



# FEDERATION ALTERNATIVE INVESTMENTS

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## PRODUCT DISCLOSURE STATEMENT

24 May 2021

Federation Asset Management Pty Ltd (ABN 39 628 789 220)

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APIR Code: ETL6849AU  
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CERTIFIED BY RIAA



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# IMPORTANT INFORMATION

This is the Product Disclosure Statement (“PDS”) for an offer to invest in Federation Alternative Investments (“FAI” or the “Fund”) which comprises of Federation Alternative Investments Trust 1 ARSN 634 838 216 (“Trust 1”) and Federation Alternative Investments Trust 2 ARSN 634 840 458 (“Trust 2”). Investors will be issued Stapled Units with each stapled security comprising one unit in Trust 1, which is Stapled to one unit in Trust 2 (together “Stapled Entities” and each a “Stapled Entity”). This PDS was issued on 24 May 2021.

FAI Trust 1 and Trust 2 have been registered with ASIC as managed investment schemes under the Corporations Act.

## Responsible Entity and Issuer of PDS

This PDS has been issued by Equity Trustees Limited (ABN 46 004 031 298 AFSL 240975) and EQT Responsible Entity Services Ltd (ABN 94 101103 011 AFSL No 223271) in their separate capacities as responsible entity of Trust 2 and Trust 1 respectively (referred to throughout this PDS as the “Responsible Entity”, “us” or “we”).

## Investment Manager

The investment manager of FAI is Federation Asset Management Pty Ltd (ABN 39 628 789 220 AFSL No 516560) and is referred to throughout this PDS as the “Investment Manager” or “Federation”.

## Administrator

The administrator of FAI is Apex Fund Services Ltd and is referred to throughout this PDS as the “Administrator”.

## Fund Custodian

The Responsible Entity acts as the custodian of assets of FAI, however reserves the right to appoint an external custodian in respect of some assets subject to complying with applicable laws in relation to custody. This custodian is referred to throughout this PDS as the “Fund Custodian”.

## Eligibility and Selling Restrictions

Unless otherwise determined by the Responsible Entity, the offer made in this PDS is available only to persons receiving this PDS in Australia and New Zealand (electronically or otherwise).

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”). The Responsible Entity may vary its position and offers may be accepted on merit at the Responsible Entity’s discretion. The units in FAI have not been, and will not be, registered under the US Securities Act unless otherwise determined by the Responsible Entity 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.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an invitation. The distribution of this PDS in jurisdictions outside Australia or New Zealand may be restricted by law. Persons who come into possession of this PDS who are not in Australia or New Zealand should seek advice on, and observe any such restrictions in relation to, the distribution or possession of this PDS. Any failure to comply with any such restrictions may constitute a violation of applicable securities law.

The Responsible Entity may determine to extend the offer or invitation by private placement to select persons in certain jurisdictions other than Australia and New Zealand.

## Investors to Complete the Application Form and Review Accompanying Declarations

Other than as permitted by law, investments in FAI will only be accepted following receipt of a properly completed Application Form.

## Indirect Investors

The Responsible Entity has authorised the use of this PDS as disclosure to investors and prospective investors who invest directly in FAI, 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”) (“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 their IDPS Guide before investing in FAI. Indirect Investors should note that they are directing the IDPS Operator to arrange for their money to be invested in FAI on their behalf. Indirect Investors do not become unit holders in FAI or have rights of unit holders. The IDPS Operator becomes the unit holder in FAI 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 FAI (including an application form where applicable) will also be contained in the IDPS Guide. Equity Trustees accepts no responsibility for IDPS Operators or any failure by an IDPS Operator to provide Indirect Investors with a current version of this PDS as provided by Equity Trustees or to withdraw the PDS from circulation if required by Equity Trustees. Please note that secondary trading on the PrimaryMarkets platform is not available for Indirect Investors accessing FAI through an IDPS.

## 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 (Aust) 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 are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) 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 a financial advice provider.
- 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) If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.
- k) The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

## Cooling Off Period

There is no cooling off period with respect to Stapled Units issued under the Offer.

## Kuwait Investors

Equity Trustees may admit certain other investors in Kuwait into the Fund. Refer to section 'Other Important Information' under the heading 'Kuwait Investors – Warning Statement' for more information.

## Kingdom of Saudi Arabia (“KSA”) Investors

Equity Trustees may admit certain other investors in KSA into the Fund. Refer to section 'Other Important Information' under the heading 'KSA Investors – Warning Statement' for more information.

## United Arab Emirates, including the Dubai International Finance Centre and Abu Dhabi Global Market, (together the “UAE”) Investors

Equity Trustees may admit certain other investors in UAE into the Fund. Refer to section 'Other Important Information' under the heading 'UAE Investors – Warning Statement' for more information.

## Not Investment Advice

This PDS is prepared for your general information only. It is not intended to be a recommendation by the Responsible Entity, the Investment Manager or any associate, employee, agent or officer of the Responsible Entity, the Investment Manager or any other person to invest in FAI. ASIC takes no responsibility for the contents of this PDS and expresses no view regarding the merits of the investment set out in this PDS.

The information contained in this PDS is not financial product advice. 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 FAI solely on the information in this PDS. You should consider the suitability of FAI in view of your financial position and investment objectives and needs and should seek professional advice tailored to your personal circumstances before making an investment decision.

## No Performance Guarantee

An investment in Stapled Units is not an investment in, or a deposit with, or any other type of liability of the Responsible Entity or any other member of Equity Trustees and is subject to investment and other risks, including possible delay in repayment and loss of income and capital invested.

None of the Responsible Entity or the Investment Manager or their respective employees, agents or officers guarantees the success, repayment of capital or any rate of return on income or capital or investment performance of FAI.



# IMPORTANT INFORMATION

## Past Performance is not a Reliable Indicator of Future Performance

The target return on any investment may be affected by assumptions or by unknown risks. The results of any investment may differ materially from the results anticipated. Some of the key risk factors that should be considered by prospective investors are set out in 'Risks' section of this PDS. There may be risk factors in addition to these that should be considered in light of your personal circumstances. Each prospective investor shall be taken to have read and understood the 'Risks' section of this PDS.

If you are in any doubt, you should consider seeking professional advice tailored to your personal circumstances.

## Illiquid Investment

Applicants should understand that FAI is expected to be an illiquid fund and an investment in FAI is expected to be an illiquid investment. Subject to an ability to sell via the PrimaryMarkets platform, a return of capital will only be possible where assets of FAI are sold and FAI is wound up.

## Forward Looking Statements

This PDS contains forward looking statements. These statements can be identified by the use of words such as 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'predict', 'guidance', 'plan' and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements.

Preparation of these forward looking statements was undertaken with due care and attention. However, forward looking statements are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of FAI to be materially different from those expressed or implied in such forward looking statements. Some of the risk factors that impact on forward looking statements in this PDS are set out in the 'Risks' section. Other than as required by law, none of Responsible Entity, its associates or their respective directors, officers, employees or advisers or any other person gives any assurance that the events expressed or implied in any forward looking statements in this PDS will actually occur. You are cautioned not to place undue reliance on those statements.

## No Representations Other Than Contained in this PDS

You should seek your own independent financial advice and should only rely on the information in this PDS when deciding whether to invest in FAI. No person is authorised to give any information or to make any representation in connection with FAI that is not contained in this PDS. Only information or representations contained in this PDS may be relied upon as having been authorised by the Responsible Entity in connection with FAI.

Stapled Units are offered and issued by the Responsible Entity subject to the Constitutions of Trust 1 and Trust 2, and on the terms and conditions described in this PDS. You should read this PDS because you will become bound by it if you become a holder of Stapled Securities.

## Obtaining a Copy of this PDS

This PDS may be viewed online on FAI's webpage at: [www.eqt.com.au/insto](http://www.eqt.com.au/insto). If you accessed the electronic version of this PDS, you should ensure that you download and read this PDS in full. A paper copy will be provided free upon request. Please call the Responsible Entity on +61 3 8623 5000 for a copy.

This PDS should be read together with the Constitutions of Trust 1 and Trust 2. A copy of each Constitution is available from the Responsible Entity by calling +61 3 8623 5000.

## Updated Information

Certain information in this PDS is subject to change from time to time. Information that has changed which is not materially adverse, but which the Responsible Entity wishes to provide to Investors, will be made available on its website at [www.eqt.com.au/insto](http://www.eqt.com.au/insto).

Where considered appropriate by the Responsible Entity, you will be notified in writing of any changes.

A paper copy of any updated information will be provided free of charge on request. Copies of any updated information may be obtained from the Responsible Entity by calling +61 3 8623 5000.

## Continuous Disclosure

ASIC's Regulatory Guide 198 'Unlisted disclosing entities: Continuous disclosure obligations' ("RG 198"), Equity Trustee advises that it will fulfil its continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance. Investors may access material information regarding FAI from its webpage at [www.eqt.com.au/insto](http://www.eqt.com.au/insto)

## Date of Information

Unless otherwise specified, all information contained in this PDS is stated as at the date of this PDS.

## Defined Terms

All amounts are in Australian dollars unless otherwise specified and all references to legislation are to Australian law unless otherwise specified. References to times are to Australian Eastern Daylight Time (AEDT) unless otherwise specified.

Unless otherwise stated or implied, references to dates or years are financial year references. Any discrepancies between total and sums and components in tables contained in this PDS are due to rounding.

A glossary of important terms used in this PDS can be found in the 'Glossary of Important Terms' section.

## Questions

If you have any questions about the PDS please contact the Responsible Entity on +61 3 8623 5000 (inside Australia) between the hours of 8.30am and 5.00pm Monday to Friday Australian Eastern Standard Time (AEST) (excluding public holidays).

# LETTER FROM FEDERATION ASSET MANAGEMENT

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Dear Investor,

I am proud to invite you to invest in Federation Alternative Investments.

Federation's purpose is to protect and grow our clients' capital in a sustainable and responsible way.

We invest in businesses and assets that meet a social and economic need. Federation provides the capital they need to grow, as well as strategic, analytical and operational support brought from many years of experience supporting similar businesses and assets.

Our principles represent our core values and how we wish to behave with each other and with our stakeholders:

1. Performance. We strive for excellence through insight, access, analysis and effort.
2. Accountability. We take responsibility and we act decisively.
3. Teamwork. We are respectful, collaborative and fair. We value diversity.
4. Integrity. We maintain sustainable and responsible business practices. We do the right thing.

Federation has a track record of producing outstanding returns. Further information in relation to our track record, target return of 15% per annum and target distribution yield of 3% per annum is included in this PDS.

We are focused on preserving capital, not just producing excess returns. Risk management is central to our investment process, building upon the backgrounds of the senior members of the investment team.

Our team is known for its investment acumen and disciplined, prudent, measured and transparent approach to investing. In addition to an excellent track record, the team enjoys a deep domain of expertise in each of our target sectors and, importantly, has experience working together as a team over many years.

We cover a lot of ground. Federation has sourced over 500 actionable investments since our inception on 3 September 2018 and the team is currently analysing over 20 actionable investments in our proprietary pipeline.

We are disciplined in how we invest. The Investment Committee has approved less than 2% (by value) of the investment opportunities sourced.

Alignment with investors is critical to Federation and we employ best-in-class corporate governance arrangements via an external trustee, finance and compliance functions.

Doing the right thing is important to us. Federation is a signatory to the United Nations Principles for Responsible Investment and is certified by the Responsible Investment Association of Australia. Federation is an equal opportunity employer and we value integrity, respect and inclusion.

Federation is pleased to be working with PrimaryMarkets to provide a potential liquidity mechanism for its investors. Further information on liquidity and the trading platform is included in this PDS. If you wish to continue to hold your investment, you should expect a return of your investment and the related investment returns on or by the expected term of the unlisted trust, 25 September 2024 (subject to any subsequent extensions).

I hope to welcome you as an investor with Federation.

Yours sincerely,



Cameron Brownjohn  
Chief Executive Officer

# 1. SUMMARY OF FEDERATION ALTERNATIVE INVESTMENTS

ITEM	DESCRIPTION	MORE INFORMATION
Name	Federation Alternative Investments (“FAI”).	‘About FAI’
Investment Objective	FAI’s investment objective is to make Target Investments that the Investment Manager expects will support FAI’s Target Return Objective and Target Yield Objective.	‘About FAI’
Target Investments	<p>FAI’s target investments include renewable energy investments, real estate investments and investments in operating companies with strong growth potential (each, an “Investment Strategy”).</p> <p>FAI intends to invest across the Asia-Pacific region, and such other jurisdictions as determined by the Investment Manager, exercising its good faith judgment. It is acknowledged that the holding entities for investments may be domiciled inside or outside of countries in the Asia-Pacific region.</p> <p>FAI’s primary investment focus is on direct and indirect equity investments, or such other investments if the Investment Manager foresees a pathway to equity.</p>	‘About FAI’
Investment Allocation	<p>Once capital is fully deployed, the Investment Manager aims to allocate an equivalent amount of funds raised under this PDS towards:</p> <ul style="list-style-type: none"> <li>• The production, storage and distribution of clean energy (Federation Renewable Energy);</li> <li>• The provision of social, health and education related real estate (Federation Real Estate); and</li> <li>• The growth of companies that meet a social and economic need (Federation Private Equity).</li> </ul> <p>The investment allocation may vary from time to time including but not limited to situations where FAI is acquiring or realising positions in investee companies or assets.</p>	‘About FAI’
Target Return Objective <sup>1</sup>	The Investment Manager seeks to acquire investments which support FAI’s total return objective of 15% per annum (after taking into account fees and costs of FAI, but before taxation), over the life of FAI.	‘About FAI’ ‘Risks’
Target Yield Objective <sup>2</sup>	The Investment Manager seeks to acquire investments which support FAI’s average income distribution yield objective of 3% per annum (after taking into account fees and costs of FAI, but before taxation), over the life of FAI.	‘About FAI’ ‘Risks’

1 This is a target only and may not be achieved: Actual returns achieved will be influenced by a range of factors including the valuation and performance of FAI’s underlying investments. The target rate is not a forecast and there is no assurance that FAI will achieve its investment objectives. Investors may not get back the full value of their investment and in certain circumstances investors could lose all of their investment. Investors should read the ‘Risks’ section of this PDS as risks may impact the ability of FAI to achieve the Target Return Objective. The rate is expressed on an average annualised basis having regard to the investment objective for the life of FAI. It may take some time until the target portfolio construction is achieved and this will impact the ability to achieve the stated rate of return, including in the first few years of the term of FAI. The Target Return Objective is based on the total return objective of FAI and is inclusive of the Target Yield Objective referred to below

2 This is a target yield only and may not be achieved. See above notice in relation to target information in this PDS



ITEM	DESCRIPTION	MORE INFORMATION
<b>Distribution Policy</b>	It is the current intention of Federation to seek to pay distributions as funds become available for distribution, with any such distribution expected to be payable half yearly in arrears in February and August, with respect to the preceding six months periods ending 31 December and 30 June.	'Investing in FAI'
<b>Liquidity</b>	<p>Investors have the ability to buy and sell units in FAI through the PrimaryMarkets platform ("Trading Platform").</p> <p>The Trading Platform allows trading to take place during business hours on each business day.</p> <p>The Trading Platform has the added benefit that the trading price will be set at NAV. The Investment Manager updates and publishes NAV on a quarterly basis, with the latest published NAV becoming the updated "Trading Price".</p>	'Investing in FAI' 'Risks'
<b>Term of FAI</b>	<p>FAI is a closed end investment trust with an expected term through to 25 September 2024 (subject to any subsequent extensions).</p> <p>To the extent you elect to hold your investment in FAI until the end of the term, you should expect a return of your investment (and the related investment returns) on or before this date.</p> <p>Given the Target Investments are illiquid and the time it takes to divest them can be affected by market conditions, the Responsible Entity can extend the term of FAI by two successive one (1) year periods subject to commercial analysis based on the market conditions and where the Responsible Entity and Investment Manager deem it to be in the best interests of Unitholders. An additional one-year period extension is permitted to be made if approved by a Special Resolution of Unitholders.</p>	'Investing in FAI' 'Other Important Information'
<b>Structure</b>	Stapled Australian trusts, comprising of Federation Alternative Investments Trust 1 (ARSN 634 838 216) and Federation Alternative Investments Trust 2 (ARSN 634 840 458).	'About FAI'
<b>Borrowing Policy</b>	FAI (or any of the underlying Sub-Trusts) has the capacity to make borrowings in accordance with the borrowing policy of FAI.	'Other Important Information' under the heading 'Borrowing Policy'
<b>Valuation Policy</b>	Valuations of the assets of FAI are undertaken in accordance with the valuation policy which shall include an annual review by the Fund auditor of each underlying investment as at 30 June of each calendar year (each, a "Valuation Date"), or more frequently at the absolute discretion of the Investment Manager. The Investment Manager also provides updated director valuations each quarter.	'Other Important Information' under the heading 'Valuation Policy'
<b>Application Price</b>	During the Offer Period, the application price of a Stapled Unit is \$2.27.	'Investing in FAI'
<b>Minimum Initial Investment</b>	AUD \$20,000. The Responsible Entity may (at its absolute discretion) accept a lower amount.	'Investing in FAI'

# 1. SUMMARY OF FEDERATION ALTERNATIVE INVESTMENTS

ITEM	DESCRIPTION	MORE INFORMATION
Offer Open Date	Monday 24 May 2021.	
Offer Period	<p>The Offer will close at 4:00 pm AEST on Friday 6 August 2021 (“Offer Close Date”) or such other date determined and notified by the Responsible Entity.</p> <p>The Responsible Entity intends to progressively process applications and issue Stapled Units on a monthly basis ahead of the Offer Close Date.</p>	‘Other Important Information’ under the heading ‘Rights and Obligations Attaching to Units’
Applications	<p>Applications, together with all supporting documentation and cleared funds, should be sent to the Administrator.</p> <p>The Responsible Entity may accept or reject applications in its sole discretion. For the avoidance of doubt, the Responsible Entity reserves the right not to issue Stapled Units to the relevant applicant if any part of the application has not been received by the Administrator by 4:00 pm AEST on the Offer Close Date.</p>	‘Investing in FAI’
Future Offer Periods	The Responsible Entity reserves the right to reopen the Offer at its absolute discretion. Any future offer will likely be under an updated offer document, and at a price equal to the “Relevant Issue Price” at that time.	‘Other Important Information’ under the heading ‘Rights and Obligations Attaching to Units’
Fees and Other Costs	The fees and costs of FAI are further described in the ‘Fees and Other Costs’ section of this PDS and will impact the returns received by Unitholders in FAI.	‘Fees and Other Costs’
Currency Denomination	<p>The functional currency of FAI is AUD.</p> <p>The Responsible Entity may (on behalf of FAI) convert AUD into and out of foreign currency at the applicable exchange rate quoted to the Responsible Entity by any financial institution and at any time as it determines.</p> <p>Annual tax distribution statements (refer to the ‘Taxation’ section) will be provided to Unitholders in AUD.</p>	‘Taxation’

ITEM	DESCRIPTION	MORE INFORMATION
Risks	<p>An investment in FAI is subject to risks, which are discussed in the 'Risks' section of this PDS. Select risks include:</p> <ul style="list-style-type: none"> <li>• Liquidity – The risk that FAI will be unable to sell investments in a timely manner at the end of the intended term of FAI to provide cash back to investors. For investors who seek liquidity from the Trading Platform, there is risk that there may not be willing buyers at the relevant time.</li> <li>• Legal, Regulatory and Tax – The risk that changes in any law (including tax laws), regulation or government policy in Australia or other applicable jurisdictions could have an impact on FAI's performance. This includes the risk of the availability and access to government subsidies which may impact the viability of FAI's investments.</li> <li>• Financing – Borrowing may increase the potential for reductions in distributions and/ or capital losses if asset values fall or income from the asset or portfolio declines. Some or all of the interest on borrowings may be calculated on floating interest rates which may negatively impact returns if interest rates were to increase.</li> <li>• No Guarantee – Although the Federation team has extensive experience analysing, investing in and managing investments, FAI is a recently formed entity with limited financial, operating or performance history upon which to evaluate its likely performance. There is a risk that Federation will fail to deliver positive returns or that the strategy will fail to perform as expected, in which case the investment objective for FAI may not be achieved. No assurance is provided as to FAI's ability to achieve its objectives.</li> <li>• Personnel – Investors in FAI will have no direct control over the day-to-day management decisions of FAI or the Investment Manager. Therefore, if key investment personnel at Federation are lost (for example, through departure, disability or even death) there is no guarantee that their skills can be easily or quickly replaced. This is likely to have an impact on the performance of FAI.</li> <li>• Taxation – FAI may be impacted by changes in taxation legislation. Taxation law may change as a result of legislation, case law in Australia, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of tax authorities.</li> </ul> <p>As FAI invests into three separate Investment Strategies, there are certain other risks that are specific to these Investment Strategies.</p>	'Risks'

# 1. SUMMARY OF FEDERATION ALTERNATIVE INVESTMENTS

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CONTACTS	DESCRIPTION	MORE INFORMATION
Investment Manager	Federation Asset Management Pty Ltd Suite 30.04, Chifley Tower 2 Chifley Square Sydney, NSW 2000, Australia  Ph: +61 2 8650 4500 Web: www.federationam.com	'About Federation'
Administrator	Apex Funds Services Ltd C/o Apex Fund Services (Australia) Pty Ltd PO Box A517, Sydney South, NSW 1235, Australia  Ph: +61 2 7201 9015 Web: www.theapexgroup.com	'About the Administrator'
Responsible Entity	Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975)  EQT Responsible Entity Services Ltd (ABN 94 101 103 011, AFSL 223271)  GPO Box 2307 Melbourne, VIC 3001, Australia  Ph: +61 3 8623 5000 Web: www.eqt.com.au	'About the Responsible Entity'

## 2. ABOUT FAI

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### 2.1 The Opportunity

Federation Alternative Investments invests in businesses and assets that meet a social and economic need.

FAI has six investments underway and new investors will gain access to these existing investments and all future investments of FAI. The existing investments include:



**Windlab** is a developer of wind farms. In addition to a growing operational portfolio and existing asset management operations, Windlab possesses a 7.7GW development portfolio in Australia and internationally. FAI invested in Windlab in September 2019.



**Sendle** is a capital-light domestic and international parcel delivery service and e-commerce logistics company. FAI became the 2nd largest shareholder in Sendle in December 2018.



**Plenti (formerly RateSetter)** is a consumer finance, auto finance and renewable energy lender and one of Australia's fastest growing non-bank lenders. FAI invested in Plenti in December 2018.



**George Health's** contract research organisation provides a full range of clinical trial services to pharmaceutical, medical device and diagnostic consumers, with a strong and growing contract book. George Health also owns the rights to a proprietary renal dialysis technology, a digital healthcare platform and a late stage pharmaceuticals developer. FAI became a significant investor in December 2019.



**Federation Education REIT** is an unlisted, long WALE investment trust designed to build and acquire education facilities and childcare centres in metropolitan locations across Australia for children up to five years of age.



**Synergis Fund** is an unlisted disability housing trust, launched in joint venture with Social Ventures Australia, with a vision to lead the way in National Disability Insurance Scheme accommodation for individuals living with disability in Australia.

Further information on FAI's existing investments is outlined in the 'Existing Portfolio' section.











Target Investments are equity and equity-related investments, although debt or hybrid investments may be made where the Investment Manager foresees a realistic pathway to equity.

Target Investments are predominantly in the Asia-Pacific region, and such other jurisdictions as determined by the Investment Manager, exercising its good faith judgment. It is acknowledged that the holding entities for investments may be domiciled inside or outside of countries in the Asia-Pacific region.



## 2. ABOUT FAI

Key opportunity sets that are expected to continue to provide potential target investments include:

Renewable Energy	Real Estate	Private Equity
<b>GENERATION</b> <ul style="list-style-type: none"> <li>• Solar</li> <li>• Wind</li> <li>• Behind-the-meter</li> <li>• Hybrid</li> </ul> 	<b>EDUCATION</b> <ul style="list-style-type: none"> <li>• Long WALE REIT</li> </ul> 	<b>HEALTHCARE</b> <ul style="list-style-type: none"> <li>• Services</li> <li>• Facilities</li> <li>• Products</li> </ul> 
<b>STORAGE AND TRANSMISSION</b> <ul style="list-style-type: none"> <li>• Battery</li> <li>• Hydrological</li> <li>• Hydrogen</li> <li>• Interconnector</li> </ul> 	<b>DISABILITY</b> <ul style="list-style-type: none"> <li>• Disability housing</li> <li>• Government covenant</li> </ul> 	<b>TECHNOLOGY</b> <ul style="list-style-type: none"> <li>• SaaS</li> <li>• Internet of Things</li> <li>• Technology-enabled</li> </ul> 
<b>BIOENERGY</b> <ul style="list-style-type: none"> <li>• Waste to Energy</li> <li>• Biomass</li> <li>• Anaerobic digestion</li> </ul> 	<b>HEALTHCARE</b> <ul style="list-style-type: none"> <li>• Long WALE REIT</li> </ul> 	<b>FINANCIAL</b> <ul style="list-style-type: none"> <li>• Services</li> <li>• Assets</li> <li>• FinTech</li> </ul> 
		<b>SPECIALIST</b> <ul style="list-style-type: none"> <li>• Meets a social &amp; economic need</li> <li>• Rescue capital</li> </ul> 

Unitholders are being offered the opportunity to participate in all investments that FAI makes with an experienced Investment Manager team who enjoys an enviable track record on investments over the past decade.

Whereas conventional private equity investments are opportunistic and widely diffused, Federation only focuses on high growth opportunities requiring a significant injection of capital where the Investment Manager possesses:

- A strong, long-term track record;
- Deep knowledge base – qualitative and quantitative analytical approach;
- Excellent and broad investment sourcing networks and capabilities; and
- Vast experience with strong execution skills including due diligence.

Investments may be made directly or via investments in other funds, including via the following investment vehicles managed by the Investment Manager: (a) the Federation Alternative Assets Private Equity Fund, (b) the Federation Alternative Assets Real Estate Fund, and (c) the Federation Alternative Assets Renewable Energy Fund. At this stage, the underlying funds are subsidiary trusts and relevant information relating to each of the trusts are set out in the following sections of this PDS.

FAI is unlikely to hold any substantial amount of its assets in cash (after full deployment of funds raised under this Offer). Any net cash flow (following payment of Fund interest and other Fund expenses) is likely to be fully paid to Unitholders on the next distribution date.

### 2.2 Investment Objectives

**Target Return Objective:** The Investment Manager seeks to acquire investments which support FAI's total return objective of 15% per annum (after taking into account fees and costs of FAI, but before taxation), over the life of FAI.




**Target Yield Objective:** The Investment Manager seeks to acquire investments which support FAI's average income distribution yield objective of 3% per annum (after taking into account fees and costs of FAI, but before taxation), over the life of FAI.

The Target Return Objective and Target Yield Objective are targets only and may not be achieved. Actual returns and yields achieved will be influenced by a range of factors including the valuation and performance of FAI's underlying investments. No representation can be or is deemed to be made as to the future performance of FAI. The target rate is not a forecast. There can be no assurance that FAI will achieve its investment objectives. Investors may not get back the full value of their investment and in certain circumstances investors could lose all of their investment.

The rates are expressed on an average annualised basis having regard to the investment objective for the life of FAI. It may take some time until the target portfolio construction is achieved and this will impact the ability to achieve the stated rate of return, including in the first few years of the term of FAI. Investors should read the 'Risks' section of this PDS as various risks may impact the ability of FAI to achieve the Target Return Objective and the Target Yield Objective. Federation will monitor the actual returns of FAI and will notify Unitholders of actual performance of the Fund in the Fund's reports.

## 2.3 Renewable Energy Opportunities

Federation invests in sustainable real asset classes in developed Asia-Pacific markets. The mission of Federation's renewable energy business is:

<p><b>Produce renewable energy. Improve energy efficiency. Reduce waste.</b></p>  <ul style="list-style-type: none"> <li>• Whereas previous generations have overcome conflict, disease, and famine to improve quality of life, our generation's great challenge is climate change</li> <li>• Climate change has the potential to reverse the trajectory of modern history and diminish the quality of life of future generations</li> <li>• Climate change introduces substantial risks to our economies</li> </ul>	<p><b>Responsible investment.</b></p>  <ul style="list-style-type: none"> <li>• This generation must accept the responsibility of addressing climate change</li> <li>• Institutions, both public and private, must accept the challenge of addressing climate change</li> <li>• This is not new and institutions have made substantial contributions to societal challenges historically</li> <li>• Federation is committed to taking action</li> </ul>	<p><b>Invest sustainably for a stronger economy, and a better community.</b></p>  <ul style="list-style-type: none"> <li>• Federation believes that active, sustainable investment strategies will deliver superior risk adjusted returns over the longer term because sustainable investment avoids climate change exposed asset classes</li> </ul>
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There is an enormous renewable energy market investment opportunity with over US\$2.5 trillion of investment required in Asian markets to 2030, including over US\$65 billion of investment in the Australian market to 2030<sup>3</sup>.

The functional focus of Federation's renewable energy business includes wind generation, solar generation, hydro generation and storage, battery storage and other sustainable investment opportunities, including smart grid, smart meter, behind-the-meter technologies and bioenergy. The geographic focus includes operations that solely or substantially operate within Australia, New Zealand, Japan, Korea and Taiwan.

The Investment Manager foresees significant opportunity for attractive risk-adjusted returns through the acquisition of late stage developments, and bringing projects through construction, commissioning and contracting phases and into operation.

The Investment Manager intends to explore develop-to-own opportunities whereby FAI would form capital partnerships with one or more quality developers, to bring projects on-stream at attractive entry valuations. This strategy allows for partial project sell-down in the future (once the project is developed and normalises to a resultant lower rate of return) to facilitate capital recycling for new projects.

A key feature of the Investment Manager's approach is to take limited and actively managed exposure to merchant energy prices.

<sup>3</sup> Source: Bloomberg New Energy Finance, 2030 Market Outlook

## 2. ABOUT FAI

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### 2.4 Real Estate Opportunities

Federation is growing two Australian, asset class specific real estate investment trusts (“REIT”) with long-term lease profiles with high quality tenancy partners.

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#### FEDERATION EDUCATION REIT

Builds and acquires childcare centres and educational facilities for children up to five years of age across Australian metropolitan cities.



Develops and invests in housing for people living with disability in Australia, primarily housing for tenants who are eligible to receive Specialist Disability Accommodation funding by the Commonwealth Government.

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The REITs are intended to operate as unlisted investment trusts, however, Federation intends to explore listing each REIT on the Australian Securities Exchange in the future. The REITs may also invite and accept investments from external investors (whether or not they are affiliated with Federation).

Further information in relation to the Federation Education REIT and Synergis Fund are outlined in the ‘Existing Portfolio’ section.

### 2.5 Private Equity Opportunities

Federation’s Private Equity Investment Strategy seeks to make active minority investments in high growth operating companies with strong market fundamentals that operate in the Asia-Pacific region.

Typically, Federation will invest in partnership with a founder, entrepreneurial management team or family who have built the investee company to the level of success it has achieved at the point of Federation’s investment.

In this way, Federation’s capital is intended as ‘growth equity’: providing the investee company with its next injection of equity capital sufficient for it to achieve its next phase of growth.

The Federation Private Equity team believes the following formula produces outstanding investment returns, regardless of industry or the type of company, where:

- the investee company has a point of difference, which in turn gives it a defensible market presence;
- the investee company’s products / services fill a social and economic need; and
- the investee company has a culture and way of business that is consistent with Federation’s responsible investing principles.

The majority of the Federation private equity pipeline is focused on healthcare, technology-enabled B2B and B2C businesses and financials/fintech businesses. In all instances, Federation’s investment screening focuses on those businesses which fit a social and economic need.

## 2.6 Existing Portfolio

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Windlab is an Australian based, international renewable energy development company with operating and development interests in windfarms in Australia and Africa. Windlab possesses in-house development and asset management expertise, allowing Windlab to operate across the entire wind farm development value chain. Windlab's total development pipeline is 7.7GW across Australia and internationally. Windlab's operating assets have the highest wind capacity factors in the Australian market, in part due to WindScope: a proprietary wind energy assessment technology developed by Commonwealth Science and Industrial Research Organisation.

On 26 June 2020, a consortium comprised of funds managed by Federation and Squadron Wind Energy Developments Pty Ltd ("**Squadron Energy**"), an Australian based energy and natural resources developer and explorer privately owned by the Minderoo Group of Companies completed the acquisition and privatisation of Windlab by way of scheme of arrangement. Windlab is 75% owned by Squadron Energy and 25% owned by FAI and funds managed by Federation, who will also act as fund manager and adviser.

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Sendle is a capital-light domestic and international parcel delivery service and e-commerce logistics company focused on SME eCommerce customers. The business:

- Is capital light: no ownership of capital-intensive underlying infrastructure; network capacity is contracted from asset owners
- Owns the end-to-end customer relationship
- Is focused on the growing SME eCommerce customer niche with cost-to-acquire and cost-to-serve advantages over incumbents

Sendle is Australia's first 100% carbon neutral parcel delivery service and a certified B corporation.

The company continues to show strong growth in Australia, and is growing rapidly in the United States following a successful launch in that market. FAI became the 2nd largest shareholder in Sendle in December 2018.

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Plenti (formerly RateSetter) is a consumer finance, auto finance and renewable energy lender. Plenti is one of Australia's fastest growing non-bank lenders and Australia's largest marketplace lending platform. Plenti has funded over \$1Bn in loans to over 60,000 people and attracted over 22,000 registered retail investors.

FAI invested in December 2018, since which time the business has enjoyed a period of strong growth. On 23 September 2020, Plenti listed on the Australian Securities Exchange and currently trades under the ticker ASX:PLT.

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George Health was established by the George Institute, a leading independent global medical research institute. The company has four subsidiaries:

- George Clinical: a contract research organisation that performs clinical trials for pharmaceutical, biotech and medical device companies, with a strong backlog of contracts to generate future growth
- George Medical: a late-stage pharmaceutical development company, with three drugs currently under development
- George Health Technologies: a business developing a digital healthcare platform
- Ellen Medical: a business developing a proprietary renal dialysis technology

FAI became a significant investor in George Health in December 2019 alongside the George Institute and BUPA. FAI's investment allows the company to continue its strong growth trajectory, including further expansion into Asian, North American and European markets.

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## 2. ABOUT FAI

# FEDERATION EDUCATION REIT

Federation Education REIT ("FER") is an unlisted, long WALE investment trust designed to build and acquire education facilities and childcare centres in metropolitan locations across Australia for children up to five years of age. The FER portfolio consists of 8 childcare properties either operating or in construction, leased to tenants with strong credit quality, and enjoys an extensive pipeline of another 20+ centres over the next 12 months (subject to financing).

The investment objectives of FER include<sup>45</sup>



### The investment features of FER include:

- **Attractive risk-adjusted returns<sup>6</sup>:** Equity returns backed by Australian Government payments, annual rent reviews set at inflation subject to a minimum of 3% and robust landlord-friendly lease terms
- **Significant Government support:** Bi-partisan support for the sector focusing on workforce participation with \$8.3 billion in subsidies allocated for the 2019-2020 period<sup>7</sup>
- **Protected entry valuations and structures:** FER invests once the childcare development site has obtained to its satisfaction a development approval, long-term lease agreement and visibility on fixed price design and construction contract
- **Return on investment during development phase:** FER has negotiated a preferred return from its development partner through construction, allowing FER to pass through a better risk-return equation to its investors
- **Site selection:** FER works closely with the relevant childcare operator to affirm childcare needs analysis (demand vs. supply) and demographic composition of each subject site
- **Established development partners:** FER is aligned with developers that are diversified across all mainland capital cities
- **Excellent tenancy partners:** FER only partners with tenants who have an excellent operating history, strong financial covenants, stable occupancy rates, low and sustainable occupancy costs and those who have enjoyed strong organic growth rather than rapid growth by acquisition

4 The return and yield figures are targets only and may not be achieved. Actual returns will be influenced by a range of factors including the valuation and performance of the underlying assets in the FER portfolio

5 The Investment Manager aims to grant long-term leases over portfolio properties of 10 years or longer

6 All investments come with risk and investors should review the 'Risks' section for more information





7 Source: Australian Federal Budget 2019-20





The Synergis Fund (“Synergis”), Federation’s Disability Housing Fund in joint venture with Social Ventures Australia (“SVA”), is an unlisted, open-ended investment trust designed to build and invest in Specialist Disability Accommodation (“SDA”) for people living with disability in Australia. Synergis aims to provide investors with the opportunity to gain exposure to an emerging social infrastructure asset class with a dual focus on attractive long-term, risk adjusted financial returns supported by Commonwealth Government payments and positive social impact. Synergis’ vision is for every person living with disability in Australia to have access to high quality, safe, stable and appropriate housing and to set the standard for disability housing in Australia. Synergis’ \$50 million pilot phase is complete, and the team is currently in discussions with multiple institutional investors who could help the business to rapidly scale.

The investment objectives for Synergis include<sup>8</sup>:

 <p><b>Property investment only</b></p>	<p><b>10% p.a.</b> Target net return over 20 years (post-fees but before tax)</p>	<p><b>10-11% p.a.</b> Target stabilised net cash yield (post-fees)</p>	<p><b>A\$600m</b> Target investment value over the next 4-5 years</p>
 <p><b>Portfolio diversified by location and SDA provider</b></p>	 <p><b>Positive social outcome is at the core of strategy</b></p>	 <p><b>Federation and SVA partnership</b></p>	

**The investment features of Synergis include:**

- **Attractive risk-adjusted returns<sup>9</sup>:** Attractive equity returns supported by Commonwealth Government payments, with lease vacancy provisions built into the structure
- **Significant Commonwealth Government support:** Bi-partisan support for the sector with \$700 million expected to be spent on SDA annually<sup>10</sup>
- **Supply / demand imbalance:** Significant unmet demand whereby 28,000 participants served by the NDIS qualify for SDA, with 12,000 of these participants currently not having access to appropriate housing<sup>11</sup>
- **De-risked development model:** Synergis will only take development risk once the site has obtained to its satisfaction (where relevant): a development approval or complying development certificate, fixed price design and construction contract and has negotiated a preferred return from its development partner
- **SIL and participant-centred model:** The stakeholders consist of the SDA Provider (the developer and operator), the SILs (the carer and originator of resident supply) and most importantly the residents who will occupy the properties. Residents are identified by SDA Providers, SILs or other tenant matching services
- **Strong relationships with SILs:** Synergis has strong relationships with SILs, charities, faith-based groups, community housing providers and not-for-profit organisations
- **Multi-SDA provider focus:** Synergis will work with a range of pre-qualified SDA Providers, which in-turn also hold relationships with the major SIL providers across Australia
- **Site selection:** Synergis will work closely with the SDA Providers and the SILs to affirm disability housing needs analysis and demographic composition of each subject site
- **Focus on high quality construction:** Synergis is committed to investing in high quality homes which will be attractive to eligible residents and will reduce ongoing maintenance costs over the life of the property

8 The return and yield figures are targets only and may not be achieved. Actual returns will be influenced by a range of factors including the valuation and performance of the underlying assets in the FER portfolio  
 9 All investments come with risk and investors should review the 'Risks' section for more information  
 10 Source: SGS Economics & Planning, Specialist Disability Accommodation: Market Insights, 2018  
 11 Source: SGS Economics & Planning, Specialist Disability Accommodation: Market Insights, 2018

# 3. ABOUT FEDERATION

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## 3.1 Introduction

Federation Asset Management Pty Ltd (“**Federation**” or the “**Investment Manager**”) is an Australian specialist fund manager.

Federation's purpose is to protect and grow their clients' capital in a sustainable and responsible way.

Federation invests in businesses and assets that meet a social and economic need. Federation builds market-leading businesses and assets through the provision of the capital they need to grow, as well as strategic, analytical and operational support brought from many years of experience supporting similar businesses and assets.

Federation's principles represent their core values and how they wish to behave with each other and their stakeholders:

- **Performance.** Strive for excellence through insight, access, analysis and effort.
- **Accountability.** Take responsibility and act decisively.
- **Teamwork.** Be respectful, collaborative and fair. Value diversity.
- **Integrity.** Maintain sustainable and responsible business practices. Do the right thing.

This formula provides Federation with an enviable ability to source quality investment opportunities, to analyse and execute upon them. The Federation team has a strong track record of working together over the past decade and offers unrivalled investment experience across target sectors.

Key elements of the Federation service offering include:

**People:** Federation's team is known for its investment acumen and disciplined, prudent, measured and transparent approach to investing. The team has deep domain expertise in each Investment Strategy and, importantly, has long-term experience of working together as a team.

**Performance:** Federation's investment team members have a compelling track record over many years:

- **Value creation:** Strong, long-term track record on equity investments for an average hold period of 5 years
- **Consistency:** Involvement in over \$2.3 billion of investments
- **Longevity:** Whilst the Investment Manager was established in September 2018, the core investment team has operated together in various formats since 2011
- **Breadth:** Experience and track record investing in both bull and bear markets across all relevant industries

**Process:** Federation's investment team applies an overarching emphasis on rigorous fundamental research into each investment opportunity from a platform of:

- **Powerful origination capabilities:** Federation has sourced over 500 actionable investments since 3 September 2018. The team is currently analysing over 20 actionable investments in its proprietary pipeline
- **Investment discipline:** Investment Committee approval on top 2% (by value) of investment opportunities
- **Risk management and capital preservation** are critical focuses at all points in the Federation investment process, building upon the backgrounds of the senior members of the investment team
- **Governance:** Alignment with investors is critical to Federation and they employ best-in-class corporate governance arrangements

**Business:** Federation's strategy involves investing in areas that make the greatest difference to society:

- The production of clean power (Federation Renewable Energy),
- The provision of social, health and education related real estate (Federation Real Estate), and
- The growth of companies that meet a social and economic need (Federation Private Equity)

**Culture:** Responsible investing is core to Federation's approach. Federation is a signatory to the United Nations Principles for Responsible Investment and a member of the Responsible Investment Association of Australia. Furthermore, Federation is an equal opportunity employer. In addition to producing outstanding returns for our investors, Federation values integrity, respect and inclusion.

Federation holds Australian financial services licence No 516560 for the purposes of funds management and other related services to wholesale and retail investors.

## 3.2 Track Record

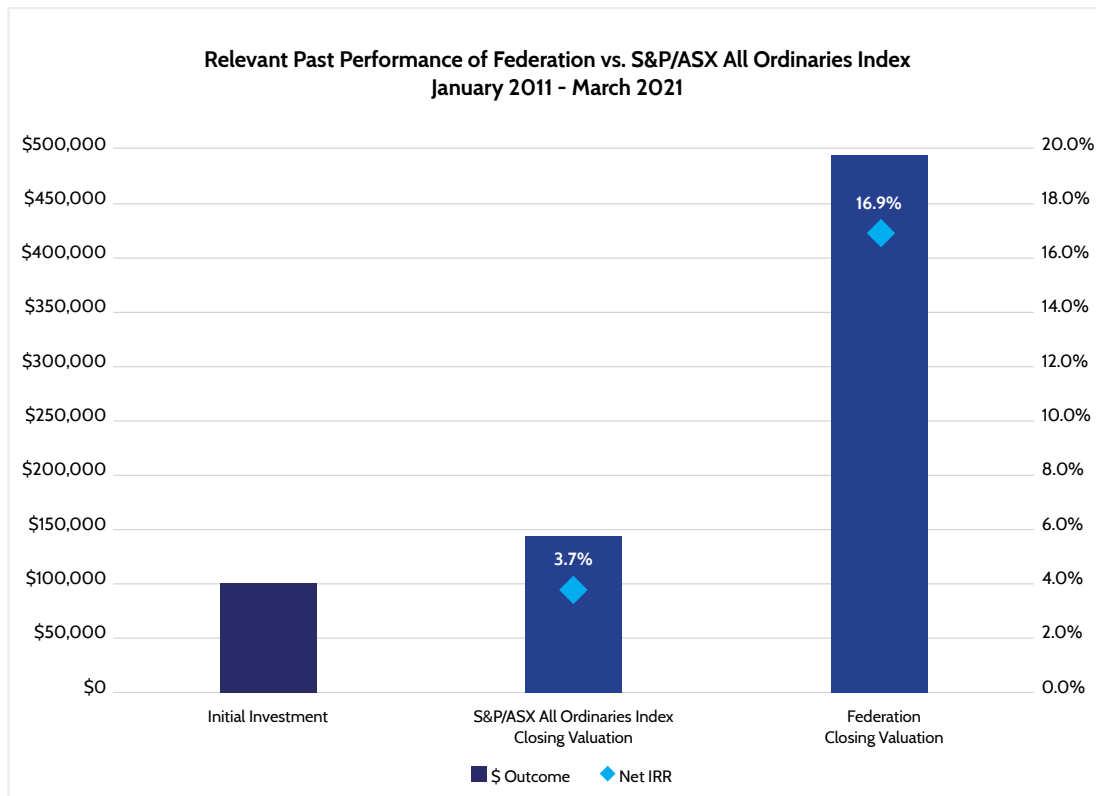
Federation's performance since inception is consistent with the prior performance of core members of the Federation team (referred to here as "Relevant Federation Personnel"), being:

**Performance:** Assuming a weighted average based on capital invested in each investment, Relevant Federation Personnel have achieved a **22.7% gross IRR** (16.9% IRR net of Federation's fee structure, and before taxation) on equity investments prior to founding Federation (referred to here as "Relevant Past Performance").

**Scale:** Performance achieved on **over \$2 billion of equity investments** prior to founding Federation. In addition, Federation team members have also made more than \$5 billion of debt investments in Federation's target market segments.

**Longevity:** Federation team members have been investing in Federation's target market segments since June 2004, noting that the Relevant Federation Personnel **have operated together in various capacities since 2011**.

**Experience:** The Federation team has experience and a strong track record **investing profitably across all market environments** and across all relevant industry groups.



Source: Federation, S&P/CapIQ. Data as of 31 March 2021.

The above graph shows the outcome to investors assuming an initial investment of \$100,000 was invested in (a) the S&P/ASX All Ordinaries Index and (b) with Federation, assuming the Relevant Past Performance was achieved by the Relevant Federation Personnel. The graph shows the return that would have been delivered in each case if the initial investment was held for the period from January 4, 2011 (being the first trading day in January 2011) to 31 March 2021 ("Measurement Period").

It shows:

- An investment of \$100,000 in the S&P/ASX All Ordinaries Index through the Measurement Period would be worth \$144,694 (an increase of \$44,694 or 3.7% gross IRR); whereas
- By comparison, an investment of \$100,000 with Federation at the Relevant Past Performance over the Measurement Period would have been worth \$494,509 (an increase of \$394,509 driven by 16.9% net IRR).
- Amounts are shown net of fees and costs based on the Federation fee structure under this PDS, but before taxation.

### 3. ABOUT FEDERATION

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Investors should note that the Relevant Past Performance is not the actual performance of FAI or Federation. The Relevant Past Performance is not a reliable indicator of the future performance of FAI. The performance of FAI could be significantly different to the Relevant Past Performance. Past performance is not a reliable indicator of the future performance of the Fund. FAI has not realised any of its portfolio since inception and actual past performance information about FAI is not provided.

#### Methodology of Track Record Information

As the Investment Manager is recently established, statements of prior performance are not statements of the track record of the Investment Manager or FAI. The return indicated is the Investment Manager's estimate of the weighted average net return achieved on investments made by Relevant Federation Personnel where such team members had a relevant role in contributing to the Relevant Past Performance. The information in this section summarises the estimated historical performance of the other portfolios managed by Relevant Federation Personnel (at the time they were employed outside of Federation during their roles with other employers over the Measurement Period). Former employers of the Federation team have not provided attribution of the above track record. The information provided in this PDS has been provided by the Investment Manager and is not a statement of the track record of the Investment Manager or the Fund. The return indicated is the Investment Manager's estimate of the weighted average net return achieved on investments made by former employers of the Relevant Federation Personnel and which such team members had a significant role in managing in their respective roles at such firms. The track record is provided in aggregate and as a guide only. IRR is weighted on the basis of capital invested per project.



### 3.3 Investment Committee

The Investment Manager is supported by a number of professionals with experience in the investment management, private equity, property and renewable energy sectors. The following key individuals will serve as FAI's investment committee and be involved in implementing FAI's investment strategy, portfolio asset management and managing FAI:

#### Cameron Brownjohn – Chief Executive Officer



- Cameron founded Federation in 2018. Cameron serves as a Director of Social Infrastructure Investment Partners (investment manager of the Synergis Fund), Director of Windlab, in addition to chairing Federation's Investment Committee and serving on several internal boards.
- Prior to founding Federation, Cameron held a number of senior positions at Macquarie Group, including Head of Principal Investments for Macquarie Capital in Australia and New Zealand (appointed 2013) and a member of Macquarie Capital's Australian Management Committee (appointed 2015). During his time at Macquarie, Cameron served on a range of Macquarie investee company boards.
- In aggregate, Cameron has twelve years of experience investing in, managing and exiting control equity, minority equity and debt/mezzanine investments across all industry groups. He is equally comfortable investing in the private equity, real estate and renewable energy sectors and is experienced at running investment teams across all of these disciplines. Importantly, Cameron has invested successfully in both bull and bear markets, including a range of highly profitable distressed debt investments following the Global Financial Crisis.
- Prior to investing, Cameron spent nine years as an investment banker with Merrill Lynch. He has experience across all forms of merger and acquisition and capital raising transactions, has worked across all sectors relevant to Federation's business, and has lived in Asia, Europe, North America and Australia throughout his career.
- Cameron is active in the not-for-profit sector, including serving as Chairman of Special Olympics Australia. He holds degrees in Law and Commerce with First Class Honours.

#### Jason Walter – Head of Federation Real Estate



- Jason is a founding partner of Federation. Prior to joining Federation, Jason was Chief Executive Officer and founder of boutique investment and development firm, JW Redleaf, which successfully acquired, developed and sold a number of property assets, most notably a A\$120 million commercial landfill and recycling facility, Patons Lane RRC, between 2014 and 2018. Jason has also developed childcare centres and other commercial properties in his capacity as Director at JW Redleaf.
- In aggregate, Jason has approximately 20 years of experience investing in, managing and developing commercial real estate assets.
- He has spent time in development, capital transaction and investment management roles at Lend Lease, Stockland, Valad, Mirvac and Coles, acquiring and developing in excess of A\$1 billion of real estate.
- Jason serves on Federation's Board and Investment Committee and is a Social Infrastructure Investment Partners (investment manager of the Synergis Fund).
- Jason maintains a number of charitable interests, holds a Bachelor of Business degree, with a double major in Banking and Finance, and Accountancy from the Queensland University of Technology.



## 3. ABOUT FEDERATION

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### Stephen Panizza – Head of Federation Renewable Energy



- Stephen is a founding partner of Federation. He has over 30 years' experience in the finance industry in Australia, Asia and the Middle East. Prior to joining Federation, Stephen was the Chief Investment Risk Officer of the Clean Energy Finance Corporation ("CEFC"). The CEFC is the world's largest green investment bank, responsible for investing A\$10 billion in clean energy projects on behalf of the Australian Government. The CEFC's mission is to help lower Australia's carbon emissions by investing in renewable energy, energy efficiency and low emissions technologies. In this role, Stephen was a member of the Investment Committee, Chair of the Asset Management Committee and also supported innovative start-up companies through the Clean Energy Innovation Fund.
- Prior to this, Stephen was an Executive Director at Macquarie Group. His roles included Head of Macquarie Capital's Principal Investments division in Asia, Senior Managing Director of Macquarie Capital's Corporate Finance Division in Asia and Head of Capital Markets in Asia.
- Stephen joined Macquarie from ABN AMRO Bank in Hong Kong where he served as Head of Leveraged Finance, Asia. He also served at ABN AMRO as Executive Director of Structured Capital Markets Asia in Singapore and Associate Director of Project Finance and Advisory in Sydney.
- Stephen has served as a Non-Executive Director of ASX-listed Miclyn Express Offshore Limited, and Thinextra Pty Ltd. He was the Vice Chair of the Humanitarian Organisation for Migration Economics, a Singapore based NGO serving the migrant worker community in Asia.
- Stephen serves on Federation's Board and Investment Committee and is a Director of Windlab.
- Stephen holds a Bachelor of Economics Degree and a Master of Business Administration from the University of Western Australia and is a member of the Australian Institute of Company Directors.

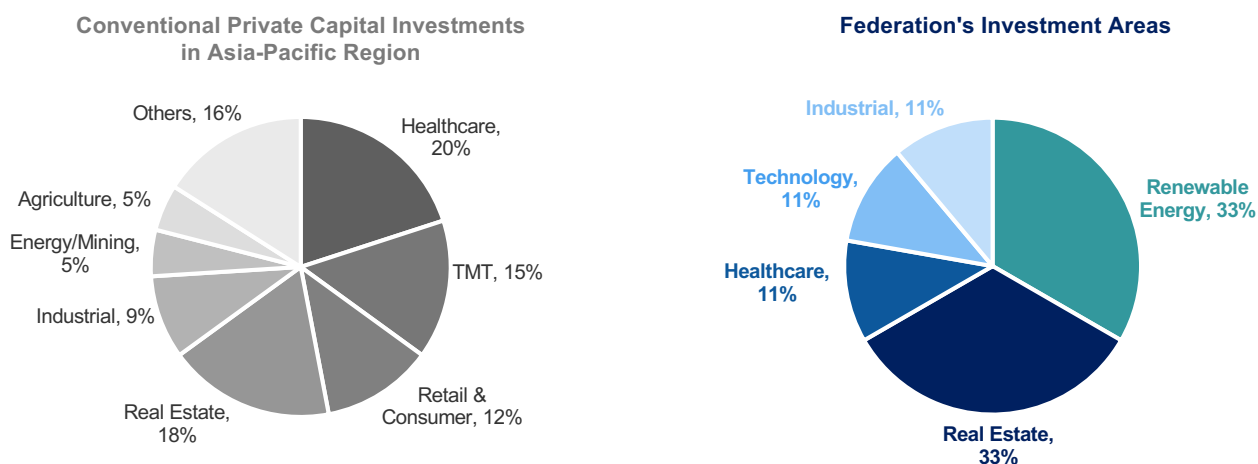
### Neil Brown – Head of Federation Private Equity



- Neil is a founding partner of Federation. Prior to joining Federation, Neil was a senior member of Macquarie Group's Corporate and Asset Finance Principal Finance team. In that role, he gained eight years of broad experience across renewable energy, real estate, financial institutions, infrastructure and other industrial sectors, making investments that traversed the capital structure from debt to ordinary equity. He served on a number of Macquarie portfolio company boards, most recently Macquarie's reverse mortgages business.
- Prior to investing, Neil spent five years as an investment banker with Macquarie Capital providing merger and acquisition, capital raising and other corporate advice to companies in the energy and infrastructure sectors.
- Neil serves as a Director on the board of Federation's portfolio company Sendle, chairs Federation's Portfolio Monitoring and Management Committee and serves on Federation's Board and Investment Committee.
- Neil holds degrees in Economics and Commerce with First Class Honours from the University of Queensland, and is a Graduate Member of the Australian Institute of Company Directors.

### 3.4 Differentiated Investment Strategies

The following figure shows a graphical representation of asset allocation for Federation against its peer set:



Source: Independent Investment Research.

As shown by the figure above, conventional private equity investments across Asia-Pacific are often non-specialised and widely diffused. By contrast, Federation focuses on high growth sectors requiring significant injection of capital where the Federation team possesses:

- A strong, long-term track record
- Deep knowledge base – qualitative and quantitative analytical approach
- Excellent and broad investment sourcing networks and capabilities
- Vast experience with strong execution skills including due diligence

## 3. ABOUT FEDERATION

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### 3.5 Responsible Investing

Federation is a signatory to the United Nations Principles for Responsible Investment (“UNPRI” or “Principles”) and is certified by the Responsible Investment Association of Australasia (“RIAA”).

UNPRI requires Federation to commit to:

- Incorporate Environmental, Social and Corporate Governance (“ESG”) issues into investment analysis and decision-making processes;
- Be an active owner and to incorporate ESG issues into ownership policies and practices;
- Seek appropriate disclosure on ESG issues by the entities in which Federation invests;
- Promote acceptance and implementation of the Principles within the investment industry;
- Work with the UNPRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles; and
- Report on activities and progress towards implementing the Principles.

As a member of RIAA, Federation implicitly adopts RIAA’s mission to promote, advocate for, and support approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment and economy.

Federation takes its role as a responsible investor seriously, and has outlined below a framework through which these principles will apply to the investing activities of FAI.

#### Undertakings

FAI’s primary investment strategy will focus on the following:

- Renewable energy generation activities, including wind, solar and other renewable technologies, grid-scale, embedded, behind-the-meter;
- Renewable energy storage activities, including chemical, hydrological, pneumatic and other emerging storage technologies including hydrogen;
- Sustainable infrastructure including but not limited to waste treatment, recycling, waste-to-energy, and waste management facilities, desalination, water and or sewerage treatment/networks, telecommunications infrastructure;
- Social infrastructure including but not limited to childcare, housing for the disabled, social and affordable housing, hospitals and healthcare facilities, aged care facilities, medical centres, schools and educational facilities, convention centres, sports stadiums, student accommodation and other educational/university facilities;
- Property investments generally where there is a significant impact investing or environmental component; and embedded networks and micro-grid infrastructure where there is, or will be, significant use of renewable energy and/or efficiency gains; and
- Operating businesses whose products and/or services provide a net societal benefit in the opinion of the Investment Manager.

Federation is committed to responsible investing by FAI and utilises negative screens that exclude investments in companies that are materially involved in the following:

- Fossil fuels, including any company that mines, burns or extracts fossil fuels or in companies that provide specific and significant services to fossil fuel industries; and
- Gambling, tobacco, armaments and militarism, live animal export and old growth logging.

### 3.6 Investment Approach

Federation has established a rigorous process of screening, diligence, structuring and execution for all investments.



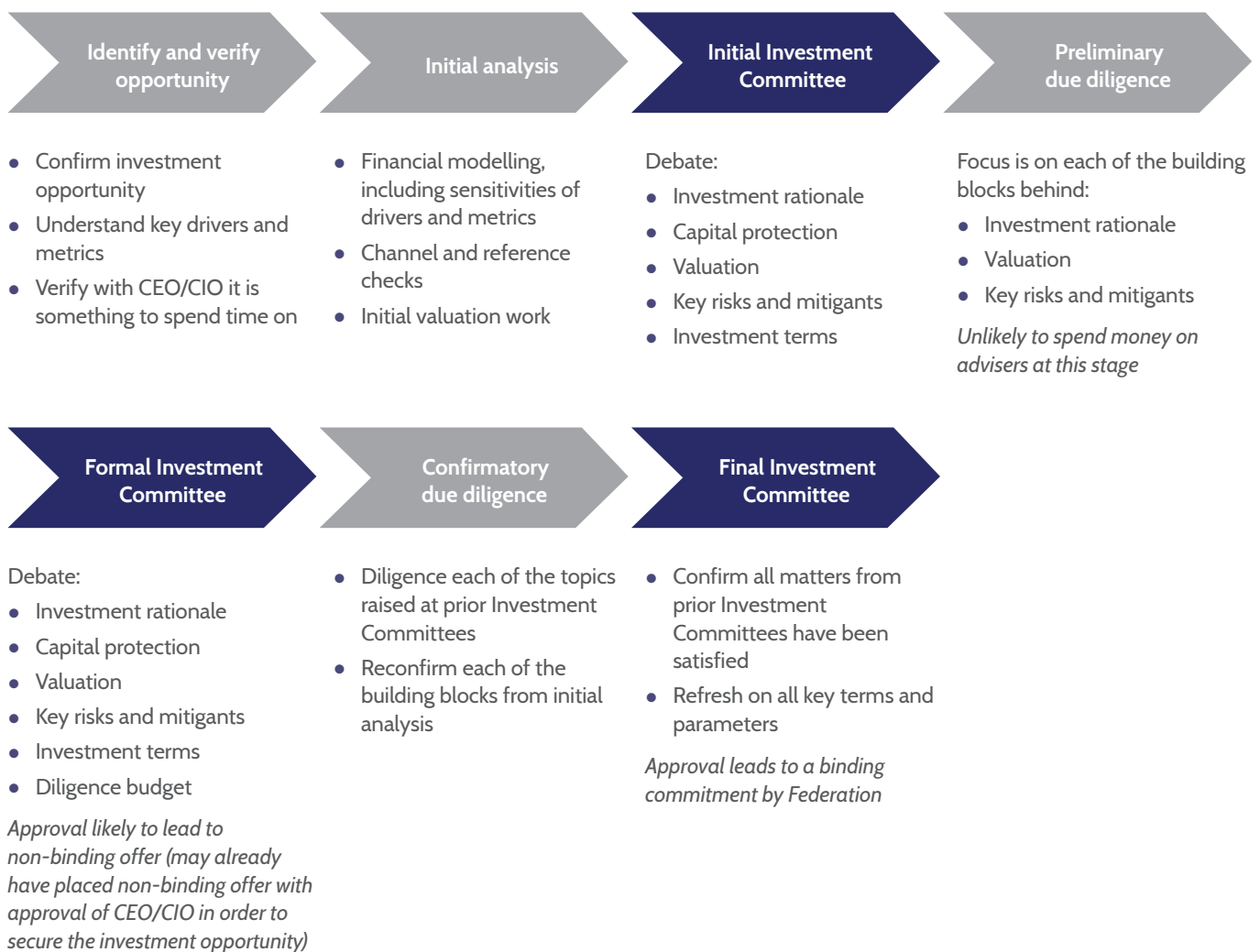
## 3. ABOUT FEDERATION

### 3.7 Investment Process

Federation uses a three stage Investment Committee process for any new investment, variation to an existing investment, or sale of an existing investment:

- Initial Investment Committee approves whether considering an investment is a good use of time
- Formal Investment Committee approves whether to spend money on due diligence (or sale costs for exits)
- Final Investment Committee approves whether to execute binding transaction terms

A schematic representation of Federation's investment process is outlined below:

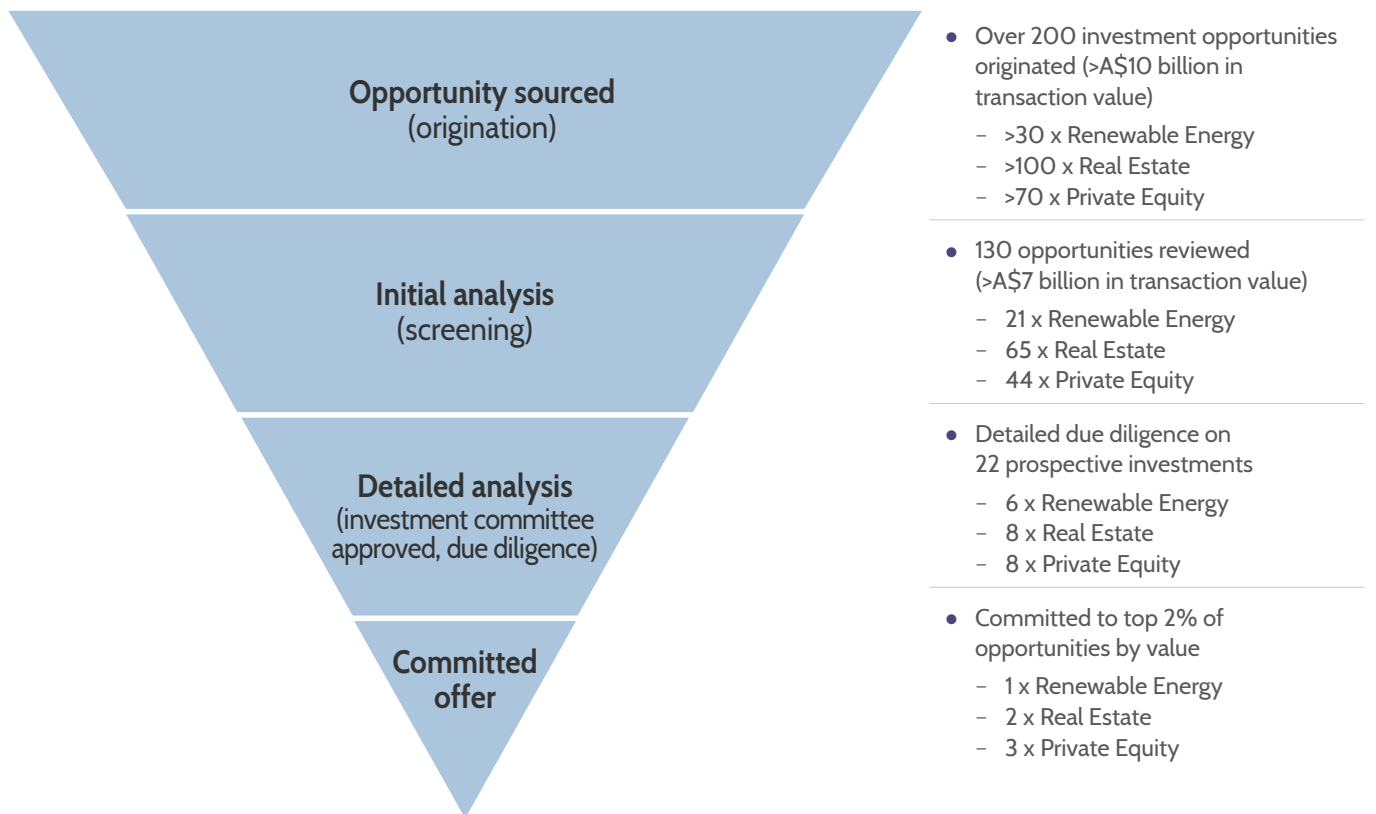


### 3.8 Investment Reach and Discipline

Federation has sourced over 200 investment opportunities over the past twelve months. This level of origination, and the continued strong and growing pipeline of opportunities since commencement shows **investment reach**.

Of the sourced investments, Federation's **investment discipline** has filtered out all but the top 2% of opportunities.

The figure below is a graphical representation of the above points:





## 3. ABOUT FEDERATION

### 3.9 Execution Points of Difference

Sourcing, execution and portfolio management are each critical to maximising returns. Federation's investment focus, strengths and advantages at each stage of the investment cycle are outlined below:

	PRE-INVESTMENT	POST-INVESTMENT	EXIT
<b>Investment Focus</b>	<ul style="list-style-type: none"> <li>• Proprietary sourced investments</li> <li>• Areas of Federation expertise</li> <li>• Strong returns potential for given level of risk</li> <li>• High barriers to entry</li> <li>• Capital potential</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic positioning</li> <li>• Corporate governance</li> <li>• Risk management</li> <li>• Human capital</li> <li>• Operational support</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor relevant market, industry and regulatory developments</li> <li>• Proactively develop relationships with prospective future investors / acquirers</li> <li>• Develop optimal exit strategies to maximise returns and certainty of execution</li> </ul>
<b>Strengths and Advantages</b>	<ul style="list-style-type: none"> <li>• Extensive experience across all areas relevant to sourcing, managing and exiting investments in Federation's subject areas</li> <li>• Broad network of contacts to source investments</li> <li>• Rigorous fundamental research</li> <li>• Strong execution track record</li> </ul>	<ul style="list-style-type: none"> <li>• Broad local network</li> <li>• "One team" approach in Federation's Investment Committee and other board sub-committees</li> <li>• Restructuring experience</li> </ul>	<ul style="list-style-type: none"> <li>• Diversified exit experience</li> <li>• Strong network of industry and financial investors to maximise competitive tension</li> <li>• Experience in managing and executing dual track exit processes</li> </ul>

### 3.10 Investor Alignment, Reporting and Transparency

Federation is **paid for performance, not promises**. Management fees are paid on capital committed and performance fees are triggered by exits or liquidity events, not mark-to-market valuation models.

Federation maintains a strong focus on **risk management**, not just excess returns. One of Federation's core skills is the ability to find proprietary investment opportunities. Once sourced, the focus then becomes ensuring they invest sensibly, where the investment review process focuses on downside capital preservation, including structuring, shareholder rights, alignment with management teams and other capital partners.

Federation maintains a prudent valuation policy with all reporting conducted on a **consistent, conservative and transparent** basis.

### 3.11 Outsourced Middle and Back Office Operations

Federation's business has been built to focus on its core competencies: investment sourcing, execution and portfolio management. Federation is also committed to the **highest standards of corporate governance**.

Best-in-class governance and middle and back office operations achieved through the support by strong operational and governance overlays from a range of expert third party partners under arms' length contractual arrangements, including:

- Equity Trustees for governance
- Company Matters for Company Secretarial services
- Apex for fund administration and reporting services, including KYC / AML
- Corrs Chambers Westgarth for legal

Federation's 'Service Team' is comprised of over 25 representatives from these expert, third party organisations.

In all instances, Federation's Operations and Control Committee chaired by CEO Cameron Brownjohn oversees the third party relationships.



## 4. ABOUT THE RESPONSIBLE ENTITY

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Equity Trustees Limited (ABN 46 004 031 298 AFSL 240975) and EQT Responsible Entity Services Ltd (ABN 94 101 103 011 AFSL No 223271) (together, “**Equity Trustees**”), are subsidiaries of EQT Holdings Limited ABN 22 607 797 615, which is a public company listed on the Australian Securities Exchange (ASX: EQT). Equity Trustees is FAI's Responsible Entity and issuer of this PDS.

Established as a trustee and executorial service provider by a special act of the Victorian Parliament in 1888, today Equity Trustees is a dynamic financial services institution which continues to grow the breadth and quality of products and services on offer.

Equity Trustees' responsibilities and obligations as FAI's Responsible Entity are governed by FAI's constitution (“**Constitution**”), the Corporations Act and general trust law. Equity Trustees, in its respective capacities as responsible entity of the Stapled Entities, has appointed Federation Asset Management Pty Ltd to act as the Investment Manager of FAI and Apex Fund Services Ltd to act as the administrator of FAI.



## 5. ABOUT THE ADMINISTRATOR

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The Responsible Entity has appointed Apex Fund Services Ltd to act as Administrator for FAI. The Responsible Entity has entered into an Administration Agreement with the Administrator, which governs the services that will be provided by the Administrator to FAI.

The Administrator and its affiliates are responsible for the general administration of FAI that includes keeping the register of Unitholders, arranging for the issue and redemption (if applicable) of units and calculation of Net Asset Values and fees.

The Administrator and its affiliates are entitled to be indemnified by FAI against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from the fraud, gross negligence or willful default on the part of the Administrator) which may be imposed on, incurred by or asserted against the Administrator in performing its obligations or duties.

The Administrator and its affiliates are a service provider to FAI and have no responsibility or authority to make investment decisions, or render investment advice, with respect to the assets of FAI. The Administrator is not responsible for and accepts no responsibility or liability for any losses suffered by FAI as a result of any investment decision. None of the Administrator, any of its affiliates or any of its related bodies corporate, guarantees in any way the performance of FAI, repayment of capital from FAI, any particular return from, or any increase in, the value of FAI. The Administrator and its affiliates are not responsible for any failure by FAI or the Investment Manager to adhere to the investment objective, policy, investment restrictions, borrowing restrictions or operating guidelines.

The Administrator has delegated certain functions and duties to its affiliates in Australia – Apex Fund Services (Australia) Pty Ltd and may use other affiliates in other countries to perform obligations in connection with FAI in the future. However, the principal register will be maintained by Apex Fund Services (Australia) Pty Ltd.

The Investment Manager may at any time, in consultation with the Responsible Entity, select any other administrator to serve as Administrator to FAI.

The Administrator has not been involved in the preparation of this PDS and takes no responsibility for its contents.





# 6. RISKS

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Investment in any fund carries risks, including volatility of returns. Different investment strategies may carry different levels of risk depending on the assets that make up the strategy. Volatility refers to the degree to which returns may fluctuate around their long-term average. Each asset class, whether it is cash, fixed interest, shares, real estate or development property has associated investment risks and the return achieved by each will vary accordingly.

You should be aware that an investment in FAI contains risks and neither the performance of FAI nor the security of your investment is guaranteed by the Responsible Entity or the Investment Manager. As with most investments, the performance of FAI and the value of your unitholdings in FAI may be influenced by a number of factors, many of which are outside the control of the Investment Manager or the Responsible Entity.

Investments in FAI are generally subject to risks, including possible delays in the payment of withdrawal proceeds and loss of income and/or capital. The following discussion of certain risk factors does not purport to be an exhaustive list or a complete explanation of all the risks involved in an investment in FAI.

Before deciding on whether to invest in FAI, investors should consider whether FAI is a suitable investment, taking into account their personal investment objectives, financial position and particular needs and circumstances. The Investment Manager and the Responsible Entity recommend that prospective investors seek professional advice about the risks involved in investing in FAI and how it might impact on their individual financial circumstances.

## 6.1 General Fund Risks

These risks relate to either an investment in FAI or factors which affect all investments generally:

### Liquidity

FAI is expected to be an illiquid fund and your investment in FAI is expected to be an illiquid investment. Subject to an ability to sell via the PrimaryMarkets trading platform, capital is not expected to be returned to you until the winding up of FAI at the end of FAI's Term.

Whilst the Responsible Entity will endeavour to return the residual value of the Stapled Units to Investors by the end of FAI's Term, certain assets in FAI's portfolio are illiquid and the time it takes to sell some or all the assets in the portfolio once it has been decided to sell the assets of FAI can be affected by the market conditions.

### Trading Platform

Whilst investors will have access to the PrimaryMarkets trading platform ("Trading Platform") to sell their Stapled Units, there is risk that it may take time to find a willing buyer of their Stapled Units and settle the sale of their Stapled Units via the Trading Platform. There may be a delay in securing a willing buyer for the Stapled Units on the Trading Platform. Buyers on the Trading Platform are limited to Wholesale Clients. In accordance with the terms of the Trading Platform described in the 'Investing in FAI' section under the heading 'Liquidity via the Trading Platform', Stapled Units are sold at the most recently calculated NAV (calculated quarterly) and fees on transfers are charged by PrimaryMarkets.

### Financing

FAI may decide to borrow from one or more reputable lenders (on appropriate financing terms) to help finance its portfolio. Borrowing may increase the potential for reductions in distributions and/or capital losses if asset values fall or income declines. Some or all of the interest on borrowings may be calculated on floating interest rates which may negatively impact returns if interest rates were to increase. Generally, financiers may also seek to have a first charge over some or all of FAI's assets. If FAI were to breach a financial covenant (for example, failing to repay any interest or principal repayments as and when they fall due), the affected financier(s) may exercise their rights to sell such assets and to realise their security.

FAI adheres to the borrowing policy adopted by the Responsible Entity (see 'Other Important Information' section under the heading 'Borrowing Policy' for more information). There is a risk that if the value of the portfolio declines significantly, this may cause FAI to exceed the target gearing ratios set out in the policy.

### No Guarantee

No representation can be or is deemed to be made as to the future performance of FAI. There can be no assurance that FAI will achieve its investment objectives. Target return or target yield statements made in this document may not be achieved. Investors may not get back the full value of their investment and in certain circumstances Investors could lose all of their investment. As with most investments, the value of this investment could go down as well as up. The past performance of any previous funds managed by the Investment Manager are not necessarily a guide to future performance of FAI.

Although the Federation team has extensive experience analysing, investing in and managing investments, FAI is a newly formed entity with limited financial, operating or performance history upon which to evaluate its likely performance. There is a risk that Federation will fail to deliver positive returns or that the strategy will fail to perform as expected, in which case the investment objective for FAI may not be achieved. No assurance is provided as to FAI's ability to achieve its objectives.

### **Fees Payable**

FAI may also incur obligations to pay the fees of the Administrator, the Investment Manager, legal counsel, auditors, directors and other operating and general fees and expenses. These expenses may be payable regardless of whether FAI makes a profit. For further information, please see the 'Fees and Other Costs' section. Fees and expenses may not be incurred uniformly throughout FAI's life.

### **Personnel**

FAI also carries personnel risk if key people who have significant expertise and experience and are important to the management of FAI become unable or unavailable to perform their role. Investors in FAI will have no direct control over the day-to-day management decisions of FAI or the Investment Manager. Therefore, if key investment personnel at Federation are lost (for example, through departure, disability or even death) there is no guarantee that their skills can be easily or quickly replaced. This is likely to have an impact on the performance of FAI.

### **Counterparty**

FAI may enter into hedging contracts and in such a case, there is a risk that a party to a transaction (such as a swap, foreign currency forward or stock lending) may fail to meet its obligation under a financial contract.

### **Derivatives**

A derivative is any financial product that derives its value from another security, index or liability. FAI may use derivatives to take investment positions and hedge risks. Derivatives use attracts certain risks, for example, the value of a derivative may fail to move in line with the underlying asset, or FAI may not be able to meet payment obligations as they arise.

FAI will enlist professionals to help manage derivatives use. These professionals have a thorough understanding of the financial instruments that FAI may invest in. The Investment Manager also deals exclusively with issuers and counterparties it considers to be reputable. The Investment Manager also aims to manage FAI so that assets are always available to meet derivatives liabilities. Unfortunately, using derivatives to reduce FAI's risks is not always successful, is not always used to offset all relevant risk, and is sometimes not cost effective or practical to use.

### **Interest Rate**

This is the risk that changes in interest rates can have a negative impact on certain investment values or returns. Reasons for interest rates changes are many and include variations in inflation, economic activity and RBA policies. FAI risks making capital losses if it is incorrect in its estimate of the likely interest rate movements. Such losses could be amplified by the use of leverage.

### **Legal, Regulatory and Tax**

Changes in any law (including tax laws), regulation or government policy could have an impact on FAI's performance. There can be no assurance that any government subsidies currently available to FAI will not be amended, reduced or even removed altogether. There is also no certainty that FAI will be successful in applying for any of these government subsidies. This may therefore limit the viability of FAI's investments.

### **Taxation**

FAI may be impacted by changes in taxation legislation. Taxation law may change as a result of legislation, case law in Australia, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of tax authorities.

### **Hedging**

FAI may employ hedging techniques for the purposes of minimising fluctuations in the relative values of FAI's investments by reducing its exposure to adverse movements in interest rates and/or currency exchange rates.

While such transactions may reduce certain risks, hedging transactions themselves may entail certain other risks and can also affect potential gains. For example, unanticipated changes in currency exchange rates, interest rates or the prices of FAI's investments may result in a poorer overall performance than if it had not entered into such hedging transactions.



## 6. RISKS

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### **Forced Sale**

An Initial Investor may seek an early exit from FAI, and request for their unitholdings in FAI to be redeemed. In such a scenario, FAI may be forced to sell one or more of the assets if it does not have sufficient cash to redeem that investor's unitholdings. In that case, FAI may make a withdrawal offer to holders of Initial Investor Units to facilitate their redemption.

### **Related Party Transactions**

A related party transaction may exist where Federation enters into a transaction with a party which it has a close relationship with (for example, if a fund managed by Federation proposes to invest in other funds that Federation acts as manager of). If Federation proposes to enter into transactions with related parties, it will operate in accordance with certain protocols, policies and procedures which obliges the parties to be dealing with each other at arm's length. These policies and procedures apply a code of conduct to Federation's directors and officers, and promote integrity, responsibility and accountability. Refer to the 'Related Party Transactions' summary in the 'Other Important Information' section of this PDS for more information.

### **Reduced Exposure to Investment Opportunity**

FAI has offered the Initial Investor co-investment opportunities which, if accepted by the Initial Investor, would reduce FAI's exposure to the proposed investment. This may affect FAI's ability to maximise its potential returns from assets which have been acquired through a co-investment arrangement.

### **Acquisition**

Whilst the Investment Manager has procedures in place (refer to its investment process) to conduct all reasonable and appropriate due diligence on potential investment opportunities, there is a risk that FAI may not be able to identify suitable investment opportunities that meet its criteria or requirements, or that even if such opportunities are sourced, that they may not be able to be secured on appropriate terms. This may impact FAI's ability to expand and grow its initial portfolio, which would affect investors in FAI.

The Investment Manager will endeavour to do all reasonable and necessary due diligence on potential investments. However, there is a risk that potential issues are uncovered subsequent to due diligence and that these risks cannot be fully mitigated.

### **COVID-19**

The spread of COVID-19 has the potential to impact the performance of the investments of FAI, particularly in the near term. FAI holds investments in Federation Education REIT and Synergis Fund, which hold real estate leased to third parties. Federation Education REIT and Synergis Fund are subject to National Code of Conduct on SME Commercial Leasing Principles, which applies to tenancies with small-to-medium sized businesses (with annual turnover of up to \$50 million) and tenants that are in a position of financial stress or hardship as a result of the COVID-19 pandemic. The code may apply to give certain eligible tenants certain rent deferral rights and other limited protections, which may impact returns achieved by those funds. Furthermore, the private equity portfolio may be impacted by reduced economic and business activity. For example, George Health operates within the healthcare industry where the ability to conduct pharmaceutical trials has been impacted, Plenti whose loan growth or credit performance may be impacted or Sendle who is exposed to the freight and transport industry and may be impacted from delays. The Investment Manager endeavours to keep investors informed of any material information as it presents by way of investor update.

## 6.2 Risks Specific to the Real Estate Strategy

These risks relate to FAI's investments under its Real Estate Strategy:

### Rental Income

FAI's income and overall returns from the Real Estate Strategy are dependent upon finding appropriate tenants for the properties and the tenants paying rent in accordance with their lease agreement. Rental income may be affected by a number of factors, including (i) overall economic conditions; (ii) financial circumstances of tenants; (iii) occurrence of rental arrears or vacancy periods. Any negative impact on rental income has the potential to decrease the value of FAI and have an adverse impact on distributions to investors or the value of the Stapled Securities.

### Valuation

Properties in the Real Estate Strategy will be independently revalued regularly in accordance with FAI's valuation policy. Real estate assets can be difficult to value in certain circumstances such as where there is an unavailability of suitable information for determining the current value of investments. As such, FAI's independent valuations may not truly reflect the value that may be realised when FAI's property investments are divested.

Additionally, independent valuations are subject to a number of assumptions which may prove to be inaccurate. Property values may fall if the underlying assumptions on which the property valuations are based change in the future. As changes in valuations of investment properties are recorded in the statutory income statement, any decreases in value will have a negative impact on the statutory income of FAI.

### Disasters and Insurance

Disasters such as natural disasters and terrorist attacks may damage properties. Whilst FAI does take out building's insurance, there is no certainty that appropriate insurance will be available for all risks on acceptable commercial terms, or that the cost of insurance premiums will not continue to rise. Some risks are not able to be insured at acceptable premiums or it may not be possible to insure all the assets against some of these events. The performance of FAI may be adversely affected where losses are incurred due to uninsurable risks or under-insured risks. Further, any failure by an insurer or re-insurer may adversely affect the ability for FAI to make claims under an insurance policy. This could materially impact the value of assets and/or profit available for distribution of FAI.

### Tenant Defaults

Vacancies may occur due to tenants not renewing or defaulting on their leases, or if there is a general decrease in market rentals. In the case of non-renewals or defaults in rent, the Investment Manager may need to re-let part or all of the affected areas. This may result in a delay in the commencement of a new lease, or leases with a period when no rent may be received or where new leases may be entered into on less favourable terms. If a property is not fully leased, FAI's income, distributions and potentially capital value may be adversely affected.

### Construction Costs

Whilst FAI aims to de-risk its investments by ensuring that any prospective acquisitions have obtained development approval, a satisfactory tenancy agreement and a viable design and construction contract, there is a risk that any increases in prices in the building sector may result in higher construction costs.

### Development

Risks associated with developments include planning risk, leasing risk, delivery risk, inflation and increasing construction costs risk. These development risks may affect overall costs of the development, and time to complete and realise an asset, which may in turn impact returns.

### Environmental

As with any property, there is a risk that one or more of the properties may be contaminated now or in the future. Government environmental authorities may require such contamination be remediated, and in some circumstances for FAI to be liable for the costs of such remediation. This would affect the financial returns from the asset and the performance of FAI overall. Additionally, there may be significant legal costs involved in ensuring compliance with environmental legislation and there is a risk that FAI may be required to pay penalties if found to be liable for causing environmental damage and contamination. Such penalties may be material in size. Generally, environmental issues may also result in interruptions to the operations of a site, including the potential closure or re-lease of the property. Failure to properly remediate contaminated sites may also adversely affect FAI's ability to sell the relevant property or to use it as collateral for future borrowings.

## 6. RISKS

### 6.3 Risks Specific to the Renewable Energy Strategy

These risks relate to FAI's investments under its Renewable Energy Strategy:

#### Construction

Whilst FAI aims to de-risk its investments by ensuring that experienced and financially substantive Engineering Procurement and Construction ("EPC") Contractors are used, there is a risk that an EPC Contractor may not perform, or may become insolvent which may result in delays and higher construction costs than anticipated.

#### Commissioning

Before a generation plant can be connected to the Grid, it must meet certain Generator Performance Standards agreed with Australian Energy Market Operator ("AEMO"). Failure to meet Generator Performance Standards may result in additional capital expenditure which may cause delays and impact returns.

#### Grid

To transport energy to consumers, generation plants must use the Grid. There is a risk of congestion as additional renewable generation is introduced to the National Electricity Market ("NEM"). Grid congestion may result in FAI's investments being unable to export part or all of its output into the Grid from time to time which would adversely affect returns.

#### Energy Price

The Investment Manager intends to take limited and managed exposure to merchant energy prices. There is a risk that a fall in wholesale energy prices will occur and adversely affect returns.

#### Large-Scale Generation Certificate ("LGC") Price

The Investment Manager intends to take limited and managed exposure to LGC prices. There is a risk that a fall in LGC prices will occur adversely affecting returns.

#### Power Purchase Agreement ("PPA") Counterparty

FAI intends to manage its exposure to energy prices and LGCs through the use of PPAs for part or all of an investment's output. There is a risk that the counterparties to the PPAs will default, or become insolvent, in which case FAI will be exposed to merchant energy and LGC prices.

#### Regulatory

FAI is subject to a range of laws and regulations (including for example laws relating to financial services, managed investment schemes, renewable investments, electricity generation and taxation (including GST and stamp duty)). Changes to laws and regulations in these areas may adversely affect FAI.

There is a risk that existing or future laws, regulations, licences, government subsidies and economic incentives from which renewable energy generation operations benefit may change in a manner that adversely affects the potential returns from renewable energy assets. Additionally, there are presently certain government initiatives (including tax concessions) that are available for investments in the renewable energy sector, including the solar energy sector. However, a change in government policies or a reduction, elimination or expiration of those initiatives and incentives may negatively affect the financial position and performance of the renewable energy strategy, and affect FAI's ability to acquire additional assets for inclusion in its portfolio that presents a risk-return profile consistent with its investment objectives.

#### Technological Changes

In the renewable energy space, technological changes in the power industry generally (including for example the solar, wind, bioenergy industries) may lower wholesale electricity prices. Such technological advancements may render certain renewable energy sources or existing technologies less commercially attractive which may negatively impact FAI's ability to generate positive returns from selling the renewable energy asset.

## 6.4 Risks Specific to the Private Equity Strategy

These risks relate to FAI's investments under its Private Equity Strategy:

### Concentration

Concentration risk is the risk that poor performance in a group of securities common to a particular section of the market will significantly affect the performance of FAI. There is a risk that FAI may not have sufficiently diversified positions which may result in the returns of FAI being highly dependent on the returns of few exposures.

### Company-Specific

There may be instances where a company's securities which FAI has invested in decreases in value because of company specific factors (for example, where a company's major product is subject to a product recall). The value of a company's securities can also vary because of changes to management, product, distribution or the company's business environment.



# 7. INVESTING IN FAI

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Applications, together with all supporting documentation and cleared funds must be received by the Administrator by 4:00 pm AEST on the Offer Close Date. If any part of the application process is outstanding at this time, the Responsible Entity reserves the right not to issue Units to the relevant applicant.

The Responsible Entity may accept or reject applications in its sole discretion.

If you are investing through an IDPS service you should refer to the IDPS Guide for the minimum investment and additional investment amounts.

## 7.1 Making an Application

To invest, please complete and sign the Application Form attached to this PDS.

Eligible persons from other jurisdictions must contact the Investment Manager in relation to relevant subscription documentation.

### For Initial Applications

The duly completed application form, together with relevant identification documents, can be sent to the Administrator via the following:

Mail: Apex Fund Services  
C/o Apex Fund Services (Australia) Pty Ltd  
PO Box A517, Sydney South NSW 1235, Australia

Email: [ssg.aus@apexfs.com](mailto:ssg.aus@apexfs.com)

Fax: +61 2 9475 1417

You can direct credit your application as follows:

**A/c name:** Equity Trustees Ltd ATF Federation Alternative Investments

**BSB number:** 013006

**SWIFT code:** ANZBAU3MXXX

**Account number:** 838143355

Please note the application will not be accepted until cleared funds are received. Cash will not be accepted.

The minimum initial investment in FAI is AUD \$20,000 subject to the Responsible Entity agreeing to accept a lower amount, in its discretion.

All applications for Stapled Units must be made in Australian dollars.

Under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (“**AML/CTF**”) and the intergovernmental agreement signed with the Australian Government in relation to the U.S. Foreign Account Tax Compliance Act (“**FATCA**”) and the Organisation of Economic Co-operation and Development’s CRS Multilateral Competent Authority Agreement, applications made without providing all the information and supporting identification documentation requested on the application form cannot be processed until all the necessary information has been provided. As a result, delays in processing your application may occur.

The Responsible Entity reserves the right to refuse any application without giving a reason. If for any reason the Responsible Entity or the Administrator refuses or is unable to process your application to invest in FAI, the Administrator will return your application money to you, subject to regulatory considerations, less any taxes or bank fees in connection with the application. You will not be entitled to any interest on your application money in this circumstance.

The application price of a Stapled Unit is \$2.27 within the period of the Offer specified in this PDS.

The Responsible Entity intends to progressively process applications and issue Stapled Units on a monthly basis ahead of the Offer Close Date.



## 7.2 Withdrawals

### FAI may be an Illiquid Fund

Investors will not have the right to withdraw their money from FAI. Subject to an ability to sell via the PrimaryMarkets platform (see section below), once an Investor's application has been accepted, they should expect their investment will remain in FAI until the Investments are sold and FAI is wound up.

Under the Constitutions of Trust 1 and Trust 2, the Responsible Entity, at its discretion, may refuse to register any transfer of Stapled Units. The Investment Manager or any affiliate (in its personal capacity) may in its discretion offer to purchase Stapled Units following a transfer request at a price determined by the purchaser at its discretion.

### Withdrawal Price

If a withdrawal offer is made, the withdrawal price of a Stapled Unit is based on the NAV of FAI divided by the number of Stapled Units on issue.

Refer to the 'Fees and Other Costs' section for potential costs in the case of a withdrawal.

### For Investors Outside Australia

Please note that any withdrawal amount paid to you will be in Australian dollars. For example, for New Zealand Investors, this may differ from the amount you receive in New Zealand dollars due to:

- Foreign Exchange spreads between Australian and New Zealand dollars (currency rate differs daily); and
- Overseas Telegraphic Transfer ("OTT") costs.

Withdrawals will only be paid directly to the Unitholder's bank account held in the name of the Unitholder with an Australian domiciled bank. Withdrawal payments will not be made to third parties.

## 7.3 Liquidity via the Trading Platform

FAI has established with PrimaryMarkets Pty Ltd ("PrimaryMarkets"), a private trading hub whereby unitholders are able to buy and sell units in FAI using the PrimaryMarkets trading platform ("Trading Platform").

The Trading Platform provides a secure, controlled trading hub for unitholders of FAI which entails;

- An online environment where issued FAI units can be traded with transparency, independence and confidentiality
- FAI has dictated the appropriate trading rules for transacting its units within the Trading Platform as well as the information flow between buyers and sellers ("Trading Rules")
- All relevant publicly available information, as determined by FAI, will be uploaded from time to time into the 'Investor Resources' section on the Trading Platform

The creation of the Trading Platform is to assist unitholders who may desire a degree of potential liquidity for their FAI units. Subject to the Trading Rules, the Trading Platform allows trading to take place during business hours on each business day, and settled within a short period following the trade.

The Trading Platform has the added benefit that trading price can be set at NAV. The Investment Manager updates and publishes NAV on a quarterly basis, with the latest published NAV becoming the updated "Trading Price".

Investment Manager believes a Trading Price set at NAV is in the interest of all investors for a range of reasons, including:

- Provides investors with access to private equity opportunities that are not usually able to be accessed by all investors, with the ability to exit your unitholding in the event of unforeseen circumstances, for example estate issues, changes in family circumstances or for other liquidity reasons;
- Sets price at fair value, which intrinsically removes the 'illiquidity discount' that is often associated with listed investment companies trading at a discount to NAV; and
- Fairest for all investors to manage their portfolio, including by giving those investors who seek to increase their exposure to FAI without waiting for capital raising windows to open.



## 7. INVESTING IN FAI

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In this way, Federation believes that the Trading Platform provides investors with the best of both worlds: access to private equity opportunities that are not usually able to be accessed by all investors, with the ability to buy and sell exposure to the underlying assets more frequently than the underlying portfolio.

FAI unitholders or prospective unitholders wishing to sell or purchase units will be able to register their offers within the Trading Platform and sell and buy offers will be matched offline. Any person wishing to buy or sell existing units in FAI must initially register their details with PrimaryMarkets. The online registration process is straightforward and following confirmation of registrant details the offers to sell or buy units can be submitted to the Trading Platform for matching. The Trading Platform can be accessed at <https://www.primarymarkets.com/custom/federation/member-unit-holders>.

Sales on the Platform may be made to Wholesale Clients only and involve a transfer of Stapled Units. Fees on transfers currently comprise: (1) a fee for the seller of the greater of \$250 and 3.0% of the gross proceeds of the sale; and (2) an administration fee for the buyer of \$250, plus any applicable GST.

Please note that secondary trading on the PrimaryMarkets platform is not available for Indirect Investors accessing FAI through an IDPS.

### 7.4 Other Liquidity Options

Investment Manager will continue to consider whether the Trading Platform is the preferable liquidity solution for investors in FAI, or whether FAI should be listed on the Australian Securities Exchange or another suitable exchange. Any listing will be conditional on approval of Unitholders by Special Resolution.

Unless FAI was to become listed on the Australian Securities Exchange or another suitable exchange, the expected term will be to 25 September 2024. Given the Target Investments will be illiquid and the time it takes to divest them can be affected by market conditions, the Responsible Entity can extend the term of FAI by two successive one (1) year periods subject to commercial analysis based on the market conditions and where the Responsible Entity or Investment Manager deems it to be in the best interests of Unitholders. An additional one-year period extension is permitted to be made if approved by a Special Resolution of Unitholders.

### 7.5 Distribution Policy

#### Distributions

FAI seeks to generate stable returns and capital growth through an exposure to a portfolio of investments diversified between the three industry sectors – private equity, real estate and renewable energy. The availability of funds for distribution will be influenced by a range of factors including the liquidity and operating cashflows of FAI's underlying investments.

There are no specific distributions currently forecast to be payable by FAI. It is the current intention of Federation to seek to pay distributions as funds become available for distribution, with any such distribution expected to be payable half yearly in arrears in February and August, with respect to the preceding six months periods ending 31 December and 30 June. For example, if a distribution is made for the period to 30 June 2021, it is expected to be paid in August 2021.

Depending on the availability of funds for distribution, Investors may receive distributions from FAI. The availability of funds for distribution will be influenced by, among other things, distribution policy and the operating cashflows of FAI's underlying investments.

Even when the income of FAI earned in a particular year for tax purposes exceeds the Target Distribution, Federation may determine to only make a cash distribution for the particular year equal to the Target Distribution, as the case may be.

Federation retains the discretion to amend the distribution policy of FAI. The targeted distributions are only targets and may not be achieved. Investors should review the 'Risks' section of this PDS.

#### Distribution Payments

All distributions will be directly credited to your nominated bank account. Distribution reinvestment is not permitted in this Fund unless the Responsible Entity makes available a distribution reinvestment plan to Unitholders. Currently, there is no distribution reinvestment plan offered.

All investors must 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.

A summary of key tax implications is set out in the 'Taxation' section of this PDS.

## 7.6 Authorised Nominee

### Appointment of Authorised Nominee to Operate Account

Unitholders may elect to appoint an authorised nominee to operate their account. If you wish to appoint an authorised nominee, then the relevant sections in the application form which is attached to this PDS need to be completed, including the name and signature of the authorised nominee, the signature of the Unitholder and the date. Only Unitholders can appoint authorised nominees. If you appoint an authorised nominee, you should ensure that:

- they cannot appoint another nominee; and
- the appointment lasts until cancelled by you in writing or by the Responsible Entity.

If the Responsible Entity determines that the circumstances require, the Responsible Entity may cancel an appointment by giving the Unitholder 14 days' notice in writing. If an appointment is cancelled, the Responsible Entity will not be obliged to act on the instructions of the authorised nominee. If the instructions are varied, the Responsible Entity will act only in accordance with the varied instructions. By completing and lodging the relevant sections on authorised nominees in the application form you release, discharge and agree to indemnify the Responsible Entity from and against any and all losses, liabilities, actions, proceedings, account claims and demands arising from the Responsible Entity acting on the instructions of your authorised nominee.

You also agree that any instructions of your authorised nominee to the Responsible Entity, which are followed by the Responsible Entity, shall be a complete satisfaction of the obligations of the Responsible Entity, notwithstanding any fact or circumstance, including that the instructions were made without your knowledge or authority. You agree that if the authorised nominee's instructions are followed by the Responsible Entity, you and any person claiming through or under you shall have no claim against the Responsible Entity in relation to the instructions.

### Powers of an Authorised Nominee

An authorised nominee can, among other things:

- apply for additional investment in Stapled Units;
- change bank account details; and
- request that distribution instructions be altered;
- enquire as to the status of your investment and obtain copies of statements.

If a company is appointed as an authorised nominee, the powers will extend to any director and authorised officer of the company. If a partnership is appointed as an authorised nominee, the powers will extend to all partners.

## 7.7 Reporting Policy

### Keeping Track of Your Investments

Regular, simple to read reports are provided to Unitholders in FAI by email or on a secure website notified to investors in due course. These reports comprise:

- **Quarterly Report and Valuation**, including details about the portfolio, recent investments, Investment Manager's fees and established yield. A quarterly director valuation for portfolio investments will be included in each Quarterly Report (see section 'Other Important Information');
- **Annual Report** including similar information to the Quarterly Report, plus financial statements, an auditor's report;
- **Distribution Statements issued** in line with distribution frequency, notifying you of the value of your investment, income from investments and confirming payment to your nominated account;
- **Tax Statements** issued annually, providing Unitholders with taxation information including a detailed summary of the components of any distributions;
- **Continuous Disclosure** - ASIC's Regulatory Guide 198 'Unlisted disclosing entities: Continuous disclosure obligations' ("**RG 198**"), Equity Trustee advises that it will fulfil its continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance. Investors may access material information regarding FAI from its webpage at [www.eqt.com.au/insto](http://www.eqt.com.au/insto).

You can contact the Responsible Entity on +61 3 8623 5000 for updated information on performance, Stapled Unit prices, fund size and other general information about FAI.

Please note that Indirect Investors who access FAI through an IDPS will receive reports directly from the IDPS Operator and not from the Responsible Entity or the Manager. However, Equity Trustees 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.

## 7. INVESTING IN FAI

### 7.8 Complaints Resolution

The Responsible Entity 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: 1300 133 472

Post: Equity Trustees Limited  
GPO Box 2307, Melbourne VIC 3001

Email: [compliance@eqt.com.au](mailto:compliance@eqt.com.au)

We will acknowledge receipt of the complaint within one business day or as soon as possible after receiving the complaint. We will seek to resolve your complaint as soon as practicable but not more than 30 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](http://www.afca.org.au)

Phone: 1800 931 678

Email: [info@afca.org.au](mailto: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 is important that you contact us first.



# 8. FEES AND OTHER COSTS

## DID YOU KNOW?

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

For example, total annual fees and costs of 2% of your investment 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 FAI or your financial adviser.

## TO FIND OUT MORE

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

This document shows fees and costs 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. Taxes are set out in the 'Taxation' section of this PDS. You should read all the information about fees and costs because it is important to understand their impact on your investment.

## 8.1 Summary of Fees and Costs for the Fund

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>THE FEES THAT APPLY WHEN YOUR MONEY MOVES IN OR OUT OF FAI</b>		
<b>Establishment Fee</b> The fee to open your investment	Nil	Not applicable
<b>Contribution Fee</b> The fee on each amount contributed to your investment	Nil	Not applicable
<b>Withdrawal Fee</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Exit Fee</b> The fee to close your investment	Nil	Not applicable

## 8. FEES AND OTHER COSTS

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>MANAGEMENT COSTS: THE FEES AND COSTS FOR MANAGING YOUR INVESTMENT<sup>12</sup></b>		
<p><b>Base Management Fee</b> Expressed as percentage of the aggregate investor subscription amount paid into the Fund. This fee will be paid to the Investment Manager under the terms of the Investment Management Deed.</p>	1.60% per annum (plus GST) <sup>13</sup>	The base management fee is accrued daily and is payable from the income and assets of the Fund to the Investment Manager quarterly in advance, on the first day of each calendar quarter. The net effect of GST (after reduced input tax credits) is expected to be 0.072% <sup>12</sup> (totalling 1.672%).
<p><b>Plus Responsible Entity Fee</b> Expressed as percentage of the NAV of the Fund, subject to a minimum amount.</p>	0.10% per annum (plus GST)	The responsible entity fee is calculated and paid to the Responsible Entity monthly in arrears out of the Fund's assets. The net effect of GST (after reduced input tax credits) is expected to be 0.0045% <sup>12</sup> (totalling 0.1045%).
<p><b>Plus Expense Recovery Costs</b> Ordinary costs of operating FAI that are reimbursed to the Investment Manager or Responsible Entity, expressed as a percentage of the GAV of the Fund.<sup>14</sup></p>	1.15% per annum (plus GST)	Expenses are reimbursable to the Investment Manager or Responsible Entity from the income or assets of the Fund as and when incurred. The net effect of GST (after reduced input tax credits) is expected to be 0.05175% <sup>12</sup> (totalling 1.20175%).
<p><b>Performance Fees</b> Expressed as percentage of profits, subject to the terms and conditions set out in the 'Performance fee' section.</p>	20% of FAI's performance after meeting a hurdle IRR of 8% per annum (plus GST)	The Investment Manager is entitled to receive a Performance Fee in accordance with the principles set out in 'Performance fee' section. The Performance Fee accrues daily and is calculated and payable as soon as practicable after the receipt of distributions (whether following realisation or otherwise). The net effect of GST (after reduced input tax credits) is expected to be 0.9% <sup>12</sup> (totalling 20.9%).
<b>SERVICE FEES<sup>15</sup></b>		
<p><b>Switching Fee</b> The fee for changing investment options.</p>	Nil	Not applicable

<sup>12</sup> It is anticipated that the Fund may be able to recover at least 55% of the GST component of fees charged to it, whether under the reduced credit acquisition provisions of the GST Act or otherwise. The 'Example of annual fees and costs for the Fund' and 'Additional Explanation of fees and costs' take into account the estimated net effect of GST.

<sup>13</sup> Fees can be negotiated by certain types of investors. See "Differential fees" below.

<sup>14</sup> Please see the 'Additional Explanation of fees and costs' section for further information.

<sup>15</sup> Fees may also comprise advice fees, which are fees payable by you to your financial adviser for advice about investing in the Fund. Please see the 'Additional Explanation of fees and costs' section for further information.



## 8.2 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 one year period. You should use this table to compare this product with other managed investment products.

For an investment of \$50,000, \$1,489.13 per annum in fees and costs will be incurred (excluding any performance fees that may accrue), comprised as follows:

EXAMPLE – FEDERATION ALTERNATIVE INVESTMENTS FUND		
BALANCE OF \$50,000		
Management Costs	2.97825%	For every \$50,000 you have in the Fund you will be charged \$1,489.13 each year
<b>Equals</b> Cost of Fund		If you had an investment of \$50,000 at the beginning of the year, then you would be charged fees of: \$1,489.13 <sup>16</sup>

**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](http://www.moneysmart.gov.au), which you may use to calculate the effects of fees and costs on your investment in FAI.

The management costs comprise the Base Management Fee, Responsible Entity Fee and Expense Recovery Costs for an invested amount of \$50,000. Additional expenses may apply (please see the 'Additional Explanation of Fees and Costs' section below for further information). As a result, the actual management costs for the current financial year and for future financial years may differ from the figure shown in the table.

There is no reasonable basis to estimate the performance fee payable out of FAI assets. See below example illustrating the application of the performance fee under different scenarios.

## 8.3 Additional Explanation of Fees and Costs for the Fund

This section explains some of the terms that are used in this Fees and Costs section.

Management costs for the Fund comprise:

- Base Management Fee payable to the Investment Manager (see below);
- Responsible Entity Fee payable to the Responsible Entity (see below);
- Expense Recovery Costs, which comprises expenses of FAI, and indirect costs of FAI, incurred in the ordinary course of administering FAI and which are reimbursed to the Investment Manager or Responsible Entity; and
- Any Performance Fee payable to the Investment Manager.

Management costs do not include:

- Transactional and operational costs (see below); and
- Costs related to a specific asset that an investor would incur if they invested directly in the asset (apart from some costs relating to derivatives).

<sup>16</sup> The table is an example of typical ongoing fees that apply to your investment. Please note that additional fees may apply – this example does not capture all the fees and costs that may apply to you.



## 8. FEES AND OTHER COSTS

### Base Management Fee

The base management fee payable to the Investment Manager is 1.60% per annum plus the net effect of GST of 0.072% (totalling 1.672% per annum) calculated on the aggregate subscription amount and payable to the Investment Manager quarterly in advance on the first day of each calendar quarter.

The fee is payable out of the assets of the Stapled Entities.

### Responsible Entity Fees

The Responsible Entity will be paid a fee in respect of its services as responsible entity of the relevant Trusts. The fee is 0.10% per annum plus the net effect of GST of 0.0045% (totalling 0.1045% per annum) on the NAV calculated on the monthly NAV and payable in arrears, subject to an agreed minimum annual fee.

A fee may also be payable in the case of removal of the Responsible Entity. See additional information under the 'Summary of Material Contracts' section under the heading 'Retirement of Responsible Entity'.

The fee is payable out of the assets of the Stapled Entities.

### Expense Recovery Costs

The Investment Manager and Responsible Entity (and their related parties) are entitled to be reimbursed from FAI in respect of a range of costs as part of FAI's expenses in connection with the investment, operation and management of FAI or the acquisition, disposal or maintenance of any investment of the Portfolio which include, but are not limited to, fees and costs of professional advisers (such as legal, administration service providers, tax advisers, consultants, custodians (if any), accounting, audit, research/ratings, investment banks, valuation, brokers and other advisers), director fees (where a representative of Federation serves on a portfolio company board), insurance expenses (including professional indemnity and director and officer insurance), costs of investor reporting, regulatory expenses (including costs incurred to maintain necessary registrations, maintain compliance with laws and making regulatory filings), tax expenses relating to compliance with tax filing requirements. On average, during the Term of FAI, such expenses (ignoring irregular or abnormal expenses, see below) will be capped at 1.15% per annum of the GAV plus the net effect of GST of 0.05175% (totalling 1.20175%). Expenses may also be incurred from time to time in relation to irregular or abnormal expenses, such as costs of litigation and costs of convening unitholder meetings.

The Expense Recovery Costs figure includes an amount on account of indirect costs. Indirect costs means any amount that has reduced or will reduce (directly or indirectly) the return of FAI or reduce the amount or value of the income or property of FAI. This can include fees and management costs arising from underlying funds, and a reasonable estimate of the cost of investing in over-the-counter derivatives to gain investment exposure to assets or implement FAI's investment strategy. Indirect costs are reflected in the unit price of FAI, and are not paid by Investors but are an additional cost to Investors.

### Performance Fee

The Investment Manager is entitled to a fee based on the performance of FAI's investments. The Performance Fee accrues daily and is calculated and payable as soon as practicable after the receipt of distributions (whether following realisation or otherwise) from or in respect of each underlying investment of FAI (Underlying Asset), in the following order and principles:

- (a) **Step 1 (Return of capital):** firstly, the net proceeds from the Underlying Asset less any transaction costs (including due diligence costs and legal fees) referable to any realisation (if applicable), stamp duty and GST (and for the avoidance of doubt, after repayment of any borrowings referable to the Underlying Asset that are due and payable) (the balance referred to as 'Distributable Proceeds') will be distributed by FAI to the investors holding Units until such investors have received an amount equal to their aggregate capital contributions referable to the Underlying Asset;
- (b) **Step 2 (Hurdle Return):** secondly, any remaining Distributable Proceeds will be distributed by FAI to the Investors until the Investors have received an amount which represents a return equal to the Hurdle Return in respect of their aggregate capital contributions referable to the Underlying Asset;
- (c) **Step 3 (Catch up):** thirdly, any remaining Distributable Proceeds will be distributed:
  - (a) 20% to the Unitholders;
  - (b) 80% to the Investment Manager,

until the Investment Manager receives 20% of the amount received by Unitholders under 'Step 2 (Hurdle Return)' and this 'Step 3 (catch up)'; and

(d) **Step 4 (20% / 80% split):** fourthly, any remaining Distributable Proceeds will be distributed:

- (a) 80% to Unitholders; and
- (b) 20% to the Investment Manager.

For these purposes, the Hurdle Return means an IRR of 8.0% per annum (net of fees and costs payable to the Investment Manager and the Responsible Entity referable to the Underlying Asset and pre-taxation). GST will be payable on amounts payable to the Investment Manager. The estimated net effect of GST on the performance fee is calculated as 0.9% and the total performance fee payable by the Fund is calculated to be 20.9% (inclusive of GST and net of RITC).

In determining the value of an Underlying Asset where the Underlying Asset is held by a Co-Investment Trust, the value is based on the proportionate indirect interest of FAI in the Underlying Asset.

### Other Performance Fee Terms

If the Investment Manager is no longer the manager of FAI (including any Sub-Trust) for whatever reason, then the Investment Manager is entitled to be paid any accrued and unpaid performance fee (calculated as if the Portfolios of all Trusts were Realised Investments and realised for an aggregate amount equal to the GAV as at the termination date) within 20 Business Days of the Investment Manager cessation date.

If FAI becomes listed (Official Quotation), the Investment Manager may be entitled to be paid any accrued and unpaid performance fee (calculated as if the Portfolios of all Trusts were Realised Investments and realised for an aggregate amount equal to the GAV as at the listing date). Further, if FAI becomes Listed and the Securities are Officially Quoted, then the Investment Manager and the Responsible Entity will cooperate in good faith to amend the performance fee provisions in the Investment Management Deed to operate for the period while Officially Quoted and with the intention that the basis for determination of performance fees is to be reset from the date of Official Quotation based on the fair market value of all Portfolios as determined by an independent valuation.

It is not possible to estimate the actual Performance Fee that may become payable, as one cannot forecast what the performance of FAI will be. For accounting purposes, the financial statements for FAI for the year ending 31 December 2020 take into account an accrual in respect of performance fees of \$3.6 million. The actual performance fee payable will depend on a range of matters, including actual realisation proceeds, and accordingly, this accrual is not intended as an estimate of likely performance fees.

The following simplified example shows how the Performance Fee is calculated:

As the performance fee payable is dependent on the performance of each Underlying Asset, we illustrate the performance fee payable in three different scenarios in relation to the relevant Underlying Asset that is realised:

- a) An IRR return of 5.0%; b) An IRR return of 8.0%; and, c) An IRR return of 15.0%.

For the purposes of calculating the Performance Fee payable, we assume a one year time period and the Hurdle Return of 8.0%. As a starting point, assume an investor has \$50,000 invested in FAI that is referable to the Underlying Asset. The performance fees you would be charged in each of the above scenarios would be as outlined below:

- a) An IRR return of 5.0% equates to an investment return (after all referable fees and costs, but before performance fees) of \$2,500. This is below the Hurdle Rate, therefore no performance fees will be payable to the Investment Manager by FAI;
- b) An IRR return of 8.0% equates to an investment return (after all referable fees and costs, but before performance fees) of \$4,000. This is equal to the Hurdle Rate, therefore no performance fees will be payable to the Investment Manager by FAI; and
- c) An IRR return of 15.0% equates to an investment return (after all referable fees and costs, but before performance fees) of \$7,500. This is above the Hurdle Rate and \$1,500 of performance fees will be payable to the Investment Manager by FAI.

### Transactional and Operational Costs

In managing the assets of FAI, FAI may incur transactional and operational costs such as due diligence costs, brokerage, settlement costs and applicable stamp duty when assets are bought and sold. This generally happens when the assets of a fund are acquired or disposed of, or when there are applications or withdrawals (if applicable) which cause net cash flows into or out of a fund.

## 8. FEES AND OTHER COSTS

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Transactional and operational costs may also include:

- professional adviser costs (legal, accounting, valuation, investment banking or otherwise) that are related to the proposed transaction;
- a reasonable estimate of the cost of investing in certain over-the-counter derivatives attributable to derivatives used for hedging purposes; and
- certain 'property operating costs'. Property operating costs are amounts that are paid or payable in relation to the holding of real property or an interest in real property, other than amounts that are paid or payable relating to the acquisition or disposal of real property or an interest in real property (and excludes amounts otherwise charged as fees). This includes costs in the ongoing management of a property, for example, land tax, repairs and maintenance, landscaping, leasing expenses.

These costs are reflected in FAI's unit price. As these costs are factored into the Net Asset Value of FAI and reflected in the unit price, they are an additional implicit cost to the investor and are not a fee paid to the Responsible Entity or the Investment Manager. These costs are an additional cost to members and not included in the above 'management costs' estimate. Such costs may reduce the earnings from FAI's investments, and are not directly charged to investors.

For each of the year ended 30 June 2021 and year ending 30 June 2022, during which FAI will acquire portfolio assets, we estimate total transactional and operational costs for FAI of up to 5% of the NAV of FAI. The dollar value of these costs based on an average account balance of \$50,000, would be \$2,500 in that financial year.

### IDPS

Investors investing through an IDPS should note that the fees outlined in this section are in addition to (i.e. do not include) any other fees charged by the IDPS Operator or financial adviser.

### Payment of Taxes

Where a fee is disclosed as inclusive of the net effect of GST (that is, inclusive of GST, net of input tax credits and RITCs), the amount has been calculated on the basis that a RITC of the GST component is available. Whilst this entitlement is dependent on the individual circumstances, as a general proposition, it is anticipated that the Fund may be able to recover at least 55% of the GST component of fees paid for services, whether under the reduced credit acquisition provisions of the GST Act or otherwise. There are circumstances where the GST recovery rate could vary from that outlined above.

### Taxation of FAI

Information about taxation applicable to FAI and investors is set out in the 'Taxation' section.

### Co-investment Properties

Where FAI holds certain assets via a Co-Investment Trust in parallel with Alternative Vehicles, any transaction expenses attributable to any investment made by FAI with the investor in these vehicles will be shared, pro rata, across FAI and those investors or vehicles.

### Changes to Fees

The Constitutions provide for the Responsible Entity to charge fees additional to the fees described in this Fees and Costs section, including: application fee of up to 6% of the application money; redemption fee of up to 6% of the redemption price for processing the redemption request; management fee of up to 2% per annum of GAV. Fees payable to the Investment Manager under the Investment Management Deed may not be increased unless approved by an ordinary resolution of Unitholders.

Other costs, charges and expenses of FAI (including indirect costs) will vary from time to time.

### Differential Fees

The Responsible Entity or Investment Manager may from time to time negotiate a different fee arrangement (by way of a rebate or waiver of fees) with certain investors who are Wholesale Clients or New Zealand Wholesale Investors.

### Termination Fee

Under the Investment Management Deed, the Investment Manager is entitled to terminate in several circumstances (as set out in the 'Summary of Material Contracts' section of this PDS) and to receive a termination fee ("**Termination Fee**"). The Investment Manager has agreed to waive its right to a Termination Fee referable to applications under this PDS in all except one circumstance. In particular, the Investment Manager has the right to terminate if a person (alone or together with the person's associates) other than the Investment Manager or an associate of the Investment Manager acquires a relevant interest in Stapled Units where because of the acquisition, that person's or someone else's voting power in FAI exceeds 50%.

The Termination Fee is a lump sum fee payable to the Investment Manager out of the assets of the Stapled Entities (in addition to any accrued and unpaid fees), within 20 Business Days after effective termination, equal to the sum of:

- (a) the base management fee amount due to the Investment Manager that would have been payable, calculated for the Reference Period and based on the most recent aggregate Portfolio Value as at the termination date; plus
- (b) the performance fee amount calculated as if all assets in the Portfolio were realised for an aggregate amount equal to the aggregate Portfolio Value as at the termination date.

For these purposes, Reference Period means five (5) years (while the Fund is not Listed). If the Fund is Listed, the Reference Period will be described in the Product Disclosure Statement for the Listing and will be subject to the Listing Rules.

By way of illustration, if the Investment Manager is entitled to a Termination Fee, an investor with an investment of \$50,000 in FAI would be charged:

- (a) a fee of \$4,000, representing 1.60% of \$50,000, multiplied by 5 (being the number of years remaining in the Reference Period); plus
- (b) a further fee equal to the performance fee amount calculated as if all assets in the Portfolio were realised for an aggregate amount equal to the aggregate Portfolio Value as at the termination date.

We illustrate component (b) of the Termination Fee in three different scenarios below (in all instances, after taking into account management fees and operating costs):

- a) An IRR return of 5.0%; b) An IRR return of 8.0%; and, c) An IRR return of 15.0%.

For the purposes of calculating the component of the Termination Fee that is dependent on the performance fee calculation, we assume a one year time period and the Hurdle Return of 8.0%. As a starting point, assume you have a balance of \$50,000 in FAI. The performance fees you would be charged in each of the above scenarios would be as outlined below:

- (a) An IRR return of 5.0% equates to an investment return (after all other fees and costs, but before performance fees) below the Hurdle Rate, therefore no performance fees would be payable to Investment Manager;
- (b) An IRR return of 8.0% equates to an investment return (after all other fees and costs, but before performance fees) that is equivalent to the Hurdle Rate, therefore no performance fees would be payable to Investment Manager; and
- (c) An IRR return of 15.0% equates to an investment return (after all other fees and costs, but before performance fees) of \$7,500. This is above the Hurdle Rate and \$1,500 of performance fees will be payable to Investment Manager. In this situation, the Termination Fee payable to the Investment Manager will be \$5,500.

## Other Fees

The Investment manager or its affiliates may also be entitled to transaction, advisory or director fees from certain underlying investee entities. Such fees will be set at arm's length rates.

## Advice Fees

Investors may incur a fee for advice provided to the investor by their authorised adviser, if agreed between the investor and their adviser.

Applicants should consult with their advisers to understand fees and costs in relation to this Offer and any fees received by the relevant adviser. Under the Corporations Act, advisers that provide personal financial product advice to retail clients must, among other obligations, act in the best interests of the client, only give advice if it is reasonable to assume that the advice is appropriate for the client and, if there is a relevant conflict, give priority to the interests of the client. Advisers are also required to comply with the Code of Ethics published by Financial Adviser Standards and Ethics Authority Limited.

# 9. TAXATION

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The following is a general summary of the Australian income tax, stamp duty and goods and services tax (“GST”) implications for Investors in the Fund. It does not constitute tax advice and should not be relied upon as such. The rules summarised in this section are complex. Different tax and stamp duty implications may apply to different Investors depending on their particular circumstances. For example, stamp duty may apply depending on (among other things) the percentage interest being acquired and whether the Fund is a deemed “landholder” (under relevant stamp duty legislation) at the time of subscription, transfer or redemption. Accordingly, Investors should obtain independent professional advice concerning the potential tax and stamp duty implications of investing in the Fund.

The following comments assume that Investors hold their investment in the Fund on capital account and are not exempt from taxation. Investors who do not hold their investment in the Fund on capital account should obtain their own advice. The tax information included in this PDS is based on the taxation legislation and administrative practice as at the issue date of this PDS.

## 9.1 Taxation of Australian Resident Investors

### Acquiring Stapled Units in the Fund

The Fund is comprised of Investment Strategies with each Investment Strategy comprising an Active Trust and a Passive Trust. Interests in the Active Trust and Passive Trust should be treated separately for income tax purposes. Investors will need to apportion the application price for the Stapled Units under the Offer, plus incidental costs associated with the acquisition, between the Active Trust units and the Passive Trust units on a reasonable basis for the purposes of determining the cost base of units in each trust for capital gains tax (“CGT”) purposes.

### Passive Trust Distributions

It is intended that the Passive Trust is operated such that it will be treated as a “flow through” entity for Australian income tax purposes such that the Responsible Entity of the Passive Trust will not be subject to income tax. However, it is possible that the Passive Trust may be taxed like a company if it is a “public trading trust”. The Responsible Entity engages service providers to monitor the status of the Passive Trust to determine the appropriate treatment. In particular, the Fund seeks ongoing advice regarding trading trust matters.

It is currently not expected that the Passive Trust is a public trading trust and accordingly, the following comments assume that the Passive Trust will be taxed as a flow-through entity.

### AMIT Regime

The Responsible Entity has elected for the Passive Trust to be classified as an Attribution Managed Investment Trust (“AMIT”). Broadly, under the AMIT regime, Investors will be subject to tax on the net income and net capital gains of the Passive Trust that are allocated to them on a fair and reasonable basis by the Responsible Entity of the Passive Trust.

An Investor may be taxable on their share of the Fund's taxable income before receiving distributions from the Fund. Where an amount distributed to an Investor is less than (or more than) the taxable income attributed to the Investor, the cost base of the Investor's units may be adjusted upwards (or downwards).

The Passive Trust may make an irrevocable election to apply 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 Passive Trust is taken to hold its eligible investments on capital account and gains (or losses) from the disposal of eligible investments are treated as capital gains (or losses). Capital gains arising on the disposal of eligible investments held for at least 12 months may be eligible to be treated as discount capital gains if the relevant requirements are met. Where the election is not made, the Passive Trust will hold its eligible investments on revenue account and gains (or losses) from the disposal of eligible investments should be treated as revenue gains (or losses).

Tax losses incurred by the Passive Trust cannot be distributed to Investors. Instead, they can be carried forward and offset against future taxable income of the Passive Trust, subject to satisfying the relevant loss recoupment rules.

Investors will receive an annual tax statement known as the AMIT Member Annual (“AMMA”) Statement detailing the amount and components of the taxable income of the Passive Trust that Investors will be assessed on, as well as the net annual cost base adjustment.

## Non-AMIT Regime

Where the Passive Trust does not elect into the AMIT regime, or has made the election but the election is not effective for an income year (e.g. the Passive Trust does not satisfy the requirements to be a MIT for the income year), the tax law applicable to non-AMITs will apply. Broadly, Investors will be assessed for tax on any income and capital gains generated by the Passive Trust to which they become presently entitled. In practice, Investors should be assessed on their proportionate share of the taxable income of the Passive Trust each year.

Where the cash distribution in an income year exceeds the taxable income of the Passive Trust allocated to an Investor, the excess is a tax-deferred distribution that is not assessable to the Investor. However, the tax-deferred distribution should reduce the cost base of the Passive Trust units for the purposes of determining any CGT liability on subsequent disposal or redemption of the Stapled Units. Where the tax-deferred distributions exceed the cost base of the units, a capital gain may arise for the Investor. Certain Investors (i.e. individuals, trustees or complying superannuation entities) who have held the relevant units for at least 12 months may be eligible for a CGT discount where the relevant requirements are satisfied.

Investors will receive an Annual Tax Statement detailing all relevant taxation information concerning attributed amounts and cash distributions.

## Active Trust Distributions

The Active Trust is likely to be a public trading trust that is treated like a company for income tax purposes. Accordingly, any distributions from the Active Trust will generally be treated as a franked or unfranked dividend for tax purposes. Broadly, where an Investor receives a franked distribution, the Investor will be taxed on the full amount of the profit represented by the distribution and the attached franking credits, but the franking credits may also be available as a tax offset, subject to the relevant conditions being met. If the Investor's offsets from franking credits exceed the tax liability after other tax offsets have been applied, the Investor may be entitled to a tax credit or a tax refund in respect of the excess.

## Disposal or Redemption of Stapled Units in the Fund

Each unit in a Stapled Entity (i.e. Active Trust and Passive Trust) comprising a Stapled Unit is a separate CGT asset, notwithstanding that they may not be traded separately.

Where consideration is received in connection with a transaction that relates to more than one CGT asset, the capital proceeds for each asset is so much of the total consideration as is reasonably attributable to that asset.

Accordingly, the capital proceeds referable to the disposal of each Passive Trust unit and each Active Trust unit comprising a Stapled Unit will be determined by apportioning the total capital proceeds received in respect of the disposal of the Stapled Unit between the Passive Trust unit and the Active Trust unit.

The disposal or redemption of units in a Stapled Entity by an Investor may be subject to CGT. The Investor should derive a capital gain to the extent that the capital proceeds from the disposal or redemption exceed the cost base of the relevant units. Conversely, Investors will incur a capital loss if the capital proceeds are less than the reduced cost base of the relevant units.

Certain Investors (i.e. individuals, trustees or complying superannuation entities) who have held the relevant units for at least 12 months may be eligible for a CGT discount. Corporate investors are not eligible for the CGT discount. An Investor's capital proceeds, cost base and reduced cost base will differ based on the Investor's individual circumstances at the time of disposal or redemption.

## 9.2 Taxation of Non-Resident Investors

The following comments in respect of non-Australian tax resident Investors do not cover:

- non-residents who hold their Stapled Units at or through a permanent establishment in Australia or via an interposed Australian entity;
- feeder funds;
- sovereign entities or tax exempt foreign pension funds (such entities may be eligible for exemptions and concessions available under statutory provisions of the Australian income tax law, but will need to obtain advice on their specific circumstances); or
- the effect of any applicable double taxation agreement.

Investors who may be affected by the above should obtain their own advice.



## 9. TAXATION

### Passive Trust Distributions

Where a Passive Trust distribution to non-resident Investors includes Australian-sourced interest, dividends or royalties, these components may be subject to a final withholding tax at the following rates:

- Interest: 10%
- Unfranked dividends: 30%
- Royalties: 30%

The above rates may be reduced under an applicable double taxation agreement with Australia. There is no withholding tax on fully franked dividends.

Where the Passive Trust distribution includes other types of Australian-sourced income (e.g. gains on the disposal of assets or net rental income), the taxation implications will depend on whether the Passive Trust is a Withholding Managed Investment Trust (“**Withholding MIT**”). The Responsible Entity will monitor at the time of relevant distributions whether the Passive Trust will qualify as a Withholding MIT.

### Where the Passive Trust is not a Withholding MIT

Where the Passive Trust does not qualify as a Withholding MIT, the Responsible Entity will withhold tax on other types of Australian-sourced income at rates of up to 45%. This withholding is not a final tax and an Investor may file an Australian tax return and may be entitled to claim a credit for the amounts withheld.

### Where the Passive Trust is a Withholding MIT

Where the Passive Trust is a Withholding MIT, distributions comprising income other than dividends, interest and royalties in general should be subject to MIT withholding tax. The Passive Trust will withhold tax from such distributions to the extent they represent Australian-sourced taxable income of the Passive Trust or capital gains on the disposal of assets that are “taxable Australian property” (which includes direct and indirect interests in land situated in Australia, broadly defined).

Generally, the MIT withholding tax rate for Investors who are residents of countries with which Australia has an effective tax information exchange agreement and which have been specified in the legislation for these purposes is 15%. The MIT withholding rate is 30% for Investors who are residents of other countries. A 30% rate may apply if relevant income is designated as non-concessional MIT income pursuant to tax integrity rules that, broadly, apply to income sourced in trading income, agricultural land, or residential housing other than affordable housing.

### Active Trust Distributions

Distributions from the Active Trust are prima facie subject to 30% withholding tax to the extent they are treated as unfranked dividends. The rate of withholding may be reduced where there is an applicable double taxation agreement with Australia. There is no withholding tax on fully franked dividends.

### Disposal or Redemption of Stapled Units in the Fund

Where the Stapled Units are held by non-Australian tax resident Investors on capital account, CGT may apply to gains or losses if the relevant asset being disposed of or redeemed (i.e. the unit in the Passive Trust or unit in the Active Trust) is “taxable Australian property”.

Units in the relevant Trusts should generally be considered “taxable Australian property” where:

- the value of either the Passive Trust or the Active Trust relates primarily to real property in Australia; and
- the Investor and its associates hold 10% or more of the Stapled Units in the Fund at the time of the disposal or redemption or within a 12 month period during the previous two years.

Where non-resident Investors are subject to CGT, the CGT liability is calculated in a similar way to Australian resident Investors (see above), although no CGT discount is available for non-resident Investors.

Non-resident Investors should also consider the foreign resident capital gains withholding rules, which may require a purchaser of an indirect Australian real property interest (refer above) to withhold 12.5% from the price paid for that interest.

## 9.3 Taxation of New Zealand Resident Investors

If you are a New Zealand resident wishing to invest in Australia, we strongly recommend that you obtain independent professional tax advice. Broadly, New Zealand resident Investors will be taxed in New Zealand on their Stapled Units under the foreign investment fund rules or ordinary tax rules, depending on their circumstances.

## 9.4 Other Tax Matters

### Goods and Services Tax (“GST”)

Transacting in the Stapled Units should not attract GST, whether or not the Investors are Australian residents.

However, Investors may be limited in their ability to recover GST (in the form of input tax credits) on costs relating to the acquisition or disposal of the Stapled Units.

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

Collection of an Investor’s TFN is authorised and its use and disclosure strictly regulated by the tax laws and the Privacy Act. An Investor may quote a TFN or claim a TFN exemption in relation to their investment in the Fund when completing an Application Form. An Investor may quote an ABN instead of a TFN if it is making the investment in the course of a relevant enterprise carried out by the Investor.

If an Australian resident Investor chooses not to quote a TFN or ABN, or claim a TFN exemption, the Responsible Entity will be required to deduct tax at the prescribed rate from that Investor’s income distributions. At the date of this PDS, this was the highest marginal tax rate (45%) plus the Medicare Levy (2%). Non-resident Investors are taken to have quoted a TFN in relation to their investment.

### Foreign Account Tax Compliance Act (“FATCA”)

The Responsible Entity may be required under Australian tax legislation to request Investors to provide additional information to be provided to the Australian Taxation Office in order to comply with US FATCA compliance obligations.

FATCA is a US tax law that requires Foreign Financial Institutions (“FFIs”) to comply with a number of additional compliance obligations in order to ensure that 30% FATCA withholding tax is not deducted from certain US sourced income, gross proceeds from the sale of securities giving rise to such income and pass-through payments. The Responsible Entity and the Fund should be FFIs for FATCA purposes.

### Common Reporting Standard

Australian legislation relating to the automatic exchange of financial information between jurisdictions gives effect to the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (“CRS”) and FATCA. These regimes cover the collection and reporting of tax residency information and other data to tax authorities. Accordingly, we may request that you provide certain information in order for the Fund to comply with the CRS and FATCA obligations.

### Stamp Duty

Australia has complex stamp duty rules which vary between jurisdictions (i.e. by State and Territory). Broadly, an issue, transfer or redemption of stapled securities may give rise to “landholder duty” (or “trust look through duty”) implications for Investors acquiring Stapled Units.

As the stamp duty rules vary in each State and Territory of Australia, whether duty applies and the rate of duty will depend on:

- the location of the underlying assets of the Fund held directly by the relevant Passive Trust or Active Trust or indirectly via interposed entities;
- the interest in the Fund held by an Investor (alone or together with its associates) as a result of the issue, transfer or redemption of the Stapled Units; and
- the nature of the Active Trust or Passive Trust and how it is treated from a stamp duty perspective (e.g. whether it is a “wholesale unit trust scheme” or “public unit trust” under relevant duties legislation).

## 9. TAXATION

Where duty applies due to an issue, transfer or redemption of the Stapled Units, the rates of duty that may apply are dependent upon a number of factors and must be determined on a case by case basis.

The Fund holds interests (via the Sub-Trusts) in certain Queensland real estate. Trust 1 and Trust 2 are each a 'widely held unit trust' (and therefore a 'public unit trust') for Queensland duty purposes. Accordingly, stamp duty should not generally be payable in Queensland on an acquisition of Stapled Units unless an Investor (alone or with 'related persons') were to have an interest of at least 50% in the Fund.

### Taxation Reforms

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 constantly evolving. Changes to the law or administrative practice may impact the tax position Investors in the Fund. Accordingly, Investors should seek professional advice taking into account their particular circumstances.



# 10. SUMMARY OF MATERIAL CONTRACTS

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The Responsible Entity considers that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this PDS for the purpose of making an informed assessment of an investment in FAI under the Offer.

This section contains a summary of the material contracts and their substantive terms. As this section is only a summary of the material agreements, it does not set out all rights and obligations under each material contract and these agreement will only be fully understood by reading the documents in full.

## 10.1 Investment Management Deed

Equity Trustees as Responsible Entity entered into a management deed (“**Investment Management Deed**”) with the Investment Manager on 12 December 2018. A summary of the material terms is as follows:

### Duties of the Investment Manager

Under the Investment Management Deed, the Investment Manager must:

- (a) invest and manage the assets and liabilities of FAI for and on behalf of the Responsible Entity;
- (b) keep the assets and liabilities of FAI under review and confer at regular intervals with the Responsible Entity regarding the investment and management of the assets and liabilities of FAI;
- (c) keep proper books of account in relation to the assets and liabilities of FAI recording transactions by the Investment Manager and provide information in relation to the assets and liabilities of FAI to assist the Responsible Entity or any custodian of FAI (or a Sub-Trust) (“**Custodian**”) in the preparation of reports required under applicable laws unless such books of account are to be maintained by the Custodian;
- (d) provide information necessary for the maintenance of the financial accounts of FAI to be completed;
- (e) give proper instructions to the Custodian in relation to transactions concerning the assets and liabilities of FAI;
- (f) ensure that any notice to be given to the Custodian is given to the address specified by the Responsible Entity and otherwise in accordance with the provisions of this deed;
- (g) with the consent of the Responsible Entity, or under force of law and as advised to the Responsible Entity, give any information and assistance and make available any records relating to the relevant assets and liabilities of FAI reasonably required by the auditors of FAI or any regulator;
- (h) provide access to and a copy of the accounts relating to the relevant Portfolio whenever reasonably requested by the Responsible Entity to any person duly authorised;
- (i) exercise all due diligence and vigilance in carrying out its functions, powers and duties under this deed;
- (j) promptly notify the Responsible Entity of any instructions given to it which have not been complied with;
- (k) comply with the Investment Manager’s policy regarding the receipt by the Investment Manager or by an associate or a related body corporate of the Investment Manager, of benefits in the nature of soft dollar receipts, in relation to the investment or management of the assets and liabilities of FAI, and provide a copy of the policy to the Responsible Entity upon request;
- (l) account to the Responsible Entity for any monetary benefits, fees or commissions received by the Investment Manager or any related body corporate of the Investment Manager in relation to the investment of the assets and liabilities of FAI, other than benefits permitted to be received;
- (m) comply with any reasonable requests for information or assistance from any auditor compliance committee member appointed by the Responsible Entity in relation to the assets and liabilities of FAI;
- (n) exercise due care in selecting, appointing and reviewing the performance of any agent of the Investment Manager in connection with the assets and liabilities of FAI or any broker engaged by the Investment Manager;
- (o) use reasonable endeavours to ensure that the assets comprising the assets and liabilities of FAI are vested as soon as practicable in the Custodian or clearing house;
- (p) act in good faith in determining any allocation of a ‘block-booked transaction’ to the Portfolios before, during and after the transaction has been entered into by the Investment Manager; and
- (q) promptly notify the Responsible Entity of any breach of this deed by the Investment Manager and of any incident or other matters that might reasonably be expected to give rise to such a breach.

## 10. SUMMARY OF MATERIAL CONTRACTS

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### **Powers of the Investment Manager**

For the purpose of carrying out its functions and duties under the Investment Management Deed, the Investment Manager has the powers of a natural person to deal with the Portfolios and to do all things and execute all documents necessary for the purpose of managing the Portfolios, but the Investment Manager must not knowingly do anything the Investment Manager is prohibited from doing by a relevant law and must not without the prior consent of the Responsible Entity (which may be expressed in this deed).

### **Delegation**

The Investment Manager may not delegate any of its discretionary management powers without the prior written consent of the Responsible Entity.

### **Retirement of Responsible Entity**

The Investment Management Deed provides that on receipt of notice from the Investment Manager that the Investment Manager wishes the Responsible Entity to cease acting as responsible entity of either Trust 1 or Trust 2, subject to the Corporations Act, the Constitution, the obligations of the Responsible Entity as responsible entity of the relevant trust, and subject to no outstanding issues where the Responsible Entity needs to act in the best interests of unitholders, the Responsible Entity:

- (a) shall take all steps necessary to achieve its retirement, and the appointment in its place as responsible entity of such person as the Investment Manager may nominate as soon as practicable; and
- (b) will exercise all due care and skill to complete the transition within 90 Business Days of receipt of the Investment Manager's notice.

Under the Investment Management Deed, if Equity Trustees is removed as trustee or responsible entity of a Sub-Trust, it will be entitled to be paid the greater of 0.10% of the Aggregate Portfolio Value (calculated as at the time of its removal) or the annual minimum fee applicable under the Investment Management Deed. This fee is payable out of the assets of the relevant Sub-Trust which the responsible entity or trustee is removed from.

### **Expenses**

FAI must pay all taxes, costs, charges and expenses properly incurred in connection with the investment and management of the portfolio of FAI (excluding in-house administration costs of the Investment Manager in the nature of rent for the Investment Manager's premises, computer charges, salaries and research costs) or in acting under the Investment Management Deed and the Investment Manager may cause them to be deducted from the portfolio of FAI.

### **Exclusivity**

The Responsible Entity has appointed the Investment Manager on an exclusive basis to be the manager of FAI. The Investment Manager may from time-to-time perform similar investment and management services for itself and other persons to the services performed for the Responsible Entity under the Investment Management Deed. To protect the confidentiality of information relating to FAI, the Investment Management Deed prohibits the Investment Manager from using FAI's information for any purpose other than to perform its role as FAI's manager.

### **Responsible Entity Indemnity**

Under the terms of the Investment Management Deed, the Responsible Entity must indemnify the Investment Manager out of the assets of FAI against any losses or liabilities reasonably incurred by the Investment Manager arising out of, or in connection with, the Investment Management Deed, and any costs, charges and expenses incurred in connection with the Investment Manager or any of its officers or agents acting under the Investment Management Deed or on account of any bona fide investment decision made by the Investment Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, fraud or dishonesty of the Investment Manager or its officers or supervised agents. This obligation continues after the termination of the Investment Management Deed.

The Investment Manager may enforce its rights under the Investment Management Deed against the Responsible Entity only to the extent of the Responsible Entity's right of indemnity out of the assets of FAI and the Responsible Entity cannot be held liable in its personal capacity except to the extent that any liability arises from the fraud, negligence or a breach of trust by the Responsible Entity as responsible entity of Trust 1 or Trust 2 (as relevant).



## Investment Manager Indemnity

The Investment Manager must indemnify the Responsible Entity against any losses or liabilities reasonably incurred by the Responsible Entity arising out of, or in connection with, and any costs, charges and expenses incurred in connection with, any negligence, fraud or dishonesty of the Investment Manager.

## Fees

The Investment Manager is entitled to fees as summarised in the 'Fees and Other Costs' section of this PDS.

## Term

The Investment Management Deed dated 12 December 2018 remains in force until terminated in accordance with that deed.

## Termination by Investment Manager

The Investment Management Deed gives the Investment Manager the right to terminate the deed upon the occurrence of any one of the following events:

- (a) the Responsible Entity materially breaches any provision of the Investment Management Deed, or materially fails to observe or perform any representation, warranty or undertaking given by Responsible Entity under the Investment Management Deed and the Responsible Entity fails to rectify such breach or failure within 10 Business Days of receiving notice in writing from the Investment Manager specifying such breach or failure; or
- (b) if a person (alone or together with the person's associates) other than the Investment Manager or an associated entity of the Investment Manager acquires a relevant interest in Stapled Units where because of the acquisition, that person's or someone else's voting power in FAI exceeds 50%.

The Investment Manager is also entitled to terminate the Investment Management Deed on not less than twelve months' written notice.

## Termination by Equity Trustees

The Investment Management Deed gives the Responsible Entity the right to terminate the Investment Management Deed and remove the Investment Manager by written notice on the occurrence of any one of the following events:

- (a) an insolvency event occurs with respect to the Investment Manager (although the legal right of the Responsible Entity to terminate solely for this reason is limited);
- (b) the Investment Manager ceases to carry on business in relation to its activities as an investment manager;
- (c) the Investment Manager breaches any provisions of the Investment Management Deed, or fails to observe or perform any representation, warranty or undertaking given by Investment Manager under the Investment Management Deed and the Investment Manager fails to rectify such breach or failure within 10 Business Days of receiving notice in writing from the Responsible Entity specifying such breach or failure;
- (d) the Investment Manager engages in conduct that a court or arbitral tribunal (whichever determines earlier) determines constitutes fraud, gross negligence or wilful misconduct of its duties under the deed;
- (e) the Investment Manager ceases to be controlled by Federation Asset Management Holdings Pty Ltd (ACN 627 359 504);
- (f) the Investment Manager sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of the Investment Manager or of a beneficial interest therein, other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by the Responsible Entity or any other entity of good financial standing and as approved by the Responsible Entity (whose approval may not be unreasonably withheld); or
- (g) relevant law requires the Investment Management Deed to terminate.



## 10. SUMMARY OF MATERIAL CONTRACTS

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### Assets of FAI following Termination

If the Investment Management Deed is terminated, the Investment Manager will have 30 Business Days to deal with the assets of FAI for the purposes of vesting control of FAI in the Responsible Entity or as the Responsible Entity otherwise directs. Accordingly, the Investment Manager:

- subject to the consent of the Responsible Entity, may enter transactions to settle or otherwise extinguish or offset obligations incurred by or on behalf of the Responsible Entity or the Investment Manager in relation to the portfolio before that date;
- with respect to obligations not capable of settlement before transfer of the portfolio, must create provision for such contingent liability as will arise, notify the Responsible Entity of that provision, and the Responsible Entity must use reasonable endeavours to procure that the custodian holds sufficient assets of the portfolio to satisfy that liability;
- may instruct the custodian (directly or if an administrator has been appointed, indirectly through the administrator) to deduct from the portfolio costs, charges and expenses due to the date on which the transfer of the portfolio is effected if, after giving 10 Business Days' notice to the Responsible Entity of its intention to so direct the custodian, the Responsible Entity has not objected, and all charges and expenses incurred in the actions envisaged by this clause;
- must deliver to the Responsible Entity (or as the Responsible Entity reasonably directs) all records which may reasonably be required by the Responsible Entity in respect of the portfolio; and
- may deal with the portfolio in accordance with instructions from a new manager appointed by the Responsible Entity.

The Responsible Entity must take all necessary steps to facilitate the transfer of the Portfolio from the Investment Manager and is required to change the name of FAI to remove any reference to any derivative of the name of the Investment Manager, unless otherwise approved by the Investment Manager.

### Management of Potential Conflicts

The Investment Manager may invest in or deal with the Investment Manager's related bodies corporate or other divisions of the Investment Manager engaged in separate business activities. The Investment Manager has policies and procedures in place to manage any potential conflicts of interest. Any fees, brokerage and commissions may only be charged by the Investment Manager's related bodies corporate if they are engaged in the ordinary course of business and on arm's length terms.

The Investment Manager intends the Fund to invest in other funds managed by the Investment Manager.

The Investment Manager may have significant interactions with underlying investee companies and certain of the Investment Manager's officers and executives may serve on the board of the investee companies from time to time in return for market standard remuneration. These fees may be partially offset (50%) against the base management fee.

### Amendment

The Investment Management Deed may only be altered by the agreement of the parties. However, the Responsible Entity must only make material changes to the Investment Management Deed if the Responsible Entity has obtained Unitholder approval by ordinary resolution to these material changes.

## 10.2 Administration Agreement

Equity Trustees has appointed Apex Fund Services Ltd (“Apex”) as the administrator of FAI under the Administration Agreement. Under this agreement, Apex will provide various services as administrator for the Fund and each of the Sub-Trusts, including the following services:

- Calculating the Net Asset Value of the Fund in accordance with the Fund's valuation policies;
- Keeping proper records and books of account in relation to the Fund and the Sub-Trusts;
- Maintaining the registers for the Fund and the Sub-Trusts;
- Liaising with the Fund's auditors with respect to audit of the financial statements for each of the Fund's financial year to enable the auditors to complete the annual audit of the Fund for the purposes of inclusion in the Fund's annual reports;
- Supplying such information or reports to Equity Trustees as may from time to time be agreed by the parties; and
- Performing relevant anti-money laundering obligations.

The Administration Agreement is automatically renewed for each subsequent one year period, after the initial one year period from the date of the document. The Administration Agreement may be terminated by either Equity Trustees or Apex giving the other written notice, or pursuant to the exercise of a right of termination because of a breach of law, material breach of the Administration Agreement, or an insolvency event of a party.

Under the terms of the Administration Agreement, Apex must exercise reasonable care in the performance of its duties as administrator for the Fund (and the Sub-Trusts). Equity Trustees indemnifies Apex from any loss of any nature whatsoever suffered by the Fund or Sub-Trust in connection with the performance by Apex of its obligations under the Administration Agreement, except for losses resulting directly from negligence, gross negligence, wilful misconduct or fraud or material breach of the agreement on the part of Apex. Apex shall not be liable for any indirect, special or consequential loss howsoever arising.

# 11. SUMMARY OF MATERIAL CONTRACTS

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## 11.1 Concentration Limit

It is expected to take a period up to 12 months to fully invest the capital raised under this PDS. The Investment Manager aims to allocate funds raised under this PDS as follows:

- One-third to renewable energy investments;
- One-third to real estate investments; and
- One-third to other investments.

## 11.2 Structure

FAI comprises Trust 1 and Trust 2, which are Stapled such that a unit in Trust 1 may not be dealt with without also dealing with a unit in Trust 2. Each of the Stapled Entities invests indirectly via subsidiary trusts managed by the Investment Manager and broadly structured in three different Investment Strategies (being the 'Real Estate Strategy', 'Private Equity Strategy' and 'Renewable Energy Strategy').

The Investment Manager will procure that the Target Investments:

- that are likely to be construed as 'eligible investment business' assets (as defined in Division 6C of the Income Tax Assessment Act 1936 (Cth)) are acquired by one part of the Stapled Entity (or its Subtrust or Co-investment Trust); and
- that do not satisfy limb (i) above are acquired by the other part of the Stapled Entity (or is Subtrust or Co-investment Trust).

In determining which Trust is to acquire the Target Investment, the Investment Manager is entitled to, at the relevant Trust's expense, rely on professional advice from third parties, including taxation advisors.

Refer to the 'Taxation' section for further information about the benefits of the stapled structure and the taxation implications of the Stapling arrangement.

## 11.3 Valuation Policy

An annual review of the Portfolio will be carried out by the Fund auditor, and will occur on 30 June of each year to calculate the gross asset value ("GAV"). The Investment Manager retains discretion to value more frequently. The Investment Manager also intends to provide updated director valuations each quarter.

## 11.4 Borrowing Policy

The Investment Manager will have the right to borrow at any Fund (or Sub-Trust) level, and is entitled to enter into financing arrangements (which may include the granting of security interests in and liens on and otherwise encumber the assets of the relevant trust), for the purposes of funding:

- financing fees, costs and expenses;
- providing interim financing to the extent necessary to procure one or more investments before a fundraising event;
- hedging purposes; and
- investment-related activities, including to fund investments in whole or in part.

Borrowings can be raised on a combination of fixed and variable interest rates.

Borrowings will be on a non-recourse basis to Unitholders (meaning the lenders' recourse is limited to FAI's (or the particular Sub-Trust's) assets. Securities, such as mortgages, may be granted over the particular Sub-Trust's assets in favour of lenders (but with no recourse to Unitholders).

## 11.5 Interest Rate Hedging and Use of Derivatives

The Investment Manager may enter into derivatives, which may include investing in or entering into hedging transactions in connection with the acquisition, holding or disposition of investments and are intended to hedge FAI's exposure against movements in interest rate or currency relating to one or more investments and the Investment Manager will have the right to enter into derivatives at any sub-trust level, and which may include the granting of security interests in and liens on and otherwise encumber the assets of the relevant trust for these purposes.

## 11.6 Cooling Off Period

Cooling off rights may apply to investors in New Zealand (if you wish to exercise your cooling off rights you should contact the Responsible Entity). Otherwise, no cooling off period applies for Stapled Units issued under the Offer.

## 11.7 Termination of FAI

The Responsible Entity may resolve at any time to terminate, liquidate and wind up FAI in accordance with the Constitutions. FAI may otherwise terminate if required by law. A notice will be provided to Unitholders advising of FAI's termination. Upon termination and after conversion of Fund assets into cash and payment of, or provision for, all costs and liabilities (actual and anticipated), the net proceeds will in broad terms be distributed pro-rata amongst all Unitholders according to the value of the Stapled Units each of them hold in FAI.

The expected term of FAI ends at 25 September 2024. The Investments by their nature are illiquid and the time it takes to divest the investments in the portfolio can be affected by market conditions. The Responsible Entity can extend the term of FAI by two successive one (1) year periods subject to commercial analysis based on market conditions and where the Responsible Entity or Investment Manager deems it to be in the best interests of Unitholders. An additional one-year period extension is permitted to be made if approved by special resolution of Unitholders.

The Investment Manager intends to implement an exit strategy at or prior to the expiry of FAI's term, which may involve:

- direct disposal of Investments (individually or on an aggregated basis);
- sale of interests in FAI; or
- listing of FAI on an appropriate securities exchange. The Responsible Entity will seek Special Resolution approval in respect of any proposed application for listing of FAI and quotation of Stapled Units on any exchange.

## 11.8 Our Legal Relationship with You

You will receive Stapled Units when you invest in FAI. Subject to the rights, obligations and liabilities set out in the Constitution and under the Corporations Act, each Stapled Unit represents an equal proportionate beneficial interest in the assets of FAI as a whole subject to liabilities, but does not give you an interest in any particular assets or property of FAI.

The Responsible Entity's responsibilities and obligations, as the responsible entity of FAI, are governed by the Constitutions of FAI and the Corporations Act, as well as general trust law. The Constitutions contain a number of provisions relating to the rights, terms, conditions and obligations imposed on both the Responsible Entity, and Unitholders. Some of the provisions of the Constitutions are discussed elsewhere in this PDS. Other provisions relate to a Unitholder's rights under the Constitutions, and include:

- a Unitholder's right to share in any Fund income, and how it is calculated;
- what you are entitled to receive if FAI is wound up;
- the nature of the Stapled Units – identical rights attach to all Stapled Units;
- a Unitholder's rights to attend and vote at meetings; and
- the quorum requirement for meetings – at least 2 Unitholders present in person or by proxy holding at least the relevant percentage of Units (being 25% in the usual case or 50% where a meeting is convened to consider removal of the Investment Manager).

## 11. SUMMARY OF MATERIAL CONTRACTS

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There are also provisions governing the Responsible Entity's powers and duties, including:

- how Stapled Unit prices are calculated, the maximum amount of fees that can be charged;
- when the Constitutions can be amended – generally the Constitutions can only be amended where the Responsible Entity reasonably believes that the changes will not adversely affect Unitholders' rights or if the amendments are approved at a meeting of Unitholders;
- when Equity Trustees can retire as the responsible entity of FAI – when permitted by law;
- when Equity Trustees can be removed as the responsible entity of FAI – which is when required by law. The Investment Management Deed contains provisions dealing with the termination of the Investment Manager in certain cases involving default by the Investment Manager (unless the Investment Management Deed is required by law to be terminated, the Investment Manager may only be removed in these circumstances if its removal and the appointment of its replacement has been approved by an extraordinary resolution of Unitholders);
- broad powers to invest, borrow money and generally manage FAI; and
- that the Constitutions may be amended from time to time in accordance with the provisions in the Constitutions and the Corporations Act.

The Constitutions and the Corporations Act also deal with the Responsible Entity's liabilities in relation to FAI and when it can be reimbursed out of FAI's assets, for example:

- the Responsible Entity is not liable for acting in reliance and good faith on professional advice;
- the Responsible Entity is not liable for any loss unless it fails to act in good faith or acts negligently; and
- the Responsible Entity can be reimbursed for any liability it incurs in connection with the proper performance of its powers and duties in respect of FAI.

Copies of the Constitutions are available, free of charge, on request from the Responsible Entity. A summary of some of the provisions of the Constitutions is set out below under 'Rights and Obligations Attaching to the Units'.

### 11.9 Indemnity

Equity Trustees, as the responsible entity of FAI, is indemnified out of Trust 1 and Trust 2 against all liabilities incurred by it in properly performing its duties in relation to the relevant trust. To the extent permitted by law, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity. The Responsible Entity may retain and pay out any monies in its hands all sums necessary to affect such an indemnity.

### 11.10 Related party transactions

There are a number of related party transactions described in this PDS in relation to FAI, including fees payable to related parties. Each of the Responsible Entity and the Investment Manager may also seek professional services for FAI from qualified service providers, including from related parties.

The fees for these services will be charged at arm's length commercial rates to FAI.

Examples of areas in which related parties may provide services to FAI are:

- property and project management;
- accounting, taxation and compliance;
- debt arrangement;
- providing financing or loans;
- financial structuring and underwriting;
- product distribution; and
- corporate advice.

Each of the Responsible Entity and Investment Manager, and their respective associates, are entitled to enter into or be interested on their own account in any transactions entered into on behalf of FAI or with any company or body in which FAI is invested or who provides services to FAI. Any such transactions will be on arm's length commercial terms. Each of the Responsible Entity and Investment Manager, and their respective associates, are also permitted to hold Stapled Units in any capacity.

## Responsible Entity's Related Party Transactions Policy

The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval process for such transactions and arrangements to manage conflicts of interest. All transactions in which the Responsible Entity may have, or may be perceived to have, a conflict of interest will be conducted in accordance with the Responsible Entity's related party transactions policy.

Under this policy, the Responsible Entity may be required to disclose conflicts of interests to Investors and to ensure that its disclosure is timely, prominent, specific and meaningful, and contains enough detail to understand and assess the potential impact on the service provided by the Responsible Entity. These conflict situations will be monitored, assessed and evaluated by the compliance manager for the Responsible Entity. If the compliance manager considers it necessary, the matter will be referred to the Responsible Entity's Board and steps taken to ensure that the conflict is managed in an appropriate manner.

## Investment Manager's Related Party Transactions Policy

The Investment Manager maintains and complies with a policy on related party transactions. The Investment Manager and its associates are also entitled to enter into or be interested on their own account in any transactions entered into on behalf of FAI or with any company or body in which FAI is invested or who provides services to FAI.

The Investment Manager has the right to dispose of some or all of the Investment to an associate or related body corporate.

The Investment Manager (and its affiliates) may from time to time manage a number of funds. Once the Investment Manager (or affiliate) has sourced a particular asset, it follows formal procedures to ensure that the asset is offered to the most appropriate fund based on the relevant fund mandates. This means that assets sourced may not be exclusively offered to FAI. The Investment Manager may also act as manager of an Alternative Vehicle and allocate a part interest in the asset for investment by the Alternative Vehicle alongside FAI. Different fees and expenses may apply in relation to investors in the Alternative Vehicle.

## 11.11 ASIC Relief

The Responsible Entity was granted customary stapling relief by ASIC on 20 August 2019 modifying Parts 5C and Part 7.9 of the Corporations Act and if granted will allow the Stapled Entities to be treated as a single stapled economic entity.

## 11.12 Compliance Plan

The Responsible Entity has prepared and lodged a Compliance Plan for each of Trust 1 and Trust 2 with ASIC. Each of the Compliance Plans describes the structures, systems and processes used by the Responsible Entity to comply with the Corporations Act and the Constitution. The matters covered in the Compliance Plan include: promotion of FAI, and respective disclosures, information technology, the Constitution, AFS Licence requirements, corporate governance and compliance, agents and external service providers, education, training and recruitment, complaints handling, record keeping, custody, investment management, FAI's trust fees and performance, investment risks, valuation of FAI's assets, and applications, redemptions and distributions.

An audit of the compliance plan is carried out on an annual basis by FAI's Compliance Plan Auditor, Ernst & Young. An audit report is prepared and lodged with ASIC providing an opinion as to whether the Responsible Entity has complied with the Compliance Plan throughout the year and if the Compliance Plan continues to comply with the requirements of the Corporations Act and other relevant laws. A copy of the Compliance Plan is available from the Responsible Entity.

## 11.13 Rights and Obligations Attaching to the Units

The rights and liabilities attaching to ownership of Units arise from a combination of the Constitutions, Stapling Deed, the Corporations Act and general law. A summary of the significant rights and liabilities attaching to the Units and a description of the material provisions of the Constitutions are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Stapled Unit holders. Please also refer to the summary of the provisions of the Stapling Deed in the subsequent section.

If you invest in FAI, you agree to be bound by the terms of the PDS and the Constitutions. Copies of the Constitutions are available, free of charge, on request from the Responsible Entity. Please consider the Constitutions before investing in FAI.



# 11. SUMMARY OF MATERIAL CONTRACTS

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## Units

Applicants will be issued Stapled Units under the Offer, which are ordinary units in Trust 1 that are Stapled to ordinary units in Trust 2. The Application Price for a Stapled Unit is \$2.27 within the period of the Offer specified in this PDS. The price is calculated based on the net asset value of FAI as at 31 March 2021, plus an amount on account of various transaction costs incurred by FAI and an 8% per annum adjustment reflecting the time from 31 March 2021 to the Offer Close Date.

The Responsible Entity may issue additional Units subsequent to the Offer made under this PDS, subject to the Corporations Act:

- under a subsequent public offer to this PDS, at a price equal to the “**Relevant Issue Price**”. Relevant Issue Price will be calculated based on the valuation of the Portfolio conducted no earlier than 3 months prior to the date of such relevant public offer (“**Relevant PDS**”), plus an amount on account of various transaction costs incurred by FAI and an 8% per annum adjustment reflecting the time from the valuation date to the offer close date as described under the Relevant PDS; and
- if the Stapled Units are quoted on the ASX:
  - at “market price” if quoted on the ASX;
  - for pro-rata rights issues, at NTA per Unit or a discount to it; and
  - at a discount potentially (determined by the Responsible Entity), for placements, interest purchase plans and reinvestment plans.

## Entitlements

Subject to the rights, obligations and restrictions of a class of units, each unit represents an equal undivided fractional beneficial interest in the assets of FAI attributable to that class as a whole subject to liabilities attributable to that class, but does not give unitholders an interest in any particular asset of FAI.

The income for a particular class of units is the net income attributable to each class of units that is available for distribution for that period. Such income will be distributed equally among all unit holders in the relevant class of units.

## Winding Up

On a winding up of FAI, holders of a particular class of units are entitled to a pro rata proportion of the realised pool of assets relating to that particular class of units (after taking account of liabilities of FAI).

## Redemption of Units

FAI is expected to be an illiquid fund. As this is an illiquid investment, Investors will not have the right to withdraw their money from FAI. The Investment Manager and the Responsible Entity are not expected to make any withdrawal offers. Refer to the ‘Investing in FAI’ section under the heading ‘Withdrawals’ for more information.

## Meetings of Unitholders and Voting

Meetings are to be held in accordance with the Corporations Act. Additionally, under the Stapling Deed and the Constitution, subject to the Corporations Act, the Responsible Entities may co-operate to ensure that meetings of holders of units in Trust 1 may be held in conjunction with meetings of holders of units in Trust 2.

The Responsible Entity may convene and arrange to hold a general meeting of FAI whenever it thinks fit and must do so if required under the Corporations Act.

Voting at a general meeting is by a show of hands unless a poll is validly demanded. On a show of hands each Unitholder (and each proxy, attorney or representative) has one vote, and on a poll, each Unitholder (and each proxy, attorney or representative) has one vote for each dollar value of units held.

Holders of ordinary Stapled Units and Initial Investor Units (if any) have the same voting rights, other than on matters affecting the rights of a particular class of Unitholders as noted further below.

## U.S. Persons

Unless otherwise determined by the Responsible Entity following advice, U.S. Persons are prohibited from acquiring units in FAI. The Responsible Entity can request the disposal of Stapled Units held by U.S. Persons. This is to ensure that FAI does not breach rules in other countries relating to FAI.

## **Amendment of Constitution and Variation of Class Rights**

The Constitution may be amended by either a resolution passed by 75% of the votes cast by Unitholders of that Class entitled to vote on the resolution, or by deed executed by the Responsible Entity where it reasonably believes the change will not adversely affect Unitholders' rights.

## **Other Classes of Units (Including Initial Investor Units)**

Pursuant to the Constitution, the Responsible Entity may issue another class of units other than the class of units the subject of this Offer.

The Constitution contains provisions that permit the Responsible Entity to issue Initial Investor Units. The Responsible Entity has issued Initial Investor Units to the Initial Investor. Initial Investor Units have the same rights, restrictions and obligations as Units issued under this PDS and will rank equally with such Units, other than having an additional right to participate as a co-investor in particular investments alongside either Trust 1 or Trust 2. This co-investment right is available to the Initial Investor Unit holder for a maximum period of 5 years from the time that it is first issued an Initial Investor Unit. Initial Investor Units issued in a Stapled Entity will be Stapled to Initial Investor Units issued in the other Stapled Entity. Subject to the terms of issue of the Initial Investor Units, the Responsible Entity may in its discretion offer holders the opportunity for an early exit from FAI (and in that case, FAI may make a withdrawal offer to holders of Initial Investor Units to facilitate their redemption).

### *Unitholder's Liability*

The Constitutions for Trust 1 and Trust 2 provide that unless there is a separate agreement with a Unitholder, no Unitholder can be called on to contribute to the assets of Trust 1 or Trust 2 or to its creditors if the relevant trust is liquidated or becomes insolvent. Therefore it is expected that Unitholders will not be under any obligation if a deficiency in the assets of the relevant trust was to occur. However, this view has not been fully tested and so it is not possible to give an absolute assurance that a Unitholder's liability will be limited in all circumstances.

In general, the liability of a Unitholder is limited to the amount (if any) which remains unpaid in relation to their subscription for Stapled Units and certain amounts in respect of tax.

The Responsible Entity is entitled to be reimbursed from Trust 1 and Trust 2 for expenses incurred in the proper performance of its duties in relation to each trust.

### *Powers and Duties of the Responsible Entity*

The Constitution also contains provisions governing the Responsible Entity's powers and duties. Below is a list of some of these key powers and duties. The Constitution entitles the Responsible Entity to charge certain fees and recover expenses (refer to the 'Fees and Other Costs' section for further details).

### *Management of FAI*

Subject to the Corporations Act (and if the Stapled Units are Officially Quoted, the Listing Rules), the Responsible Entity has broad powers to invest, borrow and generally manage FAI, and power to issue units and financial instruments, borrow money and register (including being able to decline to register) transfers of units. The Responsible Entity has the power to buy and sell assets of FAI and can enter into contracts. The Responsible Entity can also delegate its powers and duties.

In accordance with the Constitution of FAI, the Corporations Act, (if the Stapled Units are Officially Quoted, the Listing Rules) and general trust law, the Responsible Entity must:

- act in the best interest of Unitholders and, if there is a conflict between Unitholders' interests and its own, give priority to Unitholders;
- ensure the property of FAI is clearly identified, held separately from other funds and the Responsible Entity's assets, and is valued regularly;
- ensure payments from FAI's property are made in accordance with the Constitution and the Corporations Act; and
- report to ASIC any significant breach of the Corporations Act in relation to FAI.

# 11. SUMMARY OF MATERIAL CONTRACTS

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## Replacement and Removal of Responsible Entity

The Responsible Entity may retire if it chooses provided that it must call a meeting of the Unitholders to explain its reason to retire and to enable the Unitholders to vote on a resolution to choose a company to be the new responsible entity.

The Responsible Entity must retire when required by law, for example, by way of resolution of Unitholders under section 601FM of the Corporations Act.

## Stapling Deed

The provisions of the Stapling Deed are designed to provide for the operation of the Stapled Entities as a single stapled entity. The Stapling Deed contains provisions that ensure that whilst Stapling applies, each Stapled Unit is treated as one security to the extent permitted by law.

The Constitutions are to be read subject to the Stapling Deed, except to the extent that this would result in a breach of the Corporations Act, the ASX Listing Rules (if the Stapled Units become Officially Quoted), or any other law.

A summary of the significant rights attaching to the Securities and a description of the other material provisions of the Constitutions are set out below. The summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Unitholders.

### *Overview of Stapling Provisions*

The Responsible Entity have the power under the relevant Constitution to determine if and when Stapling will take effect.

The Stapling Deed essentially provides the following:

- the number of units in Trust 1 on issue at any time must equal the number of units in the Trust 2 on issue;
- no transfer of a unit in either Stapled Entities is to occur without a unit in the other Stapled Entity being transferred at the same time from the same transferor to the same transferee, and vice versa;
- no unit in a Stapled Entity is to be issued unless a unit in the other Stapled Entity is issued at the same time to the same person;
- the Responsible Entities of the Stapled Entities agrees to:
  - share information between the Stapled Entities, subject to the requirement to keep such information confidential unless consent is obtained in writing from the Stapled Entity from which the information is obtained;
  - provide assistance in relation to the preparation of financial accounts for the Stapled Entities; and
  - adopt the valuation policies determined by the Investment Manager.

### *Cessation of Stapling Provisions*

Stapling will cease upon the occurrence of an 'unstapling event' including if Stapling becomes unlawful, if any of the Stapled Entities is subject to an insolvency event or the Responsible Entity determines that Stapling is materially adverse to the interests of holders.

### *Ranking of Stapled Units and Distributions*

Each Stapled Unit will be issued fully paid. From the date of issue or transfer, a Stapled Unit will rank equally with all other Stapled Units on issue.

For more information about FAI's proposed distribution policy, see 'Investing in FAI' section under the heading 'Distribution Policy' for more information.

## 11.14 Consents

### Investment Manager Consent

The Investment Manager has given, and at the date of this PDS has not withdrawn, its written consent:

- to be named in this PDS as the Investment Manager of FAI; and
- to the inclusion of the statements made about it, FAI and to the information attributed to it in the form and context in which this information appears.

The Investment Manager has not otherwise been involved in the preparation of this PDS, nor has it caused or otherwise authorised the issue of this PDS.

Neither the Investment Manager, nor any of its employees, officers or associated companies accept any responsibility arising in any way for errors or omissions from this PDS, other than in relation to the statements for which they have provided consent.

### Administrator Consent

Apex Fund Services Ltd has given, and at the date of this PDS has not withdrawn, its written consent:

- to be named in this PDS as the Administrator of FAI; and
- to the inclusion of the statements made about it and FAI in the form and context in which this information appears.

Apex Fund Services Ltd has not otherwise been involved in the preparation of this PDS, nor have they caused or otherwise authorised the issue of this PDS. Neither Apex Fund Services Ltd nor their employees or officers accept any responsibility arising in any way for errors or omissions from this PDS, other than in relation to the statements for which they have provided consent.

### Other Consents to be Named

Each of the parties listed below has given and has not, before the issue of this PDS, withdrawn its written consent to being named in the PDS and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent. None of the parties referred to below has caused the issue of this PDS:

- Social Ventures Australia Ltd has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by Social Ventures Australia Ltd;
- Plenti (formerly RateSetter Australia) has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by Plenti;
- Sendle LLC has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by Sendle LLC;
- Windlab has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by Windlab;
- George Health has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by George Health;
- Ernst & Young has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by Ernst & Young;
- Company Matters has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by Company Matters;
- Corrs Chambers Westgarth (“Corrs”) has consented to being named in the Directory of this PDS as the Australian legal adviser to the Investment Manager (and in respect of certain matters, the Responsible Entity), but it does not make any statement in this PDS, nor is any statement in this PDS based on any statement by Corrs;
- PrimaryMarkets Pty Ltd has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by PrimaryMarkets.

Part 7.9 of the Corporations Act imposes a liability regime on the Responsible Entity (as the offeror of the Stapled Units), the Directors of the Responsible Entity, persons named in this PDS with their consent as having made a statement in this PDS and persons involved in a contravention in relation to this PDS with regard to misleading or deceptive statements made in the PDS. Although the Responsible Entity bears primary responsibility for this PDS, other parties involved in the preparation of this PDS can also be responsible for certain statements made in it.

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In light of the above, each of the parties referred to above, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this PDS other than the reference to its name and any statement or report included in this PDS with the consent of that party as described above.

## 11.15 Indemnification of the Investment Manager

Under the terms of the Investment Management Deed, Equity Trustees (in its capacity as responsible entity of Trust 1, Trust 2 and any Sub-Trust managed by the Investment Manager) indemnifies and agrees to hold harmless the Investment Manager against any loss or liabilities reasonably incurred by the Investment Manager, and any direct costs, charges and expenses incurred by the Investment Manager by reason of the Investment Manager performing its duties and obligations under the Investment Management Deed. The Investment Manager will not be entitled to be indemnified out of the assets of Trust 1 and Trust 2 in relation to any such loss, liability, cost, charge or expense to the extent to which it is caused by the Investment Manager's gross negligence, fraud or dishonesty.

## 11.16 Privacy Statement

The Privacy Act 1988 (Privacy Act) and the Australian Privacy Principles regulate the way organisations collect, use, disclose, keep, secure and give people access to their personal information. Equity Trustees are committed to respecting the privacy of your personal information throughout the information lifecycle and our Privacy Policy details how we do this.

Equity Trustees may collect personal information about you and individuals associated with you in order to provide products and services to you, and to ensure compliance with legal and regulatory obligations (including under the Corporations Act, the AML/CTF Act and tax related legislation). You must ensure that all personal information which you provide to Equity Trustees is true and correct in every detail, and should those personal details change it is your responsibility to ensure that you promptly advise Equity Trustees of the changes in writing. 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). We may also obtain or confirm information about you from publicly available sources in order to meet regulatory obligations.

Equity Trustees may disclose your information to other members of our corporate group or to third parties, where it is necessary, in order to provide you with the products or services. Those third parties may be situated in Australia or offshore, and we take reasonable steps to ensure that all third parties with whom we have a contractual relationship or other influence comply with the Australian Privacy Principles.

The 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 FAI, including the Investment Manager, Fund Custodian and Administrator, auditors, or those that provide mailing or printing services;
- those where you have consented to the disclosure and as required by law; and
- regulatory bodies such as ASIC, ATO, APRA and AUSTRAC.

The Responsible Entity 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" by contacting the Responsible Entity. Equity Trustees' Privacy Policy contains information about how you can access information held about you, seek a correction if necessary, make a complaint if you think there has been a breach of your privacy and about how Equity Trustees will deal with your complaint. Full details of Equity Trustees' Privacy Policy is available at [www.eqt.com.au](http://www.eqt.com.au). You can contact Equity Trustees' Privacy Officer on +61 3 8623 5000, or email to [privacy@eqt.com.au](mailto:privacy@eqt.com.au) to request a copy.

## 11.17 Information on Underlying Investments

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

## 11.18 Foreign Account Tax Compliance Act (“FATCA”)

The Australian Government is signatory to an intergovernmental agreement (“IGA”) with the United States of America, which requires all Australian financial institutions to comply with the FATCA Act enacted by the U.S. in 2010.

Under FATCA, Australian financial institutions are required to collect and review their information to identify U.S. residents that invest in assets through non-U.S. entities. This information is reported to the Australian Taxation Office (“ATO”). The ATO may then pass that information onto the U.S. Internal Revenue Service.

In order to comply with the FATCA obligations, the Investment Manager or the Responsible Entity may request certain information from you. Failure to comply with FATCA obligations may result in FAI, 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 FAI suffers any amount of FATCA withholding and is unable to obtain a refund for the amounts withheld, Unitholders may not be compensated for any such withholding and the effect of the amounts withheld will be reflected in the returns of FAI.

## 11.19 Common Reporting Standard (“CRS”)

The CRS is a standardised set of rules developed by the Organisation of Economic Co-operation and Development that 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 must 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, the Investment Manager or Responsible Entity may request certain information from you. Unlike FATCA, there is no withholding tax that is applicable under CRS. However, penalties may apply for failing to comply with the CRS obligations.

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

Australia’s AML/CTF laws require Equity Trustees to adopt and maintain an AML/CTF Program. A fundamental part of the AML/CTF Program is that Equity Trustees knows certain information about investors in FAI. To meet this legal requirement, we need to collect certain identification information and documentation (“KYC Documents”) from new investors. Existing investors may also be asked to provide KYC Documents as part of a re-identification process to comply with AML/CTF laws. Processing of applications will be delayed or refused if investors do not provide the applicable KYC Documents when requested. Under the AML/CTF laws, Equity Trustees is required to submit regulatory reports to AUSTRAC. This may include the disclosure of your personal information. Equity Trustees may not be able to tell you when this occurs.

The Responsible Entity shall not be liable for any loss you may suffer because of compliance with the AML/CTF laws.



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## 11.21 Overseas Distribution

No action has been taken to register the offer of Stapled Units under this PDS, or to otherwise permit a public offering of Stapled Units, in any jurisdiction outside Australia and New Zealand.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an invitation. The distribution of this PDS in jurisdictions outside Australia or New Zealand may be restricted by law. Persons who come into possession of this PDS who are not in Australia or New Zealand should seek advice on, and observe any such restrictions in relation to, the distribution or possession of this PDS. Any failure to comply with any such restrictions may constitute a violation of applicable securities law.

The Responsible Entity may determine to extend the offer or invitation by private placement to select persons in certain jurisdictions other than Australia and New Zealand.

### **Kuwait – Warning Statement**

This PDS is not for general circulation to the public in Kuwait. The Stapled Units have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the Stapled Units in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Stapled Units is being made in Kuwait, and no agreement relating to the sale of the Stapled Units will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Stapled Units in Kuwait.

### **Kingdom of Saudi Arabia (“KSA”) – Warning Statement**

This PDS may not be distributed in the KSA except to such persons as are permitted under the Investment Funds Regulations (“IFR”) issued by the Saudi Arabian Capital Market Authority (“CMA”).

The CMA does not make any representations as to the accuracy or completeness of this PDS, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this PDS. Prospective investors in the Stapled Units offered hereby should conduct their own due diligence on the accuracy of the information relating to the Stapled Units. If you do not understand the contents of this PDS you should consult an authorised financial adviser.

The offer of Stapled Units in accordance with the IFR to any person in the KSA may only be made (a) where the minimum amount payable for such Stapled Units is not less than one million Saudi riyals, or an equivalent amount, and/or (b) to “sophisticated investors” as defined under the IFR. Under the IFR, a “sophisticated investor” includes:

- (b) the performance fee amount calculated as if all assets in the Portfolio were realised for an aggregate amount equal to the
- (a) persons authorized by the CMA acting for their own account;
- (b) clients of a person authorised by the CMA to conduct managing activities provided that:
  - (i) the offer is made through an authorised person and all relevant communications are made through the authorised person; and
  - (ii) the authorised person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of the private offers of securities on the client's behalf without reference to the client;
- (c) the government of the KSA, any supranational authority recognised by the CMA, the KSA stock exchange and any other stock exchange recognised by the CMA or the KSA Depository Center;
- (d) institutions acting for their own account; and
- (e) professional investors.

## **United Arab Emirates, including the Dubai International Finance Centre and Abu Dhabi Global Market (all together the “UAE”) – Warning Statement**

The Stapled Units offered are not regulated under the laws of the UAE relating to partnerships, investments or otherwise. Neither the Fund nor this PDS is approved by the UAE Central Bank, the UAE Securities and Commodities Authority (“SCA”), the Dubai Financial Services Authority (“DFSA”), the ADGM’s Financial Services Regulatory Authority (“FSRA”) or any other regulatory or governmental authority in the UAE (together, “UAE Regulatory Authorities”).

This offering circular is strictly private and confidential and no marketing, distribution, advertising or publication (or other form of promotion) in respect of the Fund or the Stapled Units has been or will be made in or from the UAE, other than in compliance with the laws of the UAE (including, without limitation, Chairman of the SCA Board of Directors Decision No. (3 / R.M) of 2017 Concerning the Organization of Promotion and Introduction and the SCA Board of Directors’ Chairman’s Decision No. (9/R.M) of 2016 Concerning the Regulations as to Mutual Funds.

The Stapled Units may not be offered or sold directly or indirectly to the public in the UAE and nothing herein constitutes a public offering of units in a fund in the UAE.

Nothing contained in this PDS is intended to constitute investment, legal, tax, accounting or other professional advice. This PDS is for your information only and nothing in it is intended to endorse or recommend a particular course of action. Persons considering acquiring the Stapled Units should conduct their own due diligence and consult with an appropriate professional for specific advice rendered based on their personal situation.

UAE Regulatory Authorities are not responsible for the accuracy, completeness or sufficiency of the information contained in this PDS and shall not be liable for any loss or damage sustained by any person as a result of reliance on this PDS or the performance of the obligations and duties of any party concerned with the Fund.

## **11.22 Unit Pricing Discretions Policy**

Equity Trustees 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.

## 12. GLOSSARY OF IMPORTANT TERMS

TERM	DEFINITION
Administrator	Apex Fund Services Ltd.
AEDT	Australian Eastern Daylight Time.
AEMO	Australian Energy Market Operator.
AFCA	Australian Financial Complaints Authority.
AFSL	Australian financial services licence.
Aggregate Portfolio Value	the aggregate Portfolio Values of all of the Sub-Trusts (without double counting).
Aggregate Subscription Amount	the aggregate amount received by FAI from investors who have subscribed for Stapled Units in FAI.
Alternative Vehicle	means a separate investment fund vehicle managed by Federation.
AMIT	Attribution Managed Investment Trust.
AML/CTF Act	the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (Cth).
AMMA	AMIT Member Annual Statement.
APRA	Australian Prudential Regulation Authority.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the market operated by it, as the context requires.
ATO	Australian Taxation Office.
AUD	Australian Dollars.
AUSTRAC	Australian Transaction Reports and Analysis Centre.
Business Day	means a day other than a Saturday or a Sunday on which banks are open for general banking business in Melbourne or if the administrator of FAI primarily performs its administrative functions in respect of FAI in a city other than Melbourne, the city in which the administrator performs such functions.
CGT	Capital Gains Tax.
Class	a class of units in FAI, with such terms as described in the Constitution.
Co-Investment Trust	means any special purpose vehicle through which FAI and the Co-investors jointly own certain property assets.
Co-investors	means any person who is co-investing in particular investments, alongside FAI.
Constitutions	the trust deed or constitutions of the Trust 1 and Trust 2 which set out the rights, responsibilities and beneficial interest of both the Unitholders and the Responsible Entity in relation to FAI. Constitution refers to any one of them.
Corporations Act	– the <i>Corporations Act 2001</i> (Cth) and <i>Corporations Regulations 2001</i> (Cth), as amended from time to time.
Distribution	the amount that is paid to Unitholders after the end of a distribution period. This generally includes any income and realised capital gains.
Distribution Period	has the meaning given in under 'Distribution Policy' in the 'Investing in FAI' section.

TERM	DEFINITION
EPC	Engineering Procurement and Construction.
Equity Trustees	means either Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975) or EQT Responsible Entity Services Ltd (ABN 94 101 103 011 AFSL No 223271) in their respective capacities as trustee or responsible entity of a Stapled Entity or a Sub-Trust.
FATCA	Foreign Account Tax Compliance Act.
Federation or Investment Manager	means Federation Asset Management Pty Ltd (ABN 39 628 789 220).
Fund	Federation Alternative Investments, comprising of Trust 1 and Trust 2.
Fund Custodian	means the entities appointed by the Responsible Entity to have custody of the Portfolio, on behalf of FAI.
Grid	the National Electricity Grid, a network of high voltage transmission systems connecting producers and consumers to the National Electricity Market.
Gross Asset Value (GAV)	the gross asset value of the Portfolio, and any other assets, of FAI. For the avoidance of doubt, the amount used for this purpose is not reduced on account of any borrowings.
GST	Goods and Services Tax.
Hurdle Return	means an IRR of 8.0% p.a.
Hybrid investment	means a financial product which combines two or more different financial instruments, often containing characteristics of both debt and equity, for example a convertible note.
IDPS	Investor directed portfolio service. An IDPS is generally the vehicle through which an investor purchases a range of underlying investment options from numerous investment managers, with the IDPS Operator providing the investor with consolidated and streamlined transaction statements and other reporting.
IDPS Guide	The terms and conditions of an IDPS issued by the IDPS Operator.
IDPS Operator	An entity that operates and offers an IDPS.
Initial Investor	the initial seed investor(s) who, at the date of this PDS, have invested into FAI (and who hold Initial Investor Units).
Initial Investor Units	has the meaning given in the 'Other Important Information' section under 'Other classes of units (including Initial Investor Units)'.
Investment Management Deed	means the investment management deed entered into between (among others) the Responsible Entity and the Investment Manager relating to (among others) management services provided by the Investment Manager for the benefit of FAI.
Investment Strategy	refers to any of: <ul style="list-style-type: none"> <li>(i) Federation Alternative Assets Private Equity Trust 1 and Federation Alternative Assets Private Equity Trust 2 (the "<b>Private Equity Investment Strategy</b>");</li> <li>(ii) Federation Alternative Assets Real Estate Trust 1 and Federation Alternative Assets Real Estate Trust 2 (the "<b>Real Estate Investment Strategy</b>"); and</li> <li>(iii) Federation Alternative Assets Renewable Energy Trust 1 and Federation Alternative Assets Renewable Energy Trust 2 (the "<b>Renewable Energy Investment Strategy</b>").</li> </ul>
Investor or Unitholder	means the holder of a Stapled Unit.

## 12. GLOSSARY OF IMPORTANT TERMS

TERM	DEFINITION
IRR	means internal rate of return, calculated on an annual basis. An IRR is a measure typically used to estimate the profitability of an investment, and is used to calculate the applicable performance fee.
LGC	Large Scale Generation Certificate.
Listed	means admitted to the official list of the ASX.
Listing Rules	means the official listing rules of the ASX from time to time.
MIT	Managed Investment Trust.
NEM	National Electricity Market.
NTA	means, in relation to a class of units, the value of the total assets attributable to that class of units reduced by the intangible assets and total liabilities attributable to that class of units, divided by the number of units in that class.
Net Asset Value (NAV)	the value of assets of FAI less the value of the liabilities of FAI, as the context requires.
Offer	the offer of Stapled Units as outlined in this PDS.
Offer Close Date	Friday 6 August 2021 or other such date determined and notified by the Responsible Entity.
Officially Quoted	admitted to quotation by ASX under the Listing Rules including, if quotation is suspended for a continuous period not exceeding 60 days, the period of suspension; and Official Quotation has a corresponding meaning.
Over-The-Counter Market	a market operated by the Investment Manager or appropriate third party entity.
PDS	this Product Disclosure Statement.
Portfolio	all assets and liabilities of FAI (including of any subsidiary trusts of FAI).
Portfolio Value	the value of the Portfolio.
PPA	Power Purchase Agreement.
Relevant Federation Personnel	means the relevant Federation personnel who worked together in roles prior to the formation of Federation or upon which past performance information is provided, comprising Cameron Brownjohn, Neil Brown, Stephen Panizza and Jason Walter.
Responsible Entity	Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975) in its capacity as responsible entity of the Federation Alternative Investments Trust 2, and EQT Responsible Entity Services Ltd (ABN 94 101 103 011 AFSL No 223271) in its capacity as responsible entity for Federation Alternative Investments Trust 1. For simplicity, a reference to "Responsible Entity" is a reference to each or both of the responsible entities in their respective capacities.
RITC	Reduced Input Tax Credit. Equity Trustees will apply for reduced input tax credits on behalf of FAI, where applicable, to reduce the GST cost to FAI.
SDA	Special Disability Accommodation.
SME	Small-to-medium enterprise
Special Resolution	means a resolution passed by Unitholders representing more than 75% of all Stapled Units on issue and entitled to vote on the resolution.

TERM	DEFINITION
<b>Stapled</b>	the stapling together of each of a unit in Trust 1 and a unit in Trust 2 such that one may not be dealt with without the other.
<b>Stapled Entities</b>	Trust 1 and Trust 2, and <b>Stapled Entity</b> refers to either of them.
<b>Stapled Unit</b>	one unit in Trust 1 which is stapled to one unit in Trust 2.
<b>Stapling Deed</b>	the document that provides for the operation of the Stapled Entities as a single stapled entity, as described in the 'Summary of Material Contracts' section.
<b>Sub-Trust</b>	any subsidiary trust of FAI, which may be established from time to time to hold the Portfolio.
<b>Target Investments</b>	the target investments described in the 'About FAI' section.
<b>Target Return Objective</b>	means total return objective of 15% per annum.
<b>Target Yield Objective</b>	means income distribution yield objective of 3% per annum.
<b>Term of FAI</b>	means 25 September 2024 or as otherwise extended by up to two successive one (1) year periods subject to commercial analysis based on the market conditions and where the Responsible Entity or Investment Manager deems it to be in the best interests of unitholders. Refer to "Termination of FAI" in the "Other Important Information" section for further details.
<b>Trust 1</b>	means Federation Alternative Investments Trust 1 (ARSN 634 838 216).
<b>Trust 2</b>	means Federation Alternative Investments Trust 2 (ARSN 634 840 458).
<b>Valuation Date</b>	means the date where an external valuation is conducted for each underlying investment as at 30 June of each calendar year, or more frequently at the absolute discretion of the Investment Manager.
<b>WALE</b>	means weighted average lease expiry date of real estate assets owned by a subsidiary trust of FAI.
<b>Wholesale Client</b>	a person or entity defined as such under section 761G of the Corporations Act.
<b>Wholesale Investor</b>	in the case of a New Zealand investor, means a Wholesale Client who also meets the definition of wholesale investor under clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand).



# 13. CORPORATE DIRECTORY

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## INVESTMENT MANAGER

### **Federation Asset Management Pty Ltd**

Suite 30.04 Level 30 Chifley Tower  
2 Chifley Square, Sydney NSW 2000

Phone +61 2 8650 4500

Email [contact@federationam.com](mailto:contact@federationam.com)

Web [www.federationam.com](http://www.federationam.com)

## RESPONSIBLE ENTITY

**Equity Trustees Limited** (ABN 46 004 031 298 AFSL No 240975) and  
**EQT Responsible Entity Services Ltd** (ABN 94 101 103 011 AFSL No 223271)

Level 1, 575 Bourke Street  
Melbourne VIC 3000

Phone +61 3 8623 5000

Fax +61 3 8623 5200

Email [productteam@eqt.com.au](mailto:productteam@eqt.com.au)

## ADMINISTRATOR & UNIT REGISTRY

### **Apex Fund Services Ltd**

C/o Apex Fund Services (Australia) Pty Ltd  
PO Box A517  
Sydney South NSW 1235

Phone +61 2 7201 9015

Fax +61 2 9475 1417

Email [ssg.aus@apexfs.com](mailto:ssg.aus@apexfs.com)

## LEGAL ADVISER

### **Corrs Chambers Westgarth**

Level 17, 8 Chifley  
8-12 Chifley Square  
Sydney NSW 2000



# FEDERATION ALTERNATIVE INVESTMENTS

## Application Form

This Application Form is part of the Product Disclosure Statement dated 24 May 2021 (PDS) relating to Stapled Units in Federation Alternative Investments (Fund) issued by Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975) and EQT Responsible Entity Services Ltd (ABN 94 101 103 011, AFSL 223271), in their separate capacities as responsible entity for the Federation Alternative Investments Trust 2 (ARSN 634 840 458) and Federation Alternative Investments Trust 1 (ARSN 634 838 216) respectively (together, Equity Trustees or Responsible Entity).

The PDS contains information about investing in the Fund. You should read the PDS before applying for Stapled Units in the Fund.

A person who gives another person access to the Application Form must at the same time and by the same means give the other person access to the PDS.

Equity Trustees will provide you with a copy of the PDS and the Application Form on request without charge (If you make an error while completing your application form, do not use correction fluid. Cross out your mistakes and initial your changes).

Please send your completed application form to the Fund Administrator at [SSG.AUS@apexfs.com](mailto:SSG.AUS@apexfs.com); +61 2 9475 1417 (fax); or by post to Apex Fund Services, Attn: Investor Services, PO Box A517, Sydney South, NSW 1235.

## Existing or New Investor?

If you have an existing Federation Alternative Investments investment and the information provided for that investment remains current and correct, please indicate the details below, fill out the Investment Instructions (section 5) and proceed to the declarations and signatures at section at the end of this Application Form (section 6).

YES – details are:

Account Name

Account Number

Contact Number

No

If you are not an existing investor, then please fill in the sections of this form that are relevant to you.

Select One	Account Type	Sections to Complete	Relevant Identification Requirements set out in sections
<input type="checkbox"/>	Individual(s)	1, 4, 5, 6	1
<input type="checkbox"/>	Trust/Superannuation fund with individual trustee(s)	1, 2, 4, 5, 6	1, 2
<input type="checkbox"/>	Trust/Superannuation fund with corporate trustee	2, 3, 4, 5, 6	1, 2, 3
<input type="checkbox"/>	Company	3, 4, 5, 6	1, 3

## Section 1 – Individual(s) or Individual Trustee(s)

Complete 'Investor 1' details if you are investing in your own name or as an individual trustee (also complete section 2 if individual trustee). Complete 'Investor 2' details if you are investing jointly with another individual (or there is more than one trustee).

### 1.1 Investor 1

Title	Given Name(s)	
<input type="text"/>	<input type="text"/>	
Surname	Date of Birth (DD/MM/YY)	
<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
Tax File Number (TFN) – or exemption code	Reason for TFN Exemption	
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/>	
Australian Business Number (ABN) (if Sole Trader)		
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		
Residential Address (no PO Box)		
<input type="text"/>		
Suburb	Postcode	Country
<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/>

### 1.2 Investor 2

Title	Given Name(s)	
<input type="text"/>	<input type="text"/>	
Surname	Date of Birth (DD/MM/YY)	
<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
Tax File Number (TFN) – or exemption code	Reason for TFN Exemption	
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/>	
Australian Business Number (ABN) (if Sole Trader)		
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		
Residential Address (no PO Box)		
<input type="text"/>		
Suburb	Postcode	Country
<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/>

### 1.3 Joint Investors Only

Please indicate who will sign to authorise transactions on your investment account. If no selection is made, both signatures will be required for all transactions. (Please tick ✓ one option).

Both to sign

Either to sign

**Each Individual investor and individual trustee must provide one of the following primary photographic ID for anti-money laundering and counter-terrorism financing purposes:**

A current Australian driver's licence (or foreign equivalent) that includes a photo and signature

An Australian passport (not expired more than 2 years previously)

An identity card issued by a State or Territory Government that includes a photo

A current passport (or similar) issued by a foreign government or the United Nations (UN) (or an agency of the UN) that includes your photograph and signature

These documents should be provided as an original or a **certified copy** of the original. Non-English language documents must be translated by an accredited translator.

If you do not own one of the above ID documents, please call the Fund Administrator on +61 2 7201 9015 for a list of alternative documents.

## Section 2 – Trust/Superannuation Fund

Complete this section if you are investing for a trust or superannuation fund.

### 2.1 General Information

Full Name of Trust or Superannuation Fund

Full Name of Business (if any)

Country where Trust established

Tax File Number (TFN) – or exemption code

Reason for TFN Exemption

### 2.2 Trustee Details

How many trustees are there?

**Individual** – at least one trustee must complete Section 1 of this form.

**Company** – at least one trustee must complete Section 3 of this form

**Combination** – at least one trustee from each investor type must complete the relevant section of this form

### 2.3 Type of Trust

If SMSF, provide Australian Business Number (ABN)

If Registered Managed Investment Scheme, provide ARSN

If other type of regulated trust (e.g. registered charity), please describe

If other type of trust, please describe

Name of regulator (if applicable):

**ATO** – tick this if applicant is an SMSF

**APRA** – for example, tick this if applicant is a public offer superannuation fund

**ASIC** – for example, tick this if applicant is the holder of an AFS Licence or registered scheme

*If the above are not applicable, provide any other licence/registration details:*

\*See section 6.2 of the Application Form for Terms and Conditions relating to the collection of TFNs and ABNs



## 2.4 Beneficiaries

Does the Trust Deed name beneficiaries?

Yes

Provide the full name of each beneficiary who directly or indirectly is entitled to an interest of 25% or more in the trust

1:

2:

3:

4:

NO

Describe the class of beneficiary: (e.g. the name of the family group, class of unitholders, the charitable purpose or charity name)

Provide the name of the settlor of the trust indicated in the trust deed (complete this only if the initial asset contribution to the trust was greater than \$10,000 and the settlor is not deceased).

Please provide the following for anti-money laundering and counter-terrorism financing purposes:

Trusts (e.g. Registered Managed Investment Scheme and self-managed super fund)

Provide **one** of the following:

A copy of the company search of the relevant regulator's website e.g. APRA, ASIC or the ATO

A copy or relevant extract of the legislation establishing the government superannuation fund sourced from a government website

A copy from the ACNC of information registered about the trust as a charity

Other Trusts (unregulated)

Provide Section 1, 2 or 3 (as applicable) information and verification documents for each beneficial owner of the trust who is directly or indirectly entitled to benefit from a 25% or greater interest in the trust, and in relation to the trust, and **one** of the following:

A certified copy or certified extract of the Trust Deed.

Annual report or audited financial statements.

A certified copy of a notice issued by the ATO within the previous 12 months.

Signed meeting minutes.

Trustees

If you are an **Individual Trustee** – please provide the identification documents listed in Section 1.

If you are a **Corporate Trustee** – please provide the identification documents listed in Section 3.

If you are a **combination** of both – please provide the identification documents for each investor type listed in Section 1 and Section 3.

## Section 3 – Company/Corporate Trustee

Complete this section if you are investing for a company or where a company is acting as trustee.

### 3.1 The company details

Company Name

ACN/ABN (if registered in Australia)

Registered Street Address (not PO Box)

Unit No.

Street No.

Street Name

Suburb/Town

State

Postcode

Principal Place of Business in Australia (or mark N/A if same as Registered Street Address)

Unit No.

Street No.

Street Name

Suburb/Town

State

Postcode

Tax File Number (TFN) – or exemption code

Reason for TFN Exemption

If licensed by a regulator, please name the regulator

\* If a foreign company, provide either (a) Australian Registered Body Number if regulated by ASIC, or (b) foreign regulatory body registration details

### 3.2 Directors

All proprietary or non-listed public domestic companies and foreign companies must provide the full name of each senior managing officials of the company (such as the managing director or directors who are authorised to sign on the company's behalf):

*Note: If there are more than 4 directors please provide as an attachment.*

1:

2:

3:

4:

### 3.3 Shareholders

All proprietary or non-listed public domestic companies and foreign companies must provide the full name of each shareholder who owns directly, jointly or beneficially at least 25% of the company's issued capital

1:

2:

3:

4:

## Please provide the following for anti-money laundering and counter-terrorism financing purposes:

### Australian Companies (regulated)

- A copy of information regarding the company's licence or other information held by the relevant Commonwealth, State or Territory regulatory body e.g. AFSL, RSL, ACL etc.
- If the company is listed on an Australian securities exchange, provide details of the exchange and the ticker (issuer) code
- If the company is a majority owned subsidiary of a company listed on an Australian securities exchange, provide details of the exchange and the ticker (issuer) code for the holding company  
Please also provide **one** of the following:
- An Annual Statement from ASIC issued in the previous 12 months; or
- A full company search issued in the previous 3 months; or
- A certificate of Company Registration.

### Other Australian Companies (unregulated)

Section 1, 2 or 3 (as applicable) information and verification documents for each beneficial owner (including any shareholder who directly or indirectly owns or controls 25% or more the issued capital, and such documents about the senior managing officers) who exerts control over the company), and in relation to the unregulated company, **and** one of the following:

- An Annual Statement from ASIC issued in the previous 12 months; or
- A full company search issued in the previous 3 months; or
- A certificate of Company Registration

### Non-Australian Companies

Section 1, 2 or 3 (as applicable) information and for each beneficial owner (shareholder(s) who directly or indirectly owns or controls 25% or more the issued capital and information about the senior managing officers) who exerts control over the company, and in relation to the foreign company, **and** one of the following:

- A certified copy of the company's Certificate of Registration or incorporation issued by ASIC or the equivalent issued by the foreign jurisdictions in which the company was incorporated, established or formed.
- A certified copy of the company's articles of association or constitution.
- A copy of a company search on the ASIC database or relevant foreign registration body. The company search from a foreign regulator must include the name of the regulator, the name of the company and the foreign registration number.

## Each director must provide one of the following primary photographic ID for anti-money laundering and counter-terrorism financing purposes:

- A current Australian driver's licence (or foreign equivalent) that includes a photo and signature
- An Australian passport (not expired more than 2 years previously)
- An identity card issued by a State or Territory Government that includes a photo
- A current passport (or similar) issued by a foreign government or the United Nations (UN) (or an agency of the UN) that includes your photograph and signature

These documents should be provided as an original or a **certified copy** of the original. Non-English language documents must be translated by an accredited translator.

If you do not own one of the above ID documents, please call the Fund Administrator on +61 2 7201 9015 for a list of alternative documents.

## Section 4 – Contact Details

Contact Name

Street Address

Unit No.

Street No.

Street Name

Suburb/Town

State

Postcode

Contact Telephone Number (Including Country Code)

Email

## Section 5 – Investment Instructions

### 5.1 Investment Details

Federation Alternative Investments

Full name investment to be held in

Investment Amount

\$  ,  ,  .

\*Minimum subscription amount is \$20,000 AUD

### 5.2 Payment method

All payments are to be made in Australian dollars to:

Bank Name: ANZ Bank

Account Name: Equity Trustees Ltd ATF Federation Alternative Investments

BSB Number: 013006

Account Number: 838143355

Reference: Investor name

Please transfer funds, with your investor name as a reference, at the same time you post your application to avoid delays in the account opening process. This reference will appear on our transaction statement and be used by us to identify who the payment has come from.

### 5.3 Investor Banking Details for Redemptions and Distributions\*

Account Name

Financial Institution

Branch (including Country):

BSB

Account Number

\*Account name(s) should be the same as in Section 4. If investing jointly with another individual, please ensure section 1.3 has been completed.

## Section 6 – Declarations All investors must complete

### 6.1 Declarations

When you complete this Application Form you make the following declarations, unless otherwise agreed in writing by Equity Trustees:

- I/We have received the Application Form and made this application in Australia or New Zealand, or I/we am an eligible investor from another jurisdiction otherwise permitted under the PDS (refer to Important Information).
- I/We have read the PDS and agree to be bound by the terms and conditions of the PDS and the Constitutions of the Fund and acknowledge that the terms of this Application Form prevail to the extent of any inconsistency with the PDS (and application form attached to the PDS).
- I/We hereby acknowledge that:
  - a) an investment in the Fund is speculative and subject to material risk including loss of invested capital;
  - b) I/have read and understood the description of risk factors in the PDS;
  - c) my/our rights to redeem Fund interests are determined and limited by the Constitutions of the Fund; and
  - d) return of my/our invested capital of any receipt of distributions from the Fund will be primarily dependent on the performance of the Federation Alternative Investments Trust 1 and Federation Alternative Investments Trust 2,

and I/we have taken the above paragraphs a) – d) into account in deciding to invest.

- I/We have considered our personal circumstances and, where appropriate, obtained investment and / or taxation advice.
- I/We hereby declare that I/we are not a US Person as defined in the PDS.
- If I/we am/are situated outside Australia, I/we hereby confirm that I/we am/are a person to whom an invitation or offer to apply to Stapled Units in the manner contemplated by the PDS and this Application Form is permitted by the laws of the jurisdiction in which it (or relevant beneficial owner) is situated and I/we am/are a person to whom the Stapled Units can lawfully be offered and issued to under all applicable laws, without the need for any registration, formality or lodgement and it satisfies the requirements in the applicable jurisdictions.
- Unless otherwise advised to Equity Trustees in writing, I/we are not a 'foreign person' as defined in the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) or a 'foreign government investor' as defined in the document published by the Foreign Investment Review Board (**FIRB**) titled 'Australia foreign investment policy' (**FIRB Policy**). If I/we am/are a foreign person, I/we:
  - a) warrant and represent that I/we am/are not a 'foreign government investor' and I/we have obtained FIRB approval if required in respect of my/our application and investment in the Fund in order to comply with any relevant obligations I/we have under the FATA and the FIRB Policy; and

- b) acknowledge and agree to provide to the Responsible Entity or Investment Manager or FIRB all reasonably requested information and assistance and do all things reasonably necessary in order to ensure all required FIRB approvals are obtained and maintained and to ensure compliance with any relevant obligations which Equity Trustees, Investment Manager or I/we may have under the FATA and FIRB Policy.

- I/We do not hold a prominent public position or function in a government body (local, state, territory, national or foreign) or in an international organisation, or are an immediate family member or business associate of such person.
- I/we am/are investing on our own account and not on behalf of any other person (unless otherwise agreed with Equity Trustees).
- I/we acknowledge that acquiring the Fund interests will be purchased by me/us for my/our own account unless otherwise disclosed to Equity Trustees in writing, for investment purposes only and not with a view to on selling (whether directly, indirectly or synthetically).
- I/We acknowledge that (if a natural person) I am/we are 18 years of age or over and I am/we are eligible to hold Stapled Units in the Fund in which I/we have chosen to invest.
- I/We acknowledge and agree that Equity Trustees have outlined in the PDS provided to me/us how and where I/we can obtain a copy of the Equity Trustees Group Privacy Statement.
- I/We consent to the transfer of any of my/our personal information to external third parties including but not limited to fund administrators, fund investment manager(s) and related bodies corporate who are located outside Australia for the purpose of administering the products and services for which I/we have engaged the services of Equity Trustees or its related bodies corporate and to foreign government agencies for reporting purposes (if necessary).
- I/We hereby confirm that the personal information that I/we have provided to Equity Trustees is correct and current in every detail, and should these details change, I/we shall promptly advise Equity Trustees in writing of the change(s).
- I/We agree to provide further information or personal details to Equity Trustees if required to meet its obligations under anti-money laundering and counterterrorism legislation, US tax legislation or reporting legislation and acknowledge that processing of my/our application may be delayed and will be processed at the unit price applicable for the Business Day as at which all required information has been received and verified.
- If I/We have provided an email address, I/we consent to receive ongoing investor information including PDS information, confirmations of transactions and additional information as applicable via email.
- I/We acknowledge that Equity Trustees does not guarantee the repayment of capital or the performance of the Fund or any particular rate of return from the Fund.
- I/We acknowledge that an investment in the Fund is not a deposit with or liability of Equity Trustees and is subject to investment risk including possible delays in repayment and loss of income or capital invested.
- I/We acknowledge that Equity Trustees is not responsible for the delays in receipt of monies caused by the postal service or the applicant's bank.

- If I/We lodge a fax application request, I/we acknowledge and agree to release, discharge and agree to indemnify Equity Trustees from and against any and all losses, liabilities, actions, proceedings, account claims and demands arising from any fax application.
- If I/We have completed and lodged the relevant sections on authorised representatives/agents on the Application Form then I/we agree to release, discharge and indemnify Equity Trustees from and against any and all losses, liabilities, actions, proceedings, account claims and demands arising from Equity Trustees acting on the instructions of my/our authorised representatives, agents and/or nominees.
- If this is a joint application each of us agrees that our investment is held as joint tenants.
- I/we represent and warrant that you have not relied or acted on the contents of any representation (including investor presentation), statement, warranty, promise, undertaking, agreement or other information whether made expressly or implied by any relevant person or purported to have been given on behalf of Equity Trustees, the Federation Alternative Investments Trust 1, the Federation Alternative Investments Trust 2, the Investment Manager or their affiliates, except as expressly set forth in the PDS. I/we understand that no person has been authorised by Equity Trustees, the Federation Alternative Investments Trust 1, the Federation Alternative Investments Trust 2 or the Investment Manager to furnish any such representations or other information.

Where I/we am/are a trustee, I/we hereby confirm that:

- I/we am/are empowered by the trust deed establishing the trust under which I/we am/are appointed as trustee ('Trust Deed') to enter into and perform the obligations under the Application Form and to carry out the acts and transactions contemplated by the PDS and Application Form;
- all necessary resolutions have been duly passed and all consents, approvals and other procedural matters have been obtained or attended to as required by the Trust Deed;
- I/we am/are the sole trustee of the trust;
- no property of the trust is liable to be resettled or set aside or transferred to any other trust;
- the trust has not been terminated, nor has any event for the vesting of the assets of the trust occurred;
- subject to the terms of the Trust Deed and limitations which may be imposed by general law, my/our right of indemnity out of, and lien over, the assets of the trust have not been limited in any way. To the best of my/our knowledge, I/we have no liability which may be set off against that right of indemnity; and
- to the best of my/our knowledge, I/we have complied with all obligations and duties under the Trust Deed and at law where failure to comply would have a material adverse effect on my/our ability to perform under this Application Form.
- I/We acknowledge and agree that where Equity Trustees, in its sole discretion, determines that:
  - I/We are ineligible to hold Stapled Units in a Fund or have provided misleading information in my/our Application Form; or
  - I/We owe any amounts to Equity Trustees,

then I/ we appoint Equity Trustees as my/our agent to submit a withdrawal request on my/our behalf in respect of all or part of my/our Stapled Units, as the case requires, in the Fund.

Unless otherwise agreed with Equity Trustees, by applying for Stapled Units under the PDS, you are taken to appoint each of the Trustee and the Investment Manager as your administrative agent to complete and lodge any document as they consider necessary or desirable with a view to compliance with any relevant income tax obligations.

Investor Covenants and Representations Regarding Residents of Hong Kong

I/We acknowledge and confirm that I am/we are a professional investor within the meaning of the Securities and Futures Ordinance of Hong Kong and its subsidiary legislation. I/We agree and undertake to provide documentary evidence of my/our eligibility to be treated as such a professional investor as requested.

Investor Covenants and Representations Regarding Offers Made in Singapore

Unless otherwise indicated below, I/we hereby certify that the following statements are true and correct:

- I/We am/are and will at all times be an "institutional investor" as defined under the Securities and Futures Act (Cap. 289) of Singapore ("SFA") and qualifies as such under one of the categories of "institutional investor" set out in the SFA. I/We undertake to inform the Investment Manager immediately if there is any change in such status, and to provide documentary evidence and assurance of such status, including financial statements and income statements, as the Investment Manager may from time to time request.
- Where this application is made as trustee, custodian, nominee or otherwise on behalf of another person or persons, I/we represent and warrant each of such person(s) is/are acquiring the Stapled Units at a consideration of not less than S\$200,000 (or its equivalent in foreign currency) or am/are will at all times be an "institutional investor" pursuant to Section (A). I/we further undertake to inform the Investment Manager immediately if there is any change in the status of any such person(s). In addition, I/we agree to provide such documentary evidence and assurance of the status such person(s), including identification information and documentation, financial statements and income statements, as the Fund and/or the Investment Manager may from time to time request.

Investors from Singapore must tick one of the applicable options below:

- I/We agree and undertake to provide documentary evidence of the representations provided in Section (A) or Section (B) above, as requested.
- I/We do not meet the representations provided in Section (A) or Section (B) above, and agree to provide such documentary evidence of my legal status as may be requested by Equity Trustees.



## 6.2 Terms and conditions for collection of Tax File Numbers (TFN) and Australian Business Numbers (ABN)

Collection of TFN and ABN information is authorised and its use and disclosure strictly regulated by tax laws and the Privacy Act. Investors must only provide an ABN instead of a TFN when the investment is made in the course of their enterprise. You are not obliged to provide either your TFN or ABN, but if you do not provide either or claim an exemption, we are required to deduct tax from your distribution at the highest marginal tax rate plus Medicare levy to meet Australian taxation law requirements. For more information about the use of TFNs for investments, contact the enquiries section of your local branch of the ATO. Once provided, your TFN will be applied automatically to any future investments in the Fund where formal application procedures are not required (e.g. distribution reinvestments), unless you indicate, at any time, that you do not wish to quote a TFN for a particular investment.

Exempt investors should attach a copy of the certificate of exemption. For super funds or trusts list only the applicable ABN or TFN for the super fund or trust.

## 6.3 Advisor Fee Consent (to be reviewed by the applicant and completed by the adviser in consultation with their client)

Adviser Name:

The applicant has agreed with the Adviser to pay an Adviser Fee equal to the following amount for the advice the Adviser has provided to the applicant in connection with investment in the Fund of:

% of the Investment Amount, plus any applicable GST

The Adviser has explained to the applicant the purpose and effect of the authorisation and instruction to pay Adviser Fees under this section of this Application Form.

The Adviser has explained to the applicant that investment in the Fund is available to those who have received advice in connection with this investment from a financial adviser that holds an Australian Financial Services Licence or is an authorised representative of a Licensee. The financial adviser may be any adviser nominated by the applicant. Equity Trustees will facilitate payment by the applicant of the fees payable to the applicant's financial adviser by making a deduction from the applicant's Investment Amount stated above in this Application Form. The balance is then applied towards the issue of Stapled Units at the Application Price per Stapled Unit.

By completing the Application Form, the applicant authorises and instructs Equity Trustees to pay the Adviser Fee stated above by deducting it from the applicant's Investment Amount and paying it to the abovenamed Adviser by funds transfer to their nominated financial institution account.

By completing the Application form, the applicant (and the Adviser, by signing below) acknowledge that:

- a) the applicant has received advice in connection the applicant's investment in the Fund;
- b) the applicant has been advised by the Adviser that by completing this section of the Application Form, the applicant is authorising Equity Trustees to receive the Adviser Fee as agent of the Adviser (as applicable) and pay the Adviser Fee stated above to the Adviser (as applicable);
- c) fees and costs will also apply to the applicant's investment in the Fund, as set out in the PDS, or as may be agreed between the applicant and any adviser the applicant appoints; and
- d) the applicant's investment amount used for calculating any Adviser Fee is not sourced from borrowed funds.

Adviser Signature

Capacity

Individual Signatory

Partner

Director

Sole Director/Secretary

Executive Officer

Authorised Signatory

Date: (DD/MM/YY)

Company Seal (if applicable)

## 6.4 Anti-Money Laundering and Counter-Terrorism Financing Information

In most cases the information that you provide in this form will satisfy the AML/CTF Act, the US Foreign Account Tax Compliance Act ('**FATCA**') and the Common Reporting Standards ('**CRS**'). However, in some instances Equity Trustees Limited may contact you to request further information. It may also be necessary for Equity Trustees Limited to collect information (including sensitive information) about you from third parties in order to meet its obligations under the AML/CTF Act, FATCA and CRS.

## 6.5 Foreign Account Tax Compliance Act and Common Reporting Standards (FATCA and CRS)

Each applicant who is an individual declares and certifies the following (please tick the applicable boxes):

I am not a US Citizen or resident of the US for tax purposes

I am not a tax resident of any country other Australia

Each applicant who is an entity makes the following declarations (please tick the applicable boxes):

We are not a US Person

We are not a tax resident of any country other than Australia

We are not a Financial Institution for the purposes of FATCA or CRS

We are either:

a Passive Non-Financial entity where **no tax resident of any country other than Australia is a controlling person**. For companies, controlling persons include beneficial owners who ultimately own 25% or more of the share capital of the company. If there are no controlling persons by ownership, controlling persons are the persons exercising control or the senior managing officials of the company. For trusts, controlling persons are the trustee, protector, beneficiary(ies), settlor or any other natural person exercising ultimate effective control over the trust. For other types of legal arrangement, controlling persons are natural person in equivalent or similar positions; or

an Active Non-Financial entity.

I/we undertake to provide a suitably updated self-certification within 30 days of any change in circumstances which causes the information contained herein to become incorrect. I/we declare the information above to be true and correct.

**Applicants who are not able to make the declarations and certifications in this section must contact Equity Trustees on tel +61 3 8623 5000 for a copy of the appropriate form of declaration and disclosure.**

**6.6 DECLARATIONS – When you sign this Application Form you declare that you have read and agree to all declarations in this Application Form (including those in Section 6.5 above).**

Executed as a deed poll in favour of the Responsible Entity and Investment Manager.

By signing as or on behalf of the Applicant, you make all the declarations and certifications set out above, in all sections.

**Applicant 1**

Applicant Given Name(s)

Capacity

Individual Signatory

Director

Executive Officer

Sole Director/Secretary

Signature

Date: (DD/MM/YY)

Company Seal (if applicable)

**Applicant 2**

Applicant Given Name(s)

Capacity

Individual Signatory

Director

Executive Officer

Sole Director/Secretary

Signature

Date: (DD/MM/YY)

Company Seal (if applicable)

If an investor is investing jointly with another individual, please ensure section 1.3 has been completed.



