenses to be recovered directly from the assets of the Fund, such as brokerage, custody fees, registry costs, and audit and accounting costs. Fund expenses will generally be paid from the Fund assets as soon as practicable after the expense is incurred.

Similarly, the Investment Management Agreement provides that the Manager is entitled to be reimbursed by the Trustee for all expenses properly incurred by the Manager in performing its obligations under that agreement (such as brokerage).

When expenses are paid by the Fund to the Trustee or Manager, they will be deducted from the Fund's assets and reflected in the Fund's unit price. Expenses are generally paid when incurred.

The payment or reimbursement of the Trustee's and Manager's expenses is in addition to the management and performance fees payable. The fee table at the beginning of this section 5 does not include an estimate of Fund expenses.

## 5.4 Abnormal Expenses

Abnormal expenses such as the cost of investor meetings, defending legal proceedings and the costs of terminating the Fund will generally be paid by the Fund. Abnormal expenses are not generally incurred during the day-to-day operation of the Fund and may not be incurred in any year. Abnormal expenses are in addition to ordinary expenses.



## 5.5 Transaction Costs

Transaction costs incurred in the acquisition or disposal of the assets of the Fund such as brokerage, clearing costs, transaction fees, taxes and stamp duty will generally be paid for by the Fund. Where the acquisition or disposal of assets relates to a subscription or redemption from the Fund, the Fund may recover an estimate of these costs from the investor who is applying for, or redeeming, units through the buy/sell spread.

## 5.6 Buy/Sell Spread

When units are acquired, a buy spread is added to the value of a unit. The buy spread is an amount which reflects the estimated transaction costs associated with acquiring the underlying investments and may take into account the difference between the bid/offer price of investments traded and/or the estimated market impact of the acquisitions on the price of the investments being acquired.

When units are redeemed, a sell spread is subtracted from the value of a unit. The sell spread is an amount which reflects the estimated transaction costs of disposing of the underlying investments and may take into account the difference between the bid/offer price of investments traded and/or the estimated market impact of the disposals on the price of the investments being sold. The buy/sell spread is retained by the Fund and not paid to the Trustee or the Manager – it is not a management fee.

A buy/sell spread seeks to ensure that the estimated transaction costs of the issue or redemption of units are borne by the investor who is applying for or redeeming the units and not by the existing investors in the Fund. The buy/sell spread may apply even if no transaction to acquire or dispose of assets is required (for example, where there is an application from one investor and a corresponding redemption by another investor).

At the date of this Information Memorandum, the buy/sell spread for the Fund is + 0.30% for applications and - 0.30% for redemptions, however it may vary from time to time. In certain circumstances, the buy/sell spread may increase significantly. Notice will not usually be provided to investors for variations to the buy/sell spread. Current buy/sell spreads that may be applicable to an application or redemption from the Fund are posted on the Manager's website.

The Trustee may, at its discretion, reduce the buy/sell spread in certain circumstances, for example where an investor subscribes using assets (rather than cash) on an application or receives assets (rather than cash) on a redemption of units.

### **Example 1: Buy Spread**

An applicant wishes to invest \$100,000 in the Fund when the unit value is \$1.05. The issue price will be \$1.0531 (\$1.05 + 0.30%) and hence the investor will receive 94,957.7438 units in the Fund.

### **Example 2: Sell Spread**

An investor wishes to sell 105,000 units in the Fund when the unit value is \$1.05 (investment value of \$110,250). The withdrawal price will be \$1.0468 (\$1.05 - 0.30%) and hence the investor will receive redemption proceeds of \$109,914.



## 5.7 Waiver or Deferral Fees

The Manager and/or Trustee may, in their absolute discretion, accept lower fees and expenses than they are entitled to receive, or they may defer payment of those fees and expenses for any time. If payment is deferred, then the fee will accrue until paid. The Manager and/or Trustee may also pay or share any of its fees with third parties at their discretion.

## 5.8 Differential fee arrangements

The Manager may negotiate different fee arrangements, such as fee rebates, waivers or reductions, with investors. Such differential fee arrangements will be by individual negotiation between the Manager and investor.

## 5.9 GST

All fees quoted in this document are exclusive of GST.

## 5.10 Additional Fees

Additional fees may be paid by you to your financial adviser.



## 6. Additional Information

### 6.1 Privacy

When you apply to invest in the Fund you will provide personal information to us and consent to the use and disclosure of your personal information. We respect your right to privacy and will deal with your personal information in accordance with our privacy policy. This section summarises our personal information handling practices.

Generally, your personal information will only be used to process your application to invest and to administer your investment, including:

- Complying with applicable laws and regulatory obligations;
- Maintain registers, e.g., the investor register;
- Paying distributions;
- Dealing with complaints and queries;
- Verifying your identity (and the identity of other applicable persons, e.g., beneficial owners); and
- Communicating and reporting to Investors, e.g., sending reports and notices of meetings.

Personal information will be shared between the Trustee and the Manager and may also be provided to service providers and third parties on the basis that they deal with such information in accordance with the *Privacy Act 1988 (Cth)*. The parties that may be provided with your personal information and the circumstances in which your personal information may be disclosed include:

- Mail houses and their printers for the preparation and distribution of documents to you;
- Administration and registry providers;
- Electronic data verification providers;
- Service providers and other professionals, such as custodians, lawyers, accountants and auditors; and
- Government and other regulatory authorities when permitted or required by law, such as the ATO, ASIC and AUSTRAC.

As an investor, you have the right to know the information the Trustee holds about you and to require us to correct any errors. We make reasonable efforts to ensure the confidentiality and security of records covering personal information.

A copy of our privacy policy is available at [www.ddhgraham.com.au](http://www.ddhgraham.com.au).

### 6.2 Liability of Investors

The Constitution contains provisions intended to limit the liability of investors to any unpaid subscription amount and amounts owed to the Fund as provided for in the Constitution. Despite this, there can be no absolute assurance that the liability of investors will be limited as intended by these provisions as the determination of the ultimate liability of Investors rests with the courts.



## 6.3 Trustee Liability

The Constitution deals with the Trustee's liability and when the Trustee can be reimbursed out of the Fund's assets, for example:

- The Trustee is generally not liable for acting in reliance and in good faith on professional advice;
- The Trustee is not liable for any loss unless it acts fraudulently, negligently or in breach of trust; and
- The Trustee can be reimbursed for all expenses that it incurs in connection with the performance of its duties in respect of the Fund.

## 6.5 Material Contracts

This section is a summary of certain material legal documents relating to the Fund, namely the Constitution and Investment Management Agreement.

### **Constitution**

The Constitution for the Fund is the primary document that governs the way the Fund operates.

The Constitution sets out many of the rights, liabilities, powers and responsibilities of both Investors and the Trustee and deals with a wide range of matters including:

- Distributions;
- Transfer of units;
- Issue and redemption of units;
- Retirement and removal of the Trustee;
- Meetings of Investors;
- Trustee fees and expenses; and
- Winding up.

Investors agree to be bound by the Constitution (as amended from time to time).

While the Fund is not a registered managed investment scheme, the Trustee may amend the Constitution without the approval of investors in a range of circumstances, including:

- to make consequential amendments following any amendment approved by investors;
- to cure any ambiguity or correct or supplement any provision which is incomplete or inconsistent with any other provisions;
- to make any other amendment to this Constitution which the Trustee reasonably considers necessary or desirable provided that it is not materially prejudicial to the interests of investors; and
- to make any changes necessary or desirable to satisfy any requirements, conditions or guidelines of any law or regulation.



In addition, while the Fund is not a registered managed investment scheme, the Constitution may be modified, repealed or replaced by:

- a special resolution of investors; or
- by the Trustee if it reasonably considers the change will not result in any defeasance of the entitlement to income or capital of the Fund.

## **Investment Management Agreement**

Alvia Asset Partners Pty Ltd (“Manager”) has been appointed to manage the assets of the Fund. The duties of the Manager under the Investment Management Agreement include the following:

- Investing and managing the Portfolio
- Designing and implementing the investment strategy;
- Sourcing, evaluating and negotiating the acquisition of assets for the Fund;
- Disposing of assets of the Fund;
- Selecting, appointing and reviewing the performance of any broker; and
- Providing other services reasonably required by the Trustee.

Under the terms of this agreement, the Manager is entitled to the fees outlined in Section 5.

The Investment Management Agreement sets out the circumstances in which it may be terminated, including:

- the Manager goes into liquidation;
- the Manager ceases to carry on business as an investment manager;
- the Trustee ceases to be the trustee of the Fund;
- the Manager materially breaches any provision of the agreement and fails to correct the breach to the reasonable satisfaction of the Trustee within 20 Business Days; or
- if the Trustee and Manager agree.

## **6.6 Copy of the Constitution**

A copy of the Constitution is available for inspection from the Manager’s office. Applicants should consider whether it is necessary for them to obtain independent advice on the Constitution.



## 6.8 Identification and Verification

In making the offer contained in this document and in operating the Fund, the Trustee is required to comply with the AML/CTF Law. This means the Trustee needs to obtain identification information when you apply to invest and undertake transactions in relation to your investment. Details of identification documents required for you to invest in the Fund are set out in the application form.

The Trustee may also be required to undertake further identification and verification activities in relation to your investment. In some circumstances the Trustee may need to re-verify information.

By applying to invest, you acknowledge that:

- The Trustee may use your personal information to verify your identity (including the identity of any person or entity associated with you, such as your beneficial owners) using independent and electronic data sources, which may involve disclosure of your personal information to service providers, government or regulatory bodies, credit agencies or other information holders and repositories; and
- The Trustee may decide to delay or refuse any request for any transaction if it is concerned that the request or transaction may breach any obligation, or cause the Trustee to commit or participate in an offence under any AML/CTF Law and the Trustee will not incur any liability to you if it does so.

## 6.9 Providing Instructions

Investors who use electronic means to provide instructions (e.g., applications and withdrawal requests) to the Trustee do so at their own risk. The Trustee does not take any responsibility for not receiving a request, despite any electronically generated confirmation an Investor may receive. Electronic communication can be unreliable and confirmation of the Trustee's receipt of a communication should be sought by telephone.

In sending any instruction, the Investor releases the Trustee from, and indemnifies the Trustee against, any loss or liability arising as a result of processing an instruction that bears the Investor's account number and a signature apparently that of the Investor or authorised signatory on the account.



## 7. Glossary

In this document:

**AFSL:** Australian Financial Services License

**AML/CTF Law:** *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)*

**Application Form:** The application form for Units.

**Application Money:** The money payable by an applicant on submitting the Application Form.

**ASIC:** Australian Securities and Investments Commission

**Business Day:** A day other than a Saturday, Sunday or a public holiday in Brisbane, Queensland, Australia.

**Constitution:** The constitution of the Fund, dated 23 June 2020, as amended from time to time.

**Corporations Act:** *Corporations Act 2001 (Cth)*

**Document:** This Information Memorandum dated 23 June 2020.

**Eligible Investors:** A person permitted to invest in the Fund (as set out in section 4.2), which requires the person to be a Wholesale Client.

**Fund:** Alvia High Conviction Fund

**GAV or Gross Asset Value:** The gross value of the Fund's total assets.

**Investor:** A holder of Units.

**Investment Management Agreement:** The investment management agreement between the Manager and the Trustee dated 23 June 2020.

**Long Position:** Holding physically a positive amount of an asset in the expectation that the value of that asset will appreciate.

**Manager:** The manager of the Fund appointed under the terms of the Investment Management Agreement, being Alvia Asset Partners Pty Ltd (ACN: 640 085 025) [AFS Representative No. 001281968].

**Management Fee:** The management fees payable to the Manager in accordance with the Investment Management Agreement, as set out in section 5.1.

**NAV or Net Asset Value:** The value of the Fund's total assets less the value of any liabilities.

**Performance Fee:** The performance fee payable to the Manager in accordance with the Investment Management Agreement, as set out in section 5.2.

**Portfolio:** The portfolio of investments of the Fund.

**Short Position:** Holding a negative amount of an asset in the expectation that the value of that asset will decrease.



**Short selling or shorting:** Selling an investment (which has been borrowed from another party) with the intention of buying it back at a later date.

**Trustee:** DDH Graham Limited (ABN 28 010 639 219)(AFSL 226319).

**Unit(s):** A fully paid unit in the Fund.

**Wholesale Client(s):** Wholesale clients as defined in section 761G of the Corporations Act and sophisticated investors as defined in section 761GA of the Corporations Act.



## 8. Directory

### **Investment Manager**

#### **Alvia Asset Partners**

Level 2, 283 Elizabeth St, Brisbane City QLD 4000

(07) 3153 4879

[info@alviapartners.com.au](mailto:info@alviapartners.com.au)

[www.alviapartners.com.au](http://www.alviapartners.com.au)

### **Trustee, Administration & Registry**

#### **DDH Graham Limited**

Level 9, 324 Queen St, Brisbane, QLD 4000

(07) 3210 2277

[fundadmin@ddhgraham.com.au](mailto:fundadmin@ddhgraham.com.au)

### **Investor Relations**

Please contact the Investment Manager.