ONEANSWER HEDGE FUNDS GUIDE

1 February 2020

Investments

This *OneAnswer Hedge Funds Guide* (Guide) forms part of the following Product Disclosure Statements (PDSs) dated 1 February 2020:

- OneAnswer Frontier Investment Portfolio PDS Product Book
- OneAnswer Investment Portfolio PDS Product Book (Only available to investors who joined prior to 1 July 2013).

OnePath Funds Management Limited ABN 21 003 002 800 AFSL 238 342 (OnePath Funds Management) is the issuer of the PDSs listed above and each of the products offered under them (collectively referred to in this Guide as 'OneAnswer Investments').

Please note that the following OneAnswer Investments are closed to new investors:

- OneAnswer Investment Portfolio (only applies to investors who joined prior to 1 July 2013)
- OneAnswer Investment Portfolio//Select (only applies to investors who joined prior to 15 November 2010).

Super and Pension

This Guide forms part of the OneAnswer Frontier Personal Super and Pension PDS dated 1 February 2020.

OnePath Custodians Pty Limited ABN 12 008 508 496 AFSL 238 346 (OnePath Custodians) is the issuer of the PDS and each of the products offered under it (collectively referred to in this Guide as 'OneAnswer Personal Super and Pension').

Purpose of this Guide

The purpose of this Guide is to provide you with additional information and/or specific terms and conditions referred to in each PDS. You should consider all of that information before making a decision to invest. The PDSs, this Guide and any document that is applied, adopted or incorporated by reference into the PDSs can be obtained free of charge online at onepath.com.au/superandinvestments-forms-and-brochures or by contacting Customer Services.

References in this Guide

The terms 'us', 'we' and 'our' when used in relation to OneAnswer Investments or OneAnswer Personal Super and Pension, refer to the issuer of that particular product, which is either OnePath Funds Management or OnePath Custodians as the context requires. Each issuer has prepared and is responsible for the contents of this Guide.

References to the 'Corporations Act' are references to the *Corporations Act 2001* (Cth).

Important information

This Guide contains general information only and does not take into account your objectives, financial situation or needs. It should not be used as a substitute for financial advice.

You should read this Guide and the relevant PDS to assess whether the information is appropriate having regard to your objectives, financial situation and needs, and speak to a financial adviser before making an investment decision.

If you are a member of OneAnswer Personal Super and Pension, you should note that your investment may be subject to different conditions to those set out in this Guide e.g. in respect of withdrawals. You should read this Guide subject to the relevant OneAnswer Personal Super and Pension PDS.

In relation to information provided about underlying hedge funds, we have relied on information provided by the responsible entity of the underlying hedge fund and cross references are made to the relevant responsible entity's PDS as applicable. Each responsible entity of the relevant underlying hedge fund has consented to the disclosure of the information in this Guide relating to its hedge fund, and has not withdrawn its consent at the time of preparation of this Guide. Each external responsible entity has provided its consent to statements relating to them being included in this Guide in the form and context in which those statements are included. No consents have been withdrawn at the time of preparation of this Guide. The external responsible entity of each underlying fund neither makes nor purports to make any statement in this Guide or any document incorporated in this Guide, and has not authorised or caused the issue of this Guide, and expressly disclaims and takes no responsibility for the Guide or any document incorporated in this Guide.

OnePath Funds Management and OnePath Custodians as the issuers of this document are both companies within the IOOF Group of companies, comprising IOOF Holdings Limited ABN 49 100 103 722 and its related bodies corporate (IOOF Group). Neither the Issuers, nor any other related or associated company, guarantee the repayment of capital, the performance of, or any rate of return of your investment. Investments made into the investment options are subject to investment risks and other risks. This could involve delays in the repayment of principal and loss of income or principal invested.

This information is current as at 1 February 2020 and may be updated from time to time.

Up-to-date information can be obtained online at onepath.com.au/superandinvestments/product-updates or by contacting Customer Services.

Contents

1. ABOUT THIS GUIDE

RG240

The Australian Securities and Investments Commission (ASIC) requires responsible entities of hedge funds and funds which invest into hedge funds to provide enhanced disclosure, as set out in ASIC's *Regulatory Guide 240 Hedge funds: Improving disclosure* (RG240).

The purpose of RG240 is to help investors understand and assess hedge funds so that they can make more informed investment decisions. The information that must be disclosed includes:

- Benchmarks, which address fund valuation and reporting
- Disclosure Principles, which address the key features of a fund such as investment strategy and fund structure.

A summary of the Benchmarks and Disclosure Principles is provided in Section 2.

This Guide

This Guide addresses the disclosure requirements of RG240 in relation to:

a) certain OneAnswer funds which invest into hedge funds – Section 3

b) the 'significant underlying funds' into which those OneAnswer funds invest (that is, any underlying hedge fund that accounts for 35% or more of a OneAnswer fund's assets) – Sections 4–7

c) underlying hedge funds that are not significant underlying funds – Section 8.

The funds and underlying funds described above are listed in Table 1, and are referred to as 'Funds' and 'Underlying Funds' respectively throughout this Guide.

Important

This Guide forms part of each PDS listed below, dated 1 February 2020:

- OneAnswer Frontier Investment Portfolio PDS Product Book
- OneAnswer Investment Portfolio PDS Product Book (Only available to investors who joined prior to 1 July 2013)
- OneAnswer Frontier Personal Super and Pension PDS.

You should read this Guide in conjunction with the relevant PDS and each other document that forms part of those PDSs, including the *OneAnswer Investment Funds Guide*. These documents can be obtained online at onepath.com.au/superandinvestments-forms-and-brochures or by contacting Customer Services.

Funds and Underlying Funds

Information in this Guide only applies to the Funds and Underlying Funds listed in Table 1.

Table 1

Fund	Invests in (Underlying Fund)	Section*
OneAnswer BlackRock Tactical Growth Fund ARSN 101 423 732	BlackRock Tactical Growth Fund ARSN 088 051 889	4
OnePath Alternatives Growth Fund ARSN 121 982 796	Fulcrum Diversified Absolute Return Fund ARSN 601 830 353	5
	GMO Systematic Global Macro Trust ARSN 090 799 385	6
	Man AHL Alpha (AUD) ARSN 138 643 768	8
OneAnswer Platinum Asia Fund ARSN 145 329 871	Platinum Asia Fund ARSN 104 043 110	7
OneAnswer Platinum International Fund ARSN 105 700 927	Platinum International Fund ARSN 089 528 307	7

* The information provided in Sections 4–8 was obtained from each Underlying Fund's PDS. You should refer to the relevant PDS for full details about an Underlying Fund. Each Underlying Fund's PDS is available online at the websites noted in Sections 4–8.

The information in a PDS may change from time to time. Updated information about each Underlying Fund is available online at the relevant website.

Investment risks

Hedge funds can pose more complex risks for investors than traditional managed investment schemes due to their diverse investment strategies, use of leverage and complex offshore structures.

Before you make an investment decision it is important to identify your investment objectives and the level of risk you are prepared to accept.

Investments in the Funds and Underlying Funds have specific risks which you should consider before making an investment decision. These risks are described or referenced in the relevant sections of this Guide.

General risks associated with hedge funds are described in the *OneAnswer Investment Funds Guide* which can be obtained online at onepath.com.au/superandinvestments-forms-and-brochures or by contacting Customer Services.

More information

- **RG240** Go to asic.gov.au
- **Underlying Funds** Go to the websites noted in the relevant fund sections of this Guide.
- **OneAnswer Funds** Information can be obtained online at onepath.com.au or by contacting Customer Services by phone on 133 665 or by email to customer@onepath.com.au

2. BENCHMARKS AND DISCLOSURE PRINCIPLES

Table 2 summarises the type of information about hedge funds that must be provided to investors under RG240.

Information about the Benchmarks and Disclosure Principles specific to each of the Funds and Underlying Funds noted in Section 1 are provided in Sections 3–8.

Table 2

Benchmark	What information must be provided?
1. Valuation of assets	This benchmark addresses whether valuations of the hedge fund's non-exchange traded assets are provided by an independent administrator or an independent valuation service provider.
2. Periodic reporting	This benchmark addresses whether the responsible entity of the hedge fund will provide periodic disclosure of certain key information on an annual and monthly basis.
Disclosure Principle	**What information must be provided?**
1. Investment strategy	Details of the investment strategy for the hedge fund, including the type of strategy, how it works in practice and how risks are managed.
2. Investment manager	Information about the people responsible for managing the hedge fund's investments, such as their qualifications and relevant commercial experience and the proportion of their time devoted to the hedge fund, and the relevant arrangement between the responsible entity and the investment manager, if any.
3. Fund structure	An explanation of the investment structures involved, the relationships between entities in the structure, fees and other costs payable to the responsible entity and the investment manager, the jurisdictions involved (if these involve parties offshore), the due diligence performed on underlying funds and related party relationships within the structure.
4. Valuation, location and custody of assets	Disclosure of the types of assets held, where they are located, how they are valued and the custodial arrangements.
5. Liquidity	Disclosure of the hedge fund's ability to realise its assets in a timely manner and the risks of illiquid classes of assets.
6. Leverage	Disclosure of the maximum anticipated level of leverage of the hedge fund (including leverage embedded in the assets of the hedge fund).
7. Derivatives	Disclosure of the purpose and types of derivatives used by the responsible entity or investment manager, and associated risks.
8. Short-selling	How short-selling may be used as part of the investment strategy, and the associated risks and costs of short-selling.
9. Withdrawals	Disclosure of the circumstances in which the responsible entity of the hedge fund allows withdrawals and how this might change.

3. ONEANSWER FUNDS

In this section
3.1 The Funds
3.2 Benchmarks
3.3 Disclosure Principles
3.4 Risks of investing

3.1 The Funds

Information in this section applies to the following (referred to as 'the Funds' for the purposes of this section):

- OneAnswer BlackRock Tactical Growth Fund
- OnePath Alternatives Growth Fund
- OneAnswer Platinum Asia Fund
- OneAnswer Platinum International Fund.

For information about the underlying funds in which these Funds may invest (referred to as 'Underlying Funds' throughout this Guide), see Sections 4–8.

Responsible entity

OnePath Funds Management acts as the responsible entity of each Fund.

PDS

For full information about the Funds, you should refer to the relevant OneAnswer PDS (see Section 1) and each other document that forms part of those PDSs, including the *OneAnswer Investment Funds Guide*. These documents can be obtained online at onepath.com.au/superandinvestments-forms-and-brochures or by contacting Customer Services.

3.2 Benchmarks

1. Valuation of assets
2. Periodic reporting

1. Valuation of assets

This benchmark requires us to have and implement a policy that requires the valuation of the Funds' assets that are not exchange traded to be provided by an independent administrator or an independent valuation service provider.

This benchmark is not met by us. However, the only assets (excluding cash) of the Funds are units in the Underlying Funds, which are unlisted registered managed investment schemes. We value the interests of the Funds in reliance on valuation information provided by the responsible entities of each Underlying Fund (each of which use independent administrators or valuers).

Each responsible entity and administrator of an Underlying Fund is independent of us. We have a policy on the use of independent fund administrators or valuation service providers by responsible entities of Underlying Funds. We limit the risk of any lack of independence and any related party conflicts in the valuation of non-exchange traded assets by monitoring the valuation of each Fund's assets.

Unit prices provided by the Underlying Funds are monitored by us. For example, we monitor movements in unit prices provided by the Underlying Funds by comparing those to an index benchmark and investigating when those unit prices are outside of tolerance thresholds set by us. For more information, refer to the 'Unit prices' section of the PDS relevant to your OneAnswer Investment.

The Underlying Funds in Sections 4–7 meet this benchmark.

2. Periodic reporting

This benchmark requires us to have and implement a policy to report on specific information on an annual or monthly basis.

Annual reporting

This benchmark is not fully met by us (as shown below). However, we will provide the following information at least annually, either in the annual reports of the Funds, on our website under performance reporting, or in our periodic statements:

- the actual allocation to each Underlying Fund held by the Funds
- the maturity profile of each Fund's liabilities as at the end of the year
- the annual investment returns over the last five-year period
- changes to key service providers and any changes to their related party status.

Annual reports containing information relevant to the Funds can be obtained online at onepath.com.au/superandinvestments-forms-and-brochures or by contacting Customer Services.

We do not provide annual reporting for the following as such information is not relevant for the Funds, and because the Funds are either wholly or substantially invested in the Underlying Funds which generally provide such information, other than in respect of the GMO Systematic Global Macro Trust:

- the liquidity profile of each Fund's assets as at the end of the year
- the leverage ratio (if any) of the Funds at the end of the year
- the derivatives counterparties engaged (including capital protection providers).

See Sections 4–8 for information about liquidity and leveraging in the Underlying Funds.

Monthly reporting

The following information is provided in the monthly Fund summaries available on our website:

- the current total net asset value of the Funds and the withdrawal value of a unit in the Funds as at the date the net asset value was calculated in accordance with the method described in the 'Unit prices' section of the PDS relevant to your OneAnswer Investment
- the key service providers, if they have changed since the last report given to investors, including any change in their related party status
- for each of the following matters since the last report on those matters
  - the net return on the Funds' assets after fees, costs and taxes
  - any material change in the Funds' risk profiles
  - any material change in the Funds' strategies
  - any change in the individuals playing a key role in investment decisions for the Funds.

An investment returns booklet showing the Funds' net returns is available at onepath.com.au/superandinvestment/performance/fund-details-unit-prices-and-performance-history.aspx

The Underlying Funds in Sections 4, 5 and 7 meet this benchmark.

To obtain reports for the Underlying Funds, contact the Underlying Funds directly (refer to the relevant Underlying Fund website for contact details). We can also provide this information free of charge, on request.

3.3 Disclosure Principles

1. Investment strategy
2. Investment manager
3. Fund structure
4. Valuation, location and custody of assets
5. Liquidity
6. Leverage
7. Derivatives
8. Short-selling
9. Withdrawals

1. Investment strategy

Investment strategy describes how a Fund aims to achieve its investment objective. The OneAnswer Funds described in this Guide aim to achieve their investment objectives by investing wholly or substantially into one or more underlying registered managed investment schemes which themselves are hedge funds (other than the Bentham Syndicated Loan Fund, which is an underlying fund of OnePath Alternatives Growth Fund, but is not a hedge fund). The Underlying Funds may hold direct assets or in turn may invest into other funds.

For the OneAnswer BlackRock Tactical Growth Fund, the OneAnswer Platinum Asia Fund and the OneAnswer Platinum International Fund, the investment strategy for each relevant Underlying Fund is aligned to the investment strategy of the referable Fund. For the OnePath Alternatives Growth Fund, each Underlying Fund (Fulcrum Diversified Absolute Return Fund, GMO Systematic Global Macro Trust and Man AHL Alpha (AUD)) is considered by OnePath Funds Management to help achieve its investment strategy.

The investment objective and strategy for each Underlying Fund is set out in the *OneAnswer Investment Funds Guide* and/or in Sections 4–8.

The criteria for selecting underlying fund managers and the due diligence process adopted in the selection of investment managers and underlying funds, is set out in '3. Fund structure' in this section.

Key dependencies and assumptions

There are key dependencies and assumptions underpinning each Fund's ability to produce investment returns via the strategy. We consider the key dependencies or assumptions underpinning each Fund's ability to produce investments returns via the strategy to include:

a) legislators and regulators continuing to consider regulatory reforms and other measures to stabilise markets and encourage growth in global financial markets

b) the asset allocation process underpinning the Fund's investments remaining robust and accurate

c) the relevant Underlying Fund's responsible entity achieving its strategy and our risk management system appropriately identifying and managing any risk of underperformance to minimise potential losses

d) our due diligence process and input from our preferred external research consultant identifying appropriate underlying investments and the ongoing monitoring of these investments.

Risk management

The OnePath Funds Management Board has adopted a Risk Management Strategy (RMS) which includes, but is not limited to, risks associated with investments. Each Fund and referable Underlying Fund is monitored and assessed on an ongoing basis as part of OnePath Funds Management's RMS.

For internal funds managed under mandate, asset exposures are constantly monitored to ensure they remain within permitted investment parameters and their trading and investment activities remain within assigned limits. Where such limits are exceeded, the OnePath Funds Management Board is alerted to such occurrences which are then dealt with in accordance with internally documented policies.

For the external managed investment schemes that OnePath Funds Management invests into, they are reliant on the external manager to ensure compliance with their investment guidelines and to notify the Chief Investment Office (CIO) of situations where there have been breaches and the steps taken to rectify them.

The annual investment manager attestation survey sent out to all managers and/or the responsible entities of the funds they manage, requests confirmation that they have been compliant with their investment guidelines, and where there have been material breaches, the CIO has been notified of such breaches and the steps taken to rectify the breaches.

The RMS is reviewed on an annual basis or whenever there is a material change in the OnePath Funds Management business, and a review of the risks set out in the RMS is conducted at least annually.

For information about the risk management strategies of the Underlying Funds, see Sections 4–8 and refer to the relevant Underlying Fund's PDS.

Diversification guidelines and limits

The Funds are either wholly or substantially invested in the Underlying Funds. The OnePath Alternatives Growth Fund, being a multi-manager fund, maintains relevant diversification guidelines which provide allowable ranges of exposure to sub-strategies such as global macro, managed futures, multi-strategy and alternative credit.

The other Funds do not have specific diversification guidelines or limits, including limits for sector, industry or credit considerations.

Changes to investment strategy

The investment objective, investment strategy, asset allocation and other information in this section may change at any time. Any changes will be considered in light of the potential negative or positive impact on investors. We will notify investors in any affected Funds as soon as practicable after any changes have been implemented. Notification will be through regular investor communications and/or as an update on our website.

2. Investment manager

We (OnePath Funds Management) act as investment manager of each of the Funds. The implementation of investment strategies for the Funds is a core capability of OnePath Funds Management and does not rely on the involvement of any particular individual.

For the Underlying Funds, our CIO continuously researches, assesses and monitors the Underlying Funds with input from our preferred external research consultants. We may add, remove or reduce allocations to any Underlying Fund at any time.

See Sections 4–8 for information about the investment managers of the Underlying Funds.

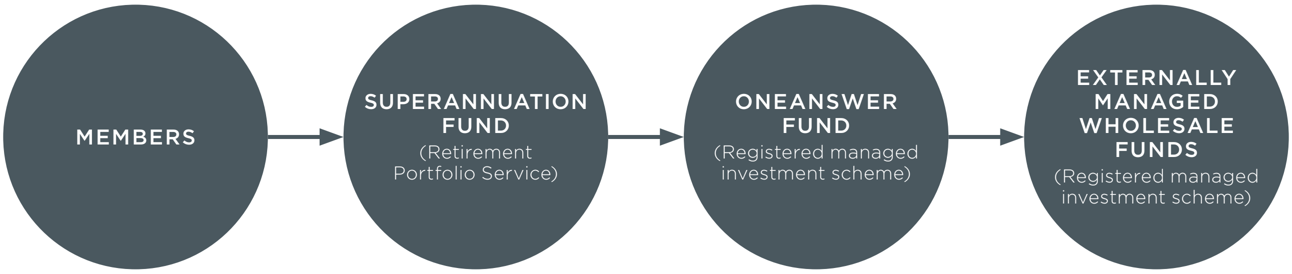
3. Fund structure

Each Fund is a unit trust (an Australian registered managed investment scheme) which invests into one or more externally managed Australian registered managed investment schemes. Each of us and the responsible entities of the Underlying Funds are registered Australian companies.

The following diagrams show the investment structure applicable to each of the Funds.

OneAnswer Investments

OneAnswer Personal Super and Pension



There are risks associated with the structure and these are described in the *OneAnswer Investment Funds Guide*, along with the profiles and responsible entities of the Underlying Funds.

Underlying fund selection and monitoring

As responsible entity for the Funds, we have formal agreements in place with the responsible entities of the Underlying Funds. These agreements cover their obligations and service level requirements, including unit pricing, distribution details, tax information and regular reporting.

Prior to an underlying fund being selected, an agreement is formalised in compliance with our stringent policies that cover and manage any related party and/or potential conflicts of interest matters.

We ensure the responsible entities comply with the terms of their respective agreements by regularly monitoring their performance in accordance with the reporting obligations set out in the agreements.

Before a fund is selected as an underlying fund, we undertake a due diligence process to ensure the responsible entity and/or investment manager meets our investment selection criteria, which includes:

- consideration of external research ratings, including OnePath Funds Management's primary investment consultants
- the views of our internal investment research teams
- the experience and stability of the investment team managing the underlying fund's assets
- the strength of the funds management organisation behind a particular fund
- the investment philosophy and investment process followed by the investment managers
- the risks inherent in the underlying fund's investment strategy and the underlying fund's suitability to our client base
- adequacy of portfolio diversification
- a competitive fee structure aligned with investors' interests
- liquidity of the underlying fund and its underlying investments
- short-term and long-term performance relative to investment objectives and peers
- funds under management in the underlying fund and any capacity issues or constraints.

Our selection criteria also addresses the service providers used by an underlying fund. Consideration of such service providers is limited to the extent that it considers whether those service providers are reputable and independent from the underlying funds. We do not otherwise apply a due diligence process to those service providers.

Payments and performance fees

We may receive payments from responsible entities of underlying externally managed wholesale hedge funds and related parties.

Performances fees are applicable to some or all of the Underlying Funds in the OnePath Alternatives Growth Fund.

For information about these payments and performance fees, refer to the 'Fees and other costs' sections of the following:

- OneAnswer Frontier Investment Portfolio PDS Product Book
- OneAnswer Investment Portfolio PDS Product Book (Only available to investors who joined prior to 1 July 2013)
- OneAnswer Frontier Personal Super and Pension Fees Guide.

Indirect costs

Indirect costs for the OneAnswer Funds include the 'Management costs' in each Underlying Fund's PDS. These costs may include performance fees charged by an Underlying Fund.

The table below shows the indirect costs (as at 30 June 2019) for each of the Underlying Funds described in this Guide. These costs represent a percentage of the amount invested by each Fund in the relevant Underlying Fund and may vary in the future.

More detailed information about indirect costs is provided in the PDSs and product updates available online at onepath.com.au/superandinvestments/product-updates

These indirect costs are not an additional cost to you.

Fund	Underlying Fund	Indirect cost (%)
OneAnswer BlackRock Tactical Growth Fund	BlackRock Tactical Growth Fund	0.49
OneAnswer Platinum Asia Fund	Platinum Asia Fund	0.46
OneAnswer Platinum International Fund	Platinum International Fund	0.05
OnePath Alternatives Growth Fund (see below)	Fulcrum Diversified Absolute Return Fund	0.08
	GMO Systematic Global Macro Trust	0.10
	Man AHL Alpha (AUD)	0.20

OnePath Alternatives Growth Fund

This Fund invests in four underlying investments – the Underlying Funds listed in the table above and the Bentham Syndicated Loan Fund, which is not a hedge fund.

The indirect costs charged for the OnePath Alternatives Growth Fund's underlying investments are calculated based on the Strategic Asset Allocation (SAA) benchmark to each of the four underlying investments ending 30 June 2019. The current allocation to each of the underlying investments is set out in the monthly fund summaries available online at onepath.com.au/superandinvestments/performance

Service providers

We act as the administrator for each of the Funds. From time to time we engage external service providers in respect of the Funds. Key service providers are:

- Auditor – KPMG is the auditor for each of the Funds
- Manager selection – Where appropriate, we use external research houses (e.g. Mercer and Willis Towers Watson) for input to manager selection.

Monitoring of service providers

We have a compliance plan in place to ensure that the appointment of service providers such as auditors is responsibly conducted, and that their performance is appropriately monitored. The compliance plan is audited by KPMG. The audit report is lodged with ASIC annually.

Under the procedures for appointing and monitoring an outsource arrangement, appropriate due diligence investigations are conducted on a third party prior to their appointment. Written contracts with the third party provider are reviewed and executed in accordance with the procedure for the execution of documents.

The performance of the third party service and outsource providers may be monitored through some or a combination of regular meetings, obtaining audit reports, obtaining compliance reports and service level reporting. Issues reported by outsource service providers are treated as incidents and managed in accordance with our Incident Management Process.

4. Valuation, location and custody of assets

As responsible entity of the Funds, we hold the assets of the Funds in the form of units in each Underlying Fund. Each of the Underlying Funds is a managed investment scheme registered in Australia. The assets of the Funds are held in Sydney by us in accordance with legal requirements.

For information about the valuation of assets and the calculation of unit prices of the Funds, refer to:

- the 'How does OneAnswer Frontier Personal Super and Pension work?' section of the OneAnswer Frontier Personal Super and Pension Additional Information Guide
- the 'What else do I need to know?' sections of the
  - OneAnswer Frontier Investment Portfolio PDS Product Book
  - OneAnswer Investment Portfolio PDS Product Book (Only available to investors who joined prior to 1 July 2013).

For information about the Underlying Funds, including the types of investments and investment strategies, see Sections 4–8.

5. Liquidity

As part of our due diligence process, liquidity of the Underlying Funds is considered before selection. During normal market conditions, it has been determined that we can reasonably expect to liquidate 80% of the Funds' assets within 10 days. Therefore, the Funds meet the liquidity requirements under RG240 and are generally open for investor applications and withdrawals on each business day.

During abnormal or extreme market conditions the responsible entity of each Underlying Fund may decide to restrict withdrawals or switches, hence causing the Funds to become illiquid. Under these circumstances, we may suspend or restrict withdrawals from the Funds. We may also terminate the Funds, which could result in a delay in the repayment of capital to investors.

For information about liquidity for the Underlying Funds see Sections 4–7. For information about the risks associated with liquidity, refer to the *OneAnswer Investment Funds Guide*.

6. Leverage

Leverage is not part of the investment strategy for the Funds but may be used in certain circumstances as a short-term measure, for example where needed to allow for a large number of withdrawals to be processed at the same time.

Certain Underlying Funds may use leverage as part of their investment strategy. Although we do not specifically consider the types and level of leverage used by the Underlying Funds, these factors are taken into consideration as part of the overall risk assessment analysis carried out by us when selecting an underlying fund.

Information about the use of leverage by the Underlying Funds is provided in Sections 4–8.

Refer to the *OneAnswer Investment Funds Guide* for information about the risks associated with leverage. Please note that in that guide, information about leverage risk is provided under the heading 'Gearing'.

7. Derivatives

Derivatives are not used by us in the Funds. However, certain Underlying Funds may use derivatives as part of their investment strategy. Although we do not specifically set limits on the types of derivatives used by the Underlying Funds and on any Fund's exposure to those instruments via an Underlying Fund, these factors are taken into consideration as part of the overall risk assessment analysis carried out by us when selecting an Underlying Fund.

Information about the use of derivatives by the Underlying Funds is provided in Sections 4–7.

Refer to the *OneAnswer Investment Funds Guide* for information about the risks associated with derivatives.

8. Short-selling

Short-selling is not used by us in the Funds. However, certain Underlying Funds may use short-selling as part of their investment strategy. Although we do not specifically set limits on the level of short-selling permitted in each Underlying Fund, these factors are taken into consideration as part of the overall risk assessment analysis carried out by us when selecting an Underlying Fund.

Information about the use of short-selling by the Underlying Funds is provided in Sections 4–7.

Refer to the *OneAnswer Investment Funds Guide* for information about the risks associated with short-selling.

9. Withdrawals

Requests to withdraw from a Fund may be made at any time, and can be made by contacting Customer Services or completing a 'Withdrawal Form'.

Under normal market conditions, withdrawals from the Funds will generally be able to be processed each Business Day. In the unlikely event that a Fund ceases to be liquid (that is, sufficient assets cannot reasonably be expected to be realised and converted into cash to satisfy a withdrawal request within the period specified in the Fund's constitution), different withdrawal procedures, as specified in the Corporations Act, will apply.

In exceptional circumstances, applications and withdrawals may be suspended. For example, if significant market volatility and/or significant internal or external events result in an inability to value an investment fund. This may affect the ability of investors to withdraw from the relevant Fund.

If there are any material changes to withdrawal rights (e.g. restrictions on an investor's ability to withdrawal from the Fund), the changes will be considered in light of the potential negative or positive impact on investors. We will notify investors in affected Funds as soon as practicable after any changes have been implemented. Notification will be made through regular investor communications and/or as updates on our website.

Information about withdrawals is provided in the following:

- OneAnswer Frontier Investment Portfolio PDS Product Book
- OneAnswer Investment Portfolio PDS Product Book (Only available to investors who joined prior to 1 July 2013)
- OneAnswer Frontier Personal Super and Pension Additional Information Guide.

Refer to the *OneAnswer Investment Funds Guide* for information about the risks associated with the liquidity of a Fund.

3.4 Risks of investing

Risks of investing specific to the Funds and general risks* associated with investing in hedge funds are described in each Fund's PDS and in the *OneAnswer Investment Funds Guide*.

The *OneAnswer Investment Funds Guide* and each PDS can be obtained online at onepath.com.au/superandinvestments-forms-and-brochures or by contacting Customer Services.

* Please note that in the *OneAnswer Investment Funds Guide*, information about leverage risk is provided under the heading 'Gearing'.

4. BLACKROCK TACTICAL GROWTH FUND

4.1 The Fund

BlackRock Tactical Growth Fund ARSN 088 051 889 (referred to as 'the Fund' for the purposes of this section).

Responsible entity

BlackRock Investment Management (Australia) Limited ABN 13 006 165 975 (BlackRock Responsible Entity or BlackRock) acts as the responsible entity under the Corporations Act. The BlackRock Responsible Entity is a wholly owned subsidiary of BlackRock, Inc.® (BlackRock Inc) but is not guaranteed by BlackRock Inc or any BlackRock Inc subsidiary or affiliated entity (collectively the BlackRock Group).

Fund website

blackrock.com

PDS

The Fund's PDS is available online at blackrock.com/au/intermediaries/literature/product-disclosure-statement/blackrock-tactical-growth-fund-pds-en-au.pdf. You should refer to the PDS for full information about the Fund.

4.2 Benchmarks

1. Valuation of assets

This benchmark requires the responsible entity to have and implement a policy that requires the valuation of the Fund's assets that are not exchange traded to be provided by an independent administrator or an independent valuation service provider.

The Fund and the underlying funds into which the Fund invests either directly or indirectly meet the benchmark except in certain (generally infrequent) circumstances, as set out below.

The BlackRock Group generally implements valuation policies that require Fund assets that are not exchange traded to be valued by an independent administrator or an independent valuation service provider. In certain (generally infrequent) circumstances where a valuation cannot be obtained from an independent administrator or an independent valuation service provider, the asset may be valued on another basis in accordance with the applicable valuation policy. The valuation process may have regard to the nature of the asset and to any relevant factors, to address any risks of lack of independence in valuations and related party conflicts of interest, which may include referring the matter to an internal committee and/or board of trustees/directors. Prices are generally required to be estimated in good faith and are to be representative of the probable realisation value of the security.

2. Periodic reporting

This benchmark requires the responsible entity to have and implement a policy to report on specific information on an annual or monthly basis.

Annual reporting

The BlackRock Responsible Entity meets the benchmark and implements a policy to report on the following Fund information on an annual basis:

- the actual allocation to each asset type held by the Fund
- the liquidity profile of the Fund's assets
- the maturity profile of the Fund's liabilities
- the leverage ratio of the Fund
- derivative counterparties engaged
- annual investment returns
- changes to key service providers and their related party status.

A copy of the annual report is available free of charge from the Fund website or on request from the Fund's Client Services Centre on 1300 366 100.

Where required, information will also be provided about the underlying funds into which the Fund invests either directly or indirectly.

Monthly reporting

On a monthly basis the following Fund information will be made available free of charge from the Fund website:

- the current total net asset value (NAV) of the Fund and the redemption value of a unit of the Fund as at the date on which the total NAV was calculated
- changes to key service providers and their related party status
- the net return on the Fund's assets after fees, costs and taxes
- any material change in the Fund's risk profile
- any material change in the Fund's strategy
- any change in the individuals playing a key role in investment decisions for the Fund.

To obtain reports for the Fund, you can contact the Fund directly (refer to the Fund website for contact details). We will also provide this information on request.

4.3 Disclosure Principles

1. Investment strategy
2. Investment manager
3. Fund structure
4. Valuation, location and custody of assets
5. Liquidity
6. Leverage
7. Derivatives
8. Short-selling

1. Investment strategy

The investment strategy of the Fund is to provide investors with a diversified exposure to the best investment teams and strategies that the BlackRock Group has globally within the context of an Australian based 'growth' investment portfolio.

The Fund's strategy is built around two steps:

- establishing the most appropriate strategic benchmark subject to the growth/income splits and market risk exposures of the Fund
- enhancing the returns of the Fund relative to the benchmark indices to the maximum extent possible by utilising investment teams, strategies and techniques from the BlackRock Group's resources around the globe, subject to a risk budgeting framework.

As the Fund is a diversified fund, there is no one relevant index to provide a benchmark, so the benchmark consists of a weighted average of the returns provided by market indices for relevant asset classes. The benchmark for the Fund provides a performance target against which Fund performance is measured over a set period of time. The strategic benchmark is reviewed periodically. Specific allocations may vary through time in line with the Fund's objective to manage total portfolio risk, however the Fund will generally retain its split between growth and defensive assets over the medium to long term.

The Fund's strategic benchmark has exposure to a mix of growth assets such as Australian shares, international shares, listed property and listed infrastructure and more defensive (income) asset classes such as Australian and international fixed income and cash. The allocation of growth assets compared with defensive assets and the associated asset class benchmark index is shown in the strategic benchmark table below.

Table 3

Strategic benchmark		
Asset sector	**%**	**Benchmark index**
Australian shares	30	S&P/ASX 300 Total Return Index
International developed markets shares (unhedged)	21	MSCI World ex-Australia Net TR Index (Unhedged in AUD)
International developed markets shares (hedged)	6	MSCI World ex-Australia Net TR Index (Hedged in AUD)
Emerging markets shares	5	MSCI Emerging Markets IMI ex Tobacco ex Controversial ex Nuclear Weapons Net TR Index (Unhedged in AUD)
Global listed infrastructure	5	FTSE Developed Core Infrastructure Net TR Index (Unhedged in AUD)
Global real estate (REITs)	5	FTSE EPRA/NAREIT Developed Net TR Index (Unhedged in AUD)
Total growth assets	72	
Australian fixed interest	14	Bloomberg AusBond Composite 0+ Yr IndexSM
International fixed interest: Developed markets fixed interest (100% hedged in AUD)	3	Bloomberg Barclays Global Aggregate 500 Index (Hedged in AUD)
International fixed interest: International credit	3	Bloomberg Barclays Global Aggregate Corporate Index (Hedged in AUD)
International fixed interest: Emerging markets fixed interest	3	J.P. Morgan EMBI Global Core Index (Hedged in AUD)
Cash	5	Bloomberg AusBond Bank Bill IndexSM
Total defensive assets	28	
Foreign currency exposure	30	

Active asset allocation

Asset allocation strategies are employed with the aim of capitalising on perceived mispricing in and between asset markets in Australia and internationally. This process may result in the Fund's exposure to the asset class being above, below or in line with the strategic benchmark exposure. The strategies employed focus on a broad array of factors aimed at identifying potential market inefficiencies including assessments of fundamental valuation, economic environment, investor sentiment and other factors, including the management of total portfolio risk. BlackRock draws on its research capabilities and the fund management expertise of the BlackRock Group in developing and exploiting these strategies within a risk controlled framework.

The active allocation strategies to which the Fund may be exposed include, but are not limited to:

- Equity Market Absolute Return strategies that seek to exploit inefficiencies in individual stock prices by gaining exposure to long and short positions in local and global equity markets
- Fundamental Global Allocation strategies that seek to identify long-term trends and changes that could benefit particular markets and/or industries relative to other markets and industries by investing across the full spectrum of asset classes
- Fixed Income Global Opportunities strategies that may include traditional core bond strategies, core plus strategies (which seek to increase total return potential by allocating assets to non-investment grade securities and global sectors) and non-traditional strategies (which seek positive returns with lower volatility by employing advanced investment techniques and investment in unconventional securities)
- Fixed Income Absolute Return strategies that seek to exploit opportunities across global fixed income markets by taking long and short positions in a broad range of fixed income securities including, but not limited to sovereign bonds, corporate credit, mortgages and other securities
- Market Neutral Style Premia strategies that seek to capture positive returns from a range of style factor strategies across global asset classes while maintaining low correlation to broad market factors.

The BlackRock Group aims to continuously monitor, research and improve the investment strategies of the underlying funds into which the Fund invests. Such changes may result in changes to the Fund's asset exposures over time. While the Fund will endeavour to notify unit holders of significant strategy enhancements, the Fund will not seek consent prior to implementing these strategy enhancements.

Due diligence and selection of BlackRock Underlying Funds

The Fund invests, directly and indirectly, in pooled investment vehicles managed by a number of investment teams within the BlackRock Group (BlackRock Underlying Funds).

These teams and products are selected on the basis of their ability to generate consistent, lowly correlated returns. Lowly correlated means that it is unlikely that the different teams and products chosen will perform in the same manner at the same time, thereby enhancing diversification and/or lowering Fund volatility. The selection process is also subject to internal controls relating to cost/tax effectiveness and overall risk exposure of the Fund.

Actual asset allocations to investment teams and products will vary over time as the BlackRock Group's expertise alters and the correlations, costs and tax effectiveness of the teams and BlackRock Underlying Funds change. However, the allocations will remain consistent with the principles of providing highly diversified, lowly correlated and risk controlled investment management. A rigorous due diligence process is conducted on short-listed strategies to assess the potential for inclusion in the Fund. This process involves a detailed assessment of the investment strategy. Once a strategy is chosen for inclusion, regular due diligence is conducted on a BlackRock Underlying Fund to ensure its strategy continues to meet the Fund's strict investment criteria.

Where a BlackRock Underlying Fund invests in another fund, a formal due diligence process is generally undertaken in advance of any investment being made. This may not apply where the BlackRock Underlying Fund is part of a master feeder investment structure. Continuous monitoring and periodic reviews of any Fund investment is a material part of the BlackRock Group's general investment management process.

Key dependencies underlying the Fund's investment strategy

The success of the Fund and its underlying funds is dependent upon a number of factors which may include, but are not limited to:

- Ability to identify and exploit perceived pricing inefficiencies The identification and exploitation of pricing inefficiencies in the pricing of securities, financial products, or markets involves uncertainty. There can be no assurance that the investment manager of a BlackRock Underlying Fund will be able to locate investment opportunities or be able to exploit pricing inefficiencies in the securities markets. A reduction in the pricing inefficiency of the markets in which an investment manager seeks to invest will reduce the scope for a BlackRock Underlying Fund's investment strategies. In the event that the perceived mispricings underlying a BlackRock Underlying Fund's positions were to fail to converge toward, or were to diverge further from, relationships expected by the BlackRock Underlying Fund's investment manager, the BlackRock Underlying Fund may incur losses.
- Regulatory environment Legislators and regulators have implemented and continue to consider regulatory reforms and other measures to stabilise markets and encourage growth in global financial markets. Adverse or volatile market conditions, or further regulatory reforms and other measures which limit investment activities and investment opportunities or change the functioning of capital markets, could have a material adverse effect on performance.
- Limits of risk mitigation While each fund in the investment structure benefits from the BlackRock Group's global expertise and risk management practices, it is not always possible to

eliminate all applicable risks. An exposure to certain risks could cause underperformance.

See Section 4.4 for information about the risks associated with the Fund's investment strategy.

Changes to the Fund's investment strategy

The BlackRock Group undertakes continuous research and development of the investment strategies of the Fund and BlackRock Underlying Funds, which may result in changes to the way the funds are run. Investors will be notified of any such changes in accordance with the BlackRock Responsible Entity's obligations under the Corporations Act.

Management of portfolio risk

The active risk relative to the Fund's strategic benchmark is controlled through a risk budgeting framework, rather than constraining risk by limiting allocations to particular asset classes. In addition, BlackRock maintains the flexibility to deviate meaningfully from the strategic benchmark with the objective of managing overall portfolio risk and minimising performance downside at market extremes, should in the Fund's assessment, market conditions warrant.

For more information about the Fund's investment strategy, including the Fund's investment objective, refer to the *OneAnswer Investment Funds Guide*.

2. Investment manager

BlackRock is the investment manager of the Fund. BlackRock is licensed by ASIC, which is responsible for regulating the operation of managed investment schemes like the Fund.

Each BlackRock Underlying Fund is managed by and/or has appointed as their investment manager a member of the BlackRock Group.

The implementation of the investment strategies, including those of the BlackRock Underlying Funds, are considered institutional BlackRock Group capabilities, meaning they do not rely on the involvement of any particular individual.

The responsibilities and obligations of an investment manager are generally governed by a fund's constitution, articles of association, trust deed, or other equivalent governing document, terms of the investment management arrangement to which the investment manager and fund may be party to and any applicable laws or regulations.

The Fund's constitution contains a number of provisions relating to the rights, terms, conditions and obligations.

Some of the main provisions which relate to investor rights under the Fund's constitution include:

- the right to share in the Fund income and how it is calculated
- the right to withdraw from the Fund and the entitlement on withdrawal or if the Fund is wound up
- the nature of the units and rights to attend and vote at a meeting of unit holders – these mainly reflect the requirements of the Corporations Act, which also deals with unit holders rights to requisition or call a meeting
- resolutions passed by a requisite majority at a meeting of unit holders are binding on all unit holders
- when BlackRock can and what happens if it terminates the Fund
- when BlackRock can amend the Fund's constitution. Generally, it can only be amended where changes will not adversely affect rights of an investor. Otherwise, the constitution can only be amended if approved by special resolution at a meeting of unit holders
- the right to refuse to accept applications for units or record any transfer of units without giving any reason
- the right to cancel units issued to a unit holder if cleared funds are not received by the Fund
- broad powers to invest, borrow and generally manage the Fund. The BlackRock Responsible Entity does not currently intend to borrow funds to acquire assets for the Fund, although this is permitted under the Fund's constitution. BlackRock may only borrow if it considers it to be in the best interests of unit holders.

The constitution of the Fund provides that the liability of each unit holder is generally limited to its investment in the Fund. A unit holder is not required to indemnify the BlackRock Responsible Entity or its creditors in respect of the Fund. However, no complete assurance can be given in this regard, as the ultimate liability of a unit holder has not been finally determined by the courts.

The constitutions of underlying funds managed by the BlackRock Responsible Entity or another entity within the BlackRock Group generally contain similar provisions to those outlined above. The trust deed (or equivalent governing document) of underlying funds not managed by the BlackRock Responsible Entity or another entity within the BlackRock Group (but who have appointed as their investment manager a member of the BlackRock Group) may include provisions in relation to matters similar to those constitutional provisions already outlined.

The BlackRock Responsible Entity uses a global service delivery model across the BlackRock Group to deliver superior outcomes to its clients. In the delivery of functions, powers and duties to clients, the BlackRock Group uses multiple entities of the BlackRock Group (in addition to the BlackRock Responsible Entity). For example, global order routing entails the use of multiple trading desks located in various regions and the use of global centres of excellence allows certain related parties to specialise in functions such as investment operations and portfolio management. Even though the BlackRock Group uses offshore related parties, the BlackRock Responsible Entity has systems and procedures in place as the holder of an Australian financial service licence to monitor and supervise the services provided by its related parties. The BlackRock Responsible Entity remains responsible and liable for the acts and omissions of any related party.

All BlackRock Underlying Funds have appointed a member of the BlackRock Group as their investment manager pursuant to an investment management arrangement, to provide investment management services. Provisions within the investment management arrangements of any such BlackRock Underlying Funds, which may affect unit holders of the Fund, may include:

- the terms and scope of appointment of the investment manager (for example, in some instances, the investment manager will be appointed for an initial term and then for subsequent annual terms, subject to their appointment being terminated)
- any restrictions placed on the investment manager in terms of the permitted investments for the Fund
- the investment manager's entitlement to receive a management fee, any performance fee and other amounts payable out of the assets of the Fund
- the liability of the investment manager (for example, in circumstances where the investment manager acts with negligence, wilful misconduct or bad faith)
- the liability of the investment manager for acts of third parties such as banks, brokers or agents
- the provision of indemnities, for example, in circumstances where there is no negligence, wilful misconduct or bad faith on the part of the indemnified party
- when the investment management arrangement may be terminated. While each investment management arrangement may include termination provisions (which are generally on normal commercial terms), as all appointed investment managers are BlackRock Group entities, it is not expected that any such termination provision will be materially relied upon by either the relevant BlackRock Underlying Fund or its investment manager.

Service providers

A number of key service providers have been engaged to assist with the ongoing operation and administration of the Fund and the BlackRock Underlying Funds. A summary of key service providers of the Fund is provided below.

The Fund and each BlackRock Underlying Fund have entered into separate arrangements with each of their key service providers, which generally set out the terms and conditions of the service provider's appointment, where applicable, specified benchmarks and service levels, as well as the consequences of any breaches to the terms of the appointment.

Before any key service provider is engaged by the BlackRock Group a due diligence exercise or assessment of the prospective key service provider is generally undertaken. Consideration and continuous monitoring of key service providers is also undertaken through day-to-day dealings with these entities.

- Custodian – JP Morgan Chase Bank, N.A.

  A custodian provides custodial services to a fund and is responsible for the safekeeping of Fund assets.

  A custodian's role is generally limited to holding the assets of a fund and acting on behalf of the responsible entity or the fund's board of directors (as applicable) and acting in accordance with instructions from the responsible entity or the fund's board of directors (as applicable), except in limited circumstances where the custodian has a discretion to act without instructions.

  A custodian has no supervisory obligation to ensure that the responsible entity or the fund's board of directors (as applicable) complies with its obligations as responsible entity or board (as applicable) of a fund. The responsible entity or fund board of directors (as applicable) will also remain liable to unit holders for acts and omissions of the appointed custodian.

  The custodian may change from time to time but must satisfy any relevant regulatory requirements.

  The Fund and the BlackRock Underlying Funds do not generally request specific requirements in respect of the custodial arrangements of the underlying fund(s) into which they invest. Custodial arrangements are considered at each level of the investment structure, through the oversight and management of each fund.

- Administrator – JP Morgan Chase Bank, N.A.

  An administrator provides administration services to the Fund. These services include valuation and unit pricing, fund accounting, distribution preparation and preparation of financial statements.

- Auditor – Deloitte Touche Tohmatsu

  The Fund must have an appointed independent auditor of the financial statements.

- Prime broker

  While the Fund has not appointed a prime broker, some of the BlackRock Underlying Funds have. The prime broker of a fund generally provides clearing, settlement, financing, stock borrowing, foreign exchange facilities and reporting services.

Changes to key service providers

The key service providers detailed in this document may change from time to time. Investors will be notified of any such changes in accordance with the Fund's obligations under the Corporations Act.

Risk management

The Fund and the BlackRock Underlying Funds benefit from the BlackRock Group's global expertise and risk management practices, with investment strategies employed across the BlackRock Group being continuously monitored and assessed.

Asset exposures are constantly monitored to ensure all BlackRock Group funds remain within permitted investment parameters. Operating and investment processes are continuously reviewed through a combination of internal and external audit, regular compliance monitoring, management self-assessment procedures and risk management oversight.

Management of key controls and performance measurement is accomplished through routine reporting on investment activities. The BlackRock Group's automated systems produce reports which enable the ongoing monitoring of trading and investment activity against assigned limits, including individual trader and counterparty limits. Transactions that may result in exceptions to the established limits must have appropriate approval in accordance with internally documented policies.

Departmental oversight

The BlackRock Group has operational functions which help in the implementation of its risk management framework, including:

- Risk and Quantitative Analysis Monitors the continuing development of process controls and functional segregation in conjunction with relevant business units to ensure that these remain robust and appropriate to the needs of the business. The Risk and Quantitative Analysis Team also measure and monitor all BlackRock Group funds.
- Legal and Compliance Responsible for the identification, communication and control of applicable legislation and restrictions. Compliance staff also conduct periodic compliance reviews of key processes and work closely with management to develop suitable controls.
- Internal Audit Responsible for the review of internal processes and controls.
- Counterparty and Concentration Risk Group Responsible for managing counterparty risk across the BlackRock Group. The Counterparty and Concentration Risk Group monitors and assesses counterparty exposures arising from a wide range of financial instruments.

Additional information

Further information about the key service providers and appointed investment managers of some of the BlackRock Underlying Funds is provided in *Information on BlackRock Underlying Funds* available on the Fund website.

3. Fund structure

What does the Fund invest in?

The Fund and the BlackRock Underlying Funds may also invest in direct assets in addition to the key entities shown in the Fund structure diagram in this section.

The Fund may invest in physical instruments (including equities, listed property trusts, limited partnerships, currency, fixed income, exchange traded funds, cash and commodities), derivatives (including futures, options, swaps and forward foreign exchange contracts) and structured instruments (which may include a combination of physical instruments and derivatives). Asset class exposures and the implementation of investment strategies are gained either by investing directly in physical instruments, through derivative overlays, or by investing in BlackRock Underlying Funds.

BlackRock Underlying Funds generally invest in Australian equities and fixed income, international equities and fixed income and other asset markets (which may include a combination of physical instruments and derivatives).

Each fund within the investment structure may also hold cash (or cash equivalents, including other BlackRock Group funds) for cash flow management purposes or as collateral for derivative/short positions.

The diagram in this section shows the key entities involved in the Fund's investment structure and the flow of investment money through the structure.

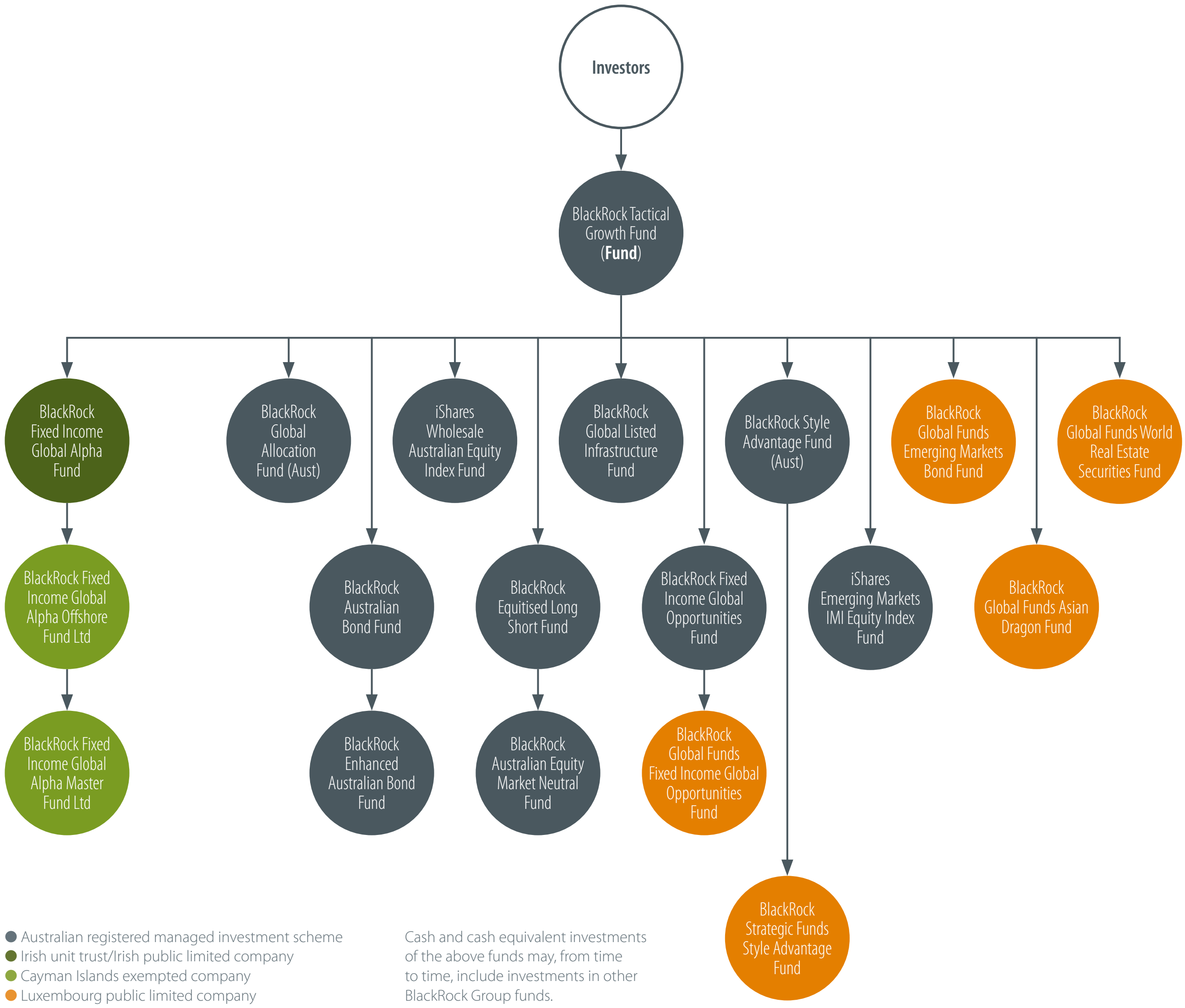
Information about the BlackRock Underlying Funds is available in the Fund's PDS and can be obtained by contacting the Fund directly (refer to the Fund website for contact details). We will also provide the Fund's PDS free of charge, on request.

Diversification guidelines and asset allocation

While the Fund does not have formal diversification guidelines or specific asset allocation ranges or limits, the Fund is generally managed in line with its strategic benchmark (see '1. Investment strategy' in this section). BlackRock also considers and monitors diversification as part of its management of the investment strategy of the Fund.

Fund structure

This diagram shows the Fund's investment structure. For information about the structure of the BlackRock Underlying Funds, refer to the Fund website and PDS.



4. Valuation, location and custody of assets

The Fund is an Australian registered managed investment scheme and is denominated in Australian dollars.

The Fund and the BlackRock Underlying Funds do not seek to restrict the underlying funds into which they invest with regard to the permitted geographic location of any such underlying fund, its manager, or the focus of its investing. These considerations are taken into account as part of the due diligence review of a BlackRock Underlying Fund and as part of the oversight and management of the each fund in the investment structure.

Valuation of assets

Where assets of the Fund and the BlackRock Underlying Funds are not listed on a securities exchange, they are generally valued by an independent administrator or an independent valuation service provider.

Location of assets

As a global fund with a broad investment universe, physical instruments held by the Fund may be denominated in any global currency and may be located in any country of the world. BlackRock Underlying Funds are generally domiciled in Australia, the Cayman Islands, Luxembourg or Ireland and are generally denominated in either US or Australian Dollars. BlackRock Underlying Funds generally invest in Australian equities and fixed income, international equities and fixed income and other asset markets.

Custody of assets

The Fund and the BlackRock Underlying Funds have each engaged an independent custodian.

5. Liquidity

Under normal market conditions BlackRock reasonably expects, should the need arise, to be able to realise at least 80% of the Fund's assets, including investment in the BlackRock Underlying Funds, at the value ascribed to those assets in calculating the Fund's NAV, within 10 days.

The Fund and the BlackRock Underlying Funds do not set any specific restrictions in terms of the liquidity of the underlying funds into which they invest. The liquidity characteristics of portfolio holdings is considered as part of the due diligence review of an underlying fund and as part of the oversight and management of each fund in the investment structure.

The BlackRock Group's risk management practices include the regular monitoring of the liquidity characteristics of BlackRock Group funds and the assets in which they invest, to seek to ensure funds remain within permitted investment parameters.

See Section 4.4 for information about liquidity risk and how this risk will be managed.

6. Leverage

The Fund does not enter into borrowing arrangements for investment purposes, other than temporary overdrafts which may be used as a means of managing certain cash flows. The Fund will, however, gain leveraged exposure through its use of derivatives and short-selling and its exposure to some BlackRock Underlying Funds, which may utilise leverage in their investment program. Leverage may be used by the Fund and some BlackRock Underlying Funds to increase buying power or to take advantage of market opportunities, where consistent with the investment strategy of the Fund.

While there is no explicit maximum level of gross leverage that the Fund may be exposed, the gross level of leverage is expected to range between approximately one and five times NAV.

The leverage of the Fund may fluctuate from time to time depending on changes to the embedded leverage to which the Fund is exposed as a result of its exposure to leveraged BlackRock Underlying Funds. Such embedded leverage may change due to variations in the investment activity and security exposures of a BlackRock Underlying Fund. For example, greater investment by a BlackRock Underlying Fund in shorter dated, lower volatility, fixed income securities may require the BlackRock Underlying Fund to increase its leverage exposure in order to achieve its stated investment objectives. Conversely, greater investment by a BlackRock Underlying Fund in higher volatility securities, like equities or commodities, may require that BlackRock Underlying Fund to reduce its leverage exposure in order to achieve its stated investment objectives.

Where the Fund is exposed to leverage through its investment in a BlackRock Underlying Fund, any potential loss is generally limited to the capital allocated to that BlackRock Underlying Fund.

The Fund and leveraged BlackRock Underlying Funds may obtain leverage from brokers, banks and other counterparties. Where permitted, leverage may be achieved through, among other methods, borrowing, purchasing financial instruments on margin and investing in derivative instruments that are inherently leveraged.

The Fund and the BlackRock Underlying Funds do not specify any particular acceptable types of leverage to be used by the underlying funds into which they invest or set any limits in terms of the gross level of leverage used. Leverage exposure is controlled at each level of the investment structure, through the oversight and management of each fund's investment strategy.

When the Fund or a BlackRock Underlying Fund enters into a leverage arrangement (for example where the Fund enters into an over the counter (OTC) derivative transaction) or where a BlackRock Underlying Fund has engaged a prime broker, fund assets may be used as collateral or as a security interest, which may be otherwise encumbered or subject to set-off rights in the event of insolvency (or other events of default). In such circumstances, amounts owing may be set off between the parties and the non-insolvent/non-defaulting party may rank as an unsecured creditor in respect of amounts owing by the insolvent/defaulting party.

Examples of the use of leverage

Provided below are examples of how leverage applied to relative value trades can affect Fund performance.

The examples have been simplified for illustrative purposes and do not take into account all the costs and fees associated with short-selling.

See Section 4.4 for information about the risks associated with the use of leverage.

Example 1: No leverage, portfolio holds Stock A (long)

This example illustrates that a long only portfolio has just one source of positive returns. Positive returns will be experienced only where a stock increases in value. Negative returns will be experienced where a stock decreases in value.

	Stock A appreciates 5%	Stock A depreciates 5%
Value of stock position before appreciation/depreciation		
Stock A (long)	$1,000	$1,000
Value of stock position after appreciation/depreciation		
Stock A (long)	$1,050	$950
Gain/Loss	**$50**	**-$50**

Example 2: Portfolio engages in relative value trading and holds Stock A (long) relative to Stock B (short). Gross leverage 5 times. Strategy is performing as expected.

This example illustrates that a portfolio utilising relative value trading has two sources of positive returns and may experience positive returns where the value of stocks rise and fall. Positive returns will be experienced where:

1. Stock A held long increases in value by a greater amount than that of Stock B held short, or
2. Stock A held long decreases in value by a lesser amount than that of Stock B held short.

	Stock A appreciates 7%, while Stock B appreciates 2%	Stock A depreciates 2%, while Stock B depreciates 7%
Value of stock position before appreciation/depreciation		
Stock A (long)	$2,500	$2,500
Stock B (short)	-$2,500	-$2,500
Value of stock position after appreciation/depreciation		
Stock A (long)	$2,675	$2,450
Stock B (short)	-$2,550	-$2,325
Gain/(loss)	**$125**	**$125**

Example 3: Portfolio engages in relative value trading and holds Stock A (long) relative to Stock B (short). Gross leverage 5 times. Strategy is not performing as expected.

This example illustrates that a portfolio utilising relative value trading may also experience negative returns. Negative returns will be experienced where:

1. Stock A held long increases in value by a lesser amount than that of Stock B held short, or
2. Stock A held long decreases in value by a greater amount than that of Stock B held short.

	Stock A appreciates 2%, while Stock B appreciates 7%	Stock A depreciates 7%, while Stock B depreciates 2%
Value of stock position before appreciation/depreciation		
Stock A (long)	$2,500	$2,500
Stock B (short)	-$2,500	-$2,500
Value of stock position after appreciation/depreciation		
Stock A (long)	$2,550	$2,450
Stock B (short)	-$2,675	-$2,325
Gain/(loss)	**-$125**	**-$125**

7. Derivatives

Derivatives are financial instruments whose value is derived from another security, commodity, currency, or index. The use of these instruments can reduce the costs of managing exposure to investment markets and makes possible a wider universe of investment opportunities. Asset allocation positions of the Fund may be implemented through derivatives, along with investments in BlackRock Underlying Funds. Derivatives are also used to ensure that underlying asset exposures of the Fund are consistent with the Fund's strategic benchmark. Derivatives may also be used to deviate from the Fund's strategic benchmark from time to time to manage total portfolio risk.

The Fund and the BlackRock Underlying Funds may use derivatives, both exchange traded and OTC and in some instances derivative use may be extensive. Derivatives including, but not limited to futures, options, swaps and forwards, may be used for, but not limited to, the following reasons:

- hedge an asset of the Fund against, or minimise liability from a fluctuation in market values
- reduce volatility and/or assist with managing total portfolio risk
- achieve a targeted exposure to a particular underlying asset and adjusting asset exposures such as swapping one asset exposure with another
- reduce the transaction cost of achieving a targeted exposure
- obtain prices that may not be available in the physical market
- achieve transactional efficiency, for example by assisting in the achievement of the best execution of security transactions
- control the impact on portfolio valuations of market movements caused by significant transactions
- achieve a desired level of leverage (where applicable).

The Fund may also use structured investment instruments from time to time in pursuit of its investment objective.

The Fund and the BlackRock Underlying Funds do not specify any particular approved types of derivatives to be used by underlying funds into which they invest or set any limits on derivative exposure. Derivative exposure is controlled at each level of the investment structure, through the oversight and management of each fund's investment strategy.

Derivative counterparty oversight

In accordance with standard industry practice when purchasing derivative instruments a fund may be required to secure its obligations to a counterparty. This may involve the placing of margin deposits or equivalent with the counterparty which may or may not be segregated from the counterparty's own assets. A fund may have a right to the return of equivalent assets. These deposits or equivalent may exceed the value of the Fund's obligations to the counterparty as the counterparty may require excess margin or collateral.

All counterparties of the BlackRock Group are formally approved by the BlackRock Group's Counterparty and Concentration Risk Group, prior to a fund engaging in any transaction with a particular counterparty. No transaction may be entered into with a counterparty that has not previously been approved.

The BlackRock Group prefers to have multiple counterparties for liquidity, risk management and best execution purposes. The counterparties with which the BlackRock Group trade must have broad market coverage. Positions are marked-to-market on a regular basis and exposure to each counterparty is monitored. Transaction documentation is implemented where appropriate to minimise exposure to individual counterparties. To monitor post-trade counterparty risk, the BlackRock Group has implemented strong technological infrastructure and proprietary internal review processes. The BlackRock Group also has a number of reporting tools that allow it to manage counterparty exposure, balancing net exposures to its different counterparties. Where necessary, credit risk exposure to counterparties can be adjusted, both at the individual portfolio level and at the aggregate firm-wide level.

See Section 4.4 for information about derivative and counterparty risks.

8. Short-selling

Long/short investing

The Fund and a number of the BlackRock Underlying Funds may engage in short-selling. The Fund and the BlackRock Underlying Funds do not seek to restrict the investment strategies of the underlying funds into which they invest with regard to their use of short-selling, including the level of short-selling that may be undertaken. Short-selling exposure is controlled at each level of the investment structure, through the oversight and management of each fund's investment strategy.

Unlike 'long only' investments, which have just one source of return, that is buying securities that are expected to rise in value, long/short strategies have two sources of potential return. A fund that employs a long/short investment strategy can generate returns by owning securities that the manager expects will rise in value (long). At the same time a fund can sell (short) securities that are expected to decrease in value. This latter process is known as 'short-selling'.

The Fund may be exposed to investment strategies that engage in short-selling either directly through borrowing and selling physical securities or synthetically through derivatives.

To implement short-selling using direct securities, a fund will borrow securities from a counterparty that is a securities lender, with the promise to return equivalent securities at a specified time in the future to that counterparty. The borrowed securities will then be sold by the Fund on the open market. If the security falls in value, the Fund will purchase the security and return those securities to the lender, thus generating a profit. However, if the security increases in value, this will generate a loss for the Fund.

To implement short-selling using derivatives a fund may utilise futures, options or other instruments, which derive their value from another reference rate or asset. For example, a fund may sell exchange traded bond futures. If the futures decline in value this has a positive performance impact on the Fund. However if the futures increase in value, this has a negative performance impact on the Fund.

The Fund is not limited in using exchange traded bond futures to implement its short-selling strategies and may use derivatives which are not exchange-traded.

See Section 4.4 for information about the risks associated with short-selling.

Example of short-selling

A fund manager may have been tracking a mining company, Company A, and believes that due to slowing global demand, raw materials prices will soften. The fund manager therefore believes that Company A's share price is also likely to fall.

To act on this belief the fund manager decides that they want to short sell Company A's shares in September that year, when they are valued at $20.00 per share. However, the fund does not hold any of Company A's shares. The fund therefore borrows 10,000 Company A shares from a stock lender (such as an investment bank or a broker), who lends the fund the Company A shares for a fee (in the same way banks charge borrowers). The fund then sells the Company A shares and deposits the sale proceeds, $200,000, into an interest earning bank account. The fund buys back the 10,000 shares of Company A in December that year, when they are valued at $15.00 per share, at a cost of $150,000. The Company A shares are returned to the stock lender.

The fund profits from the difference between the price at which they sold and brought back the Company A shares, being $50,000 ($200,000 minus $150,000). The fund also benefits from any interest earned on the $200,000 while it was on deposit in the bank account. The fund will, however, have to pay the stock lender's fee, as well as any dividends paid on Company A's shares during the period in which the fund was short the Company A shares. There may be other costs of maintaining a short position, for example franking benefits payable.

If on the other hand, the outlook for Company A improves, the share price of Company A may continue to increase, resulting in a loss for the fund. In December that year the share price of Company A rises to $25.00 and the fund manager believes this will continue. The fund therefore buys back the 10,000 shares at a cost of $250,000. This results in a loss of $50,000 ($200,000 minus $250,000) for the fund.

4.4 Risks of investing

The Fund's investment strategy (including its exposure to short-selling, derivatives, liquidity and leverage) and investment structure all have specific risks which investors should consider before making an investment decision. These risks are described below.

General risks* associated with investing in hedge funds are described in the *OneAnswer Investment Funds Guide* which can be obtained online at onepath.com.au/superandinvestments-forms-and-brochures or by contacting Customer Services.

* Please note that in the *OneAnswer Investment Funds Guide*, information about leverage risk is provided under the heading 'Gearing'.

Risks specific to the Fund and the BlackRock Underlying Funds

Asset-backed and mortgage-backed securities risk

The Fund may be exposed to asset-backed securities (ABS) and mortgage-backed securities (MBS). The obligations associated with these securities may be subject to greater credit, liquidity and interest rate risk compared to other fixed income securities such as government issued bonds. ABS and MBS are often exposed to extension risk (where obligations on the underlying assets are not paid on time) and prepayment risks (where obligations on the underlying assets are paid earlier than expected. These risks may have a substantial impact on the timing and size of the cash flows paid by the securities and may negatively impact the returns of the securities. The average life of each individual security may be affected by a large number of factors such as the existence and frequency of exercise of any optional redemption and mandatory prepayment, the prevailing level of interest rates, the actual default rate of the underlying assets, the timing of recoveries and the level of rotation in the underlying assets.

Commodities related investments risk

The Fund may be exposed to the commodities markets, which may cause greater volatility to investment returns than more traditional securities. The value of commodity-linked securities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments.

Conflicts of interest risk

Certain conflicts of interest may arise in the operation of a BlackRock Group fund. Fund structures may involve members of the BlackRock Group acting in more than one capacity, while BlackRock Group funds may hold OTC derivative agreements where a member of the BlackRock Group is acting (in different capacities) on both sides of the agreement. BlackRock Group funds may be invested in by persons associated with the BlackRock Group or by other funds and accounts managed by different members of the BlackRock Group. Investors in a fund may, in some instances, invest on different terms to each other, some of which may be more favourable than others. Each investor in a fund may act in a way which is adverse to the interests of other investors in that fund. Additionally, funds and accounts managed by different members of the BlackRock Group may act as a seed investor in a BlackRock Group fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment may allow the BlackRock Group to establish a track record for a fund that can then be sold to other clients. Certain investment strategies of the BlackRock Group may conflict with each other and may affect the price and availability of securities in which to invest. Members of the BlackRock Group may also give advice or take action with respect to any of their clients which may differ from the advice given or the timing or nature of any action taken with respect to the investments of other BlackRock Group funds or accounts.

While conflicts of interest may arise from time to time, the BlackRock Group has established policies and procedures in place to manage any such conflict, which includes ensuring transactions between BlackRock Group entities are conducted on an arm's length commercial basis.

Counterparty risk

Information about this risk is provided in the *OneAnswer Investment Funds Guide*.

Derivative risk

The Fund may be exposed to derivative securities. The use of derivatives expose a fund to different risks as opposed to investing directly in a security. For example, derivatives can cause a fund to make greater gains or incur greater losses than the gains and losses of the underlying security in relation to which the derivative derives its value.

Derivative transactions may be subject to the risk that a counterparty to the transaction will wholly or partially fail to perform their contractual obligations under the arrangement (including failing to meet collateral requirements under the arrangement). Additionally, OTC markets are not guaranteed by an exchange or clearing corporation and generally do not require payment of margin. To the extent that a fund has unrealised gains in such instruments or has deposited collateral with its counterparty that fund is at risk that its counterparty will become bankrupt or otherwise fail to honour its obligations. Derivative transactions may also expose a fund to a risk of potential illiquidity if the derivative instrument is difficult to purchase or sell.

The BlackRock Group attempts to minimise these risks by engaging in derivative transactions only with financial institutions that have substantial capital or that have provided a third-party guarantee or other credit enhancement.

Distressed securities risk

The Fund may be exposed to distressed securities which are generally considered speculative and involve substantial risks in addition to the risks of investing in junk bonds. Investors in such securities will generally not receive interest payments on the distressed securities and may incur costs to protect their investment. In addition, distressed securities involve the substantial risk that the principal will not be repaid. These securities may present a substantial risk of default or may be in default at the time of investment. An investor in distressed securities may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal of or interest on its portfolio holdings. In any reorganisation or liquidation proceeding relating to a portfolio company, the investor of distressed securities may lose their entire investment or may be required to accept cash or securities with a value less than its original investment. Distressed securities and any securities received in an exchange for such securities may be subject to restrictions on resale.

Equity security risk

Equity securities are subject to changes in value, and their values may be more volatile than those of other asset classes. Dividend payments from shares may also vary over time.

Fixed income securities risk

The Fund may be exposed to fixed income securities. There are a number of risks associated with an investment in fixed income securities, which can result in significant variability in investment returns and a loss of income or capital value. These include:

- **Credit risk** The value of a fund investing in fixed income securities is affected by the perceived or actual credit worthiness of the issuer of the security. A perceived or actual deterioration of credit quality (e.g. an issuer credit downgrade or credit event leading to a revised premium attributable to investment due to credit worthiness downgrade) of a fixed income security will adversely impact the value of such investment.
- **Interest rate risk** An increase in interest rates will cause the values of fixed income securities, in particular fixed rate securities, to decline, which will in turn impact the returns of a

fund investing in such securities. Interest rate risk is generally lower for shorter term fixed income investments and higher for longer term fixed income investments.

- Income risk A fund investing in fixed income securities may experience a decline in income where market interest rates are falling. This can result when a fund reinvests in securities at a lower yield than the current fund portfolio yield.
- Issuer risk Corporate issuers of fixed income securities may willingly or unwillingly default on their obligation to make interest or principal payments. Similarly, sovereign issuers (that is, governments of a country or an agency backed by a government) may refuse to comply with their obligations during economically difficult or politically volatile times. Such events may cause a downgrade in the credit rating of an issuer and/or its fixed income security, which in turn may cause the value of the fixed income security to fall. There is also no assurance that an issuer of fixed income securities will continue to issue the fixed income securities or keep that particular fixed income securities market open.
- Spread risk The prevailing rates of compensation for creditworthiness of issuers of instruments (spread) is affected by market factors including sentiment, supply and demand and general economic conditions. A change in these factors, which impact spread, can negatively impact the yield earned by a fund investing in credit instruments.

Foreign investment risk

Exposure to securities or derivative instruments issued in foreign markets may include certain risks associated with:

- differences in trading, settlement and clearing procedures that may restrict trading (as a result of suspensions or daily quotas), increase default or market operational risks or require securities to be held on a beneficial basis via a depositary nominee
- currency risk, the risk that foreign currencies change in value relative to the Australian dollar, which may affect a fund's investment returns. These movements may either add to or subtract from performance. Passive currency management may be undertaken, however, it may not be possible to perfectly match performance of the hedging relative to that of its benchmark. Additionally, active currency management may be undertaken from to time, with a view to manage risk and return. Currency management can result in capital losses and investment returns are not guaranteed
- countries may be subject to considerable degrees of market volatility, economic, political and social instability, which may reduce or preclude the ability to trade security exposures or negatively affect a security's value
- differences in accounting, financial reporting, taxation, legal, regulatory, liquidity and pricing practices that are subject to change and if so may adversely affect a fund.

Fund risk

The price of units in a fund and the income from them may go down as well as up. Investors may not get back their original investment. There can be no assurance that a fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. Capital return and income of a fund is based on the capital appreciation and income of the securities invested in, less expenses incurred. Fund returns may fluctuate in response to changes in such capital appreciation or income. The payment of distributions is at the discretion of the fund issuer, taking into account various factors and its own distribution policy. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. Investing in a fund may result in a different tax outcome than investing in securities directly. The application of tax laws and certain events occurring within a fund may result in you receiving some of your investment back as income in the form of a distribution. A fund will generally not be managed with consideration of the individual circumstances, including specific tax considerations, applicable to any single unitholder in the fund. Past performance is not indicative of future performance.

Individual investment risk

Individual securities held by a fund can and do fall in value for many reasons. Both price and levels of income are subject to fluctuation. Returns from individual securities will vary and price movements can be volatile.

International investing

Information about this risk is provided in the *OneAnswer Investment Funds Guide*.

Junk bonds risk

Although junk bonds generally pay higher rates of interest than investment grade bonds, junk bonds are high risk investments that may cause income and principal losses.

Leverage risk

The Fund may be exposed to investment strategies that use leverage. The exposure of a leveraged portfolio to movements in the instruments and markets in which it invests can be greater than the value of the assets within the portfolio. Therefore, if a leveraged portfolio generates a positive return, the returns will be greater than the returns generated by an equivalent unleveraged portfolio. Similarly, if the investments generate a negative return, the losses will be greater than the losses generated by an equivalent unleveraged portfolio.

Liquidity risk

The Fund may be exposed to securities with limited liquidity, which are in practice infrequently traded or for which typical daily volumes traded are small. It may not be possible to sell such securities when it is desirable to do so or to realise what the manager perceives to be their fair value in the event of a sale. The Fund may also be exposed to other pooled investment vehicles which may, in certain circumstances, limit or suspend redemptions rights. The general level of market liquidity also varies and may deteriorate. Such a deterioration may negatively impact the ability to trade Fund securities and may negatively affect the price at which a trade is executed. These circumstances could impair the Fund's ability to make distributions to a redeeming unit holder in a timely manner and a fund may need to consider suspending redemptions. The BlackRock Group aims to reduce these risks by understanding the liquidity characteristics of securities a fund is exposed to and plans trading so as to minimise the adverse consequences of low liquidity.

Market risk

Information about this risk is provided in the *OneAnswer Investment Funds Guide*.

New fund/investment strategy risk

The Fund may be exposed to new funds/investment strategies, which have little or no operating history upon which investors can evaluate the anticipated performance of the investment. Any performance information will therefore be short term in nature. Performance returns over the short term may not be indicative of long-term performance.

Operational risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology or infrastructure changes, or through external events such as third party failures or crisis events. The BlackRock Group has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.

Property risk

The Fund may be exposed to property securities. The risk level varies between development property (higher risk) and existing property (lower risk). Property also tends to have a unique cycle, which is different to shares and other asset classes.

Particular external factors affecting property include liquidity, interest rates, diversity of direct property holdings, the quality of properties, proximity to competing properties, current and expected income and other economic conditions that may affect supply and demand.

Property exposure in the Fund may be obtained via holdings in listed property securities or via derivative contracts based on these securities. In addition to the above risks, these vehicles may be subject to refinancing risk associated with any borrowings made in order to acquire properties, may have limited financial resources and may trade less frequently and in limited volume. Listed property securities are valued daily according to their last quoted market price.

Reduced regulatory oversight

The Fund may be exposed to other funds domiciled in jurisdictions other than Australia. The laws in such jurisdictions may differ from those in Australia and therefore may not necessarily provide the same level of protection to shareholders as schemes registered in Australia and subject to Australian regulations and conditions. Such differences in regulation could also impact the regulatory obligations of an investment vehicle's key service providers, including, but not limited to, its custodian, administrator and auditor.

Regulatory and business risk

Changes in corporate, taxation or other relevant laws, regulations or rules may adversely affect an investment. For example, such changes may adversely affect a fund's ability to execute certain investment strategies, which could have a material effect on performance. The laws affecting registered managed investment schemes may also change in the future.

Short-selling risk

The Fund may be exposed to investment strategies that engage in short-selling. Short-selling allows the holder of a short position to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, as the price of the underlying security could theoretically increase without limit, thus increasing the cost of covering the short position. Furthermore covering a short position may include activities which increase the price of the security (or the reference security if in a derivative contract) thereby exacerbating any loss.

As part of a short sale transaction, the investor establishing the short position (Borrower) will borrow securities from a securities lender (Lender). The Borrower is required to transfer collateral, usually in the form of cash or securities (Collateral) to the Lender. The Collateral transferred to the Lender is not required to be segregated from the Lender's other assets and may be dealt with, lent, disposed of, pledged or otherwise used by the Lender for its own purposes. In the event of the insolvency of the Lender, the Borrower will rank as an unsecured creditor of the Lender in relation to any Collateral transferred to the Lender and the Borrower may not be able to recover amounts due to it in respect of such Collateral in full. This means that the Borrower has exposure to counterparty risk with the Lender of any short sale transaction to which it is exposed.

The BlackRock Group seeks to manage the risks associated with short-selling through its portfolio construction processes. Short positions are periodically rebalanced, so as to reduce the risk of substantial changes in the price of the short security and exposure limits may be imposed with regards to single stock positions, in order to mitigate potential losses.

When a short position is established through a derivative contract, the position may give rise to the risks detailed under 'Derivative risk' above.

Speculative investment strategy risk

A number of the investment strategies to which the Fund may be exposed are speculative and entail substantial risks. Since market risks are inherent in all securities investments to varying degrees, there can be no assurance that the investment strategies will be successful. In fact, certain securities, financial instruments and investment practices described in this document can, in some circumstances, increase the potential adverse impact on investment returns.

Tracking error risk

The Fund may be exposed to investment strategies that seek to track the returns of a particular index. The return of such strategies may not correlate exactly with the index it is designed to match. Factors such as the fees and expenses of the strategy, imperfect correlation between portfolio security holdings and the securities constituting the index, inability to rebalance portfolio security holdings in response to changes in the constituents of the index, rounding of prices, changes to the index and regulatory policies may affect the ability of the manager of an index tracking strategy to achieve close correlation with the index. Returns may therefore deviate from the index it is designed to match. Index tracking strategies that employ an optimisation strategy may incur tracking error risk to a greater extent than an index tracking strategy that seeks to fully replicate an index.

Underlying fund risk

The Fund may implement some or all of its investment strategy through an investment in underlying funds. The Fund and BlackRock Underlying Funds are managed as separate entities, with separate investment objectives and investment strategies. No guarantee can be given that the underlying funds will meet their investment objective, continue to be managed according to their current investment strategy or be open to investments in the future. Changes to a BlackRock Underlying Fund may be made without unit holder approval. Should a BlackRock Underlying Fund change its investment objective or investment strategy, the Fund will review such changes with consideration to the investment objective and strategy of the Fund. Further, if a BlackRock Underlying Fund were to be suspended, closed or terminated for any reason, the Fund would be exposed to those changes.

5. FULCRUM DIVERSIFIED ABSOLUTE RETURN FUND

5.1 The Fund

Fulcrum Diversified Absolute Return Fund ARSN 601 830 353 (referred to as 'the Fund' for the purposes of this section).

Investment in the Fund is offered by Equity Trustees Limited ABN 46 004 031 298 (EQT), a subsidiary of EQT Holdings Limited ABN 22 607 797 615, which is a public company listed on the Australian Securities Exchange (ASX: EOT).

Responsible entity

EQT is the responsible entity of the Fund. Its responsibilities and obligations as the Fund's responsible entity are governed by the Fund's constitution, the Corporations Act and general trust law.

Fund website

eqt.com.au

PDS

The Fund's PDS is available online at eqt.com.au/~/media/equitytrustees/files/instofunds/fulcrum/fulcrum-diversified-absolute-return-fund-pds.pdf. You should refer to the PDS for full information about the Fund.

5.2 Benchmarks

1. Valuation of assets

This benchmark requires the responsible entity to have and implement a policy that requires the valuation of the Fund's assets that are not exchange traded to be provided by an independent administrator or an independent valuation service provider.

This benchmark has been met. Non exchange traded assets comprise over the counter (OTC) derivatives or collective investment schemes. Both are valued by independent parties.

2. Periodic reporting

This benchmark requires the responsible entity to have and implement a policy to report on specific information on an annual or monthly basis.

This benchmark has been met. EQT has and implements a policy to provide the following information to investors as soon as practicable after the relevant period end:

- annual report, including financial statements and auditor's report
- transaction reports confirming all additional investments, withdrawals, and payments (issued following transactions and on request)
- distribution statements issued annually notifying the investors of the value of their investment income from investments and confirming the reinvestment or payment to the investor's bank account
- reports issued by Fulcrum Asset Management LLP (the Fund Manager) annually and monthly, that provide information on the Fund including a review of market conditions and fund performance
- tax statements issued annually, providing investors with taxation information including a detailed summary of the components of any distributions.

EQT considers the frequency and content of the current reporting for the Fund adequate.

Annual reporting

EQT also has and implements a policy to report annually (via the Fund's annual report, which is available on the Fund website) on the following information as soon as practicable after the relevant period end:

- the actual allocation to each asset type
- the liquidity profile of the portfolio assets as at the end of the period
- the maturity profile of the liabilities as at the end of the period
- the leverage ratio (including leverage embedded in the assets of the Fund, other than listed equities and bonds) as at the end of the period
- the derivative counterparties engaged (including capital protection providers)
- the monthly or annual investment returns of the Fund over at least a five-year period (or, if the Fund has not been operating for five years, the returns since its inception)
- the key service providers if they have changed since the latest report, including any change in their related party status.

Monthly reporting

The following information is available on the Fund website and is disclosed monthly:

- the current total NAV of the Fund and the redemption value of a unit in each class of units as at the date the NAV was calculated
- the key service providers if they have changed since the last report given to investors, including any change in their related party status
- for each of the following matters since the last report on those matters
  - the net return on the Fund's assets after fees, costs and taxes
  - any material change in the Fund's risk profile
  - any material change in the Fund's strategy
  - any change in the individuals playing a key role in investment decisions for the Fund.

To obtain reports for the Fund, contact the Fund directly (refer to the Fund website for contact details). We will also provide this information free of charge, on request.

5.3 Disclosure Principles

1. Investment strategy

The investment objective of the Fund is to achieve long-term absolute returns over rolling five year periods, with lower volatility than equity markets and in excess of inflation. In seeking to achieve its aim of long-term absolute returns, the Fund will hold a diversified portfolio, typically consisting of exposures to equities, fixed income, commodities, alternatives and cash.

Investments may be made through collective investment schemes (including index funds such as exchange traded funds (ETFs) and actively managed funds managed by the Investment Manager, but not actively managed funds managed by third party investment managers).

The Fund may use derivatives for investment purposes and for efficient portfolio management. The Fund will use hedging strategies to reduce risk over the short term without materially altering its risk profile. The Fund does not borrow money, but the Fund strategy can contain implicit leverage through the use of futures for investment and hedging purposes.

The Fund will be managed without reference to a benchmark. The goal of the Fund is not to replicate standard industry benchmarks but to target absolute returns by investing in a diversified pool of global assets across asset classes. The Fund will invest in assets denominated in various currencies.

The Fund will be managed with a forward looking volatility cap of 12%.

Diversification guidelines for the Fund are set out in the Fund's PDS. The specific risks of investing in the Fund are described in Section 5.4.

The Fund does not use the investment technique of short-selling of equities.

EQT may change the investment objective, investment strategy, authorised investments and asset allocation and the other information in this section at any time. Any material changes will be notified to unit holders in accordance with the requirements of the Corporations Act. This may be after the change has occurred.

In order to maximise risk-adjusted returns the Fund relies on four primary sources of return – asset class timing, relative value opportunities, alternatives and hedging – with the relative weightings actively managed by the Investment Committee.

A disciplined investment process aims to ensure that, over the long term, the strategy can benefit from positive expected returns across a variety of traditional and alternative asset classes. Each asset class is chosen specifically to generate attractive capital growth, regular income or because it improves risk-adjusted returns over the long term. The table below illustrates the typical ranges of exposure in each asset class.

Table 4

Asset class	Implementation	Market exposure ranges (%)
Global Equities	Equity market exposure is obtained through investment in collective investment schemes (including ETFs) and derivatives based on a number of broad indices.	10–60
Global Fixed Income	Fixed Income market exposure is obtained through investment in cash settled bonds, derivatives or collective investment schemes (including ETFs).	0–80
Alternatives	Alternative market exposure is obtained through investments in absolute return collective investment schemes.	0–40
Commodities	Commodity market exposure is obtained through investments in collective investment schemes (including ETFs) and derivatives.	0–20

Risk management

Hedging is a core part of the strategy and a valuable tool for managing downside risks. The Fund Manager's team has demonstrated skill in being able to cost-effectively hedge portfolios against severe shocks.

By protecting portfolios from returns which fall outside an investor's expectations, the Fund Manager seeks to ensure a constructive and very long-term relationship with clients.

In order to manage these risks, the Fund Manager follows a disciplined process that seeks to maintain high levels of diversification across strategies. In addition, the Fund Manager continuously monitors the following portfolio risks:

- Concentration – This applies at the strategy level, as well as at the level of individual positions.
- Volatility – Ex-ante volatility is capped at 12%, which helps reduce the likelihood of sharp losses.
- Expected Shortfall (ES) - Measures the expected loss for the worst 1% of observations. The 99% daily ES is limited to 2%.
- Key factor exposures – The Fund Manager assesses the exposure to different risk factors, for example, exposure to equities, bonds, commodities and the US dollar. Where significant factor exposures are identified, these are hedged using liquid options.
- Macroeconomic and political – The Fund Manager assesses the exposure of its portfolios to different risk scenarios using the expertise of the Fund Manager's in-house strategists and economists. Recent examples have included the impact of a US recession, Greek sovereign default and positive European policy shock.
- Leverage – The strategy does not borrow money, but can contain implicit leverage through the use of derivatives for investment purposes. It is not anticipated that gross leverage (as defined under '6. Leverage' in this section) will exceed 500%, while net leverage (total long positions minus total short positions) will normally range between 80% and 200%.
- Liquidity – The strategy invests primarily in highly liquid instruments. However, the Fund Manager monitors the strategy's ability to liquidate positions over various horizons, including one day, two days, one week and one month.

Further information about the Fund's investment strategy, including the Fund's investment objective, is provided in the *OneAnswer Investment Funds Guide*.

2. Investment manager

EQT has appointed Fulcrum Asset Management LLP as the Fund's investment manager. The Fund Manager currently manages approximately AUD $6.8 billion in absolute and relative return strategies for a wide range of institutional clients. The firm is headquartered in London with an additional office in New York, managing both absolute and relative return strategies across all of the major liquid asset classes globally, with a key focus on diversification and risk management.

Top down asset allocation and disciplined risk management are central to each of its investment funds.

The Fund Manager relies on ASIC Class Order 03/1099 (as extended) which exempts it from the requirement to hold an Australian financial services licence (AFSL) under the Corporations Act in respect of financial services provided by it or its representatives to wholesale clients on certain conditions. The Fund Manager and its representatives are regulated by the Financial Conduct Authority under UK laws and those laws may differ from Australian laws.

The Fund Manager is a 'limited liability partnership' which was incorporated on 22 December 2003. On 14 April 2004, it was approved and regulated by the Financial Conduct Authority (previously the Financial Services Authority) for the provision of investment management services.

Under the investment management agreement between the Fund Manager and EQT, EQT can terminate the Fund Manager's appointment where the Fund Manager becomes insolvent, materially breaches the agreement, ceases to carry on its business or in other circumstances. In the event that EQT terminates the Fund Manager following one of these events, the Fund Manager's appointment would cease upon any termination date specified in the notice, and the Fund Manager would be entitled to receive fees in accordance with the agreement until the effective date of termination.

Distributor

The Fund Manager has appointed Ambassador Funds Management Services Pty Ltd (Ambassador) as the sole distributor of its products in Australia and New Zealand. Ambassador is an independent funds management marketing, sales and client servicing company operating primarily in the Australian and New Zealand institutional markets.

Ambassador has offices in Sydney and Melbourne and operates under its own Australian financial services licence (AFSL).

Custodian and administrator

J.P. Morgan Chase Bank, N.A. (Sydney Branch) is the Fund Administrator and Fund Custodian and provides certain custodial, administrative, accounting, registry and transfer agency services for the Fund. The Fund Administrator has been appointed to provide these services under an administration agreement with EQT. The Fund Administrator has no direct relationship with investors.

The Fund Custodian has no supervisory role in relation to the operation of the Fund and is not responsible for protecting investor interests.

Fulcrum Investment Committee

The Investment Committee has ultimate responsibility for the Fund. The Investment Committee has an average of over 20 years professional experience and is made up as follows:

- Gavyn Davies (Founding Partner, Chairman of Fulcrum, Chairman of the Investment Committee)
  - Founded Fulcrum in 2004
  - BBC, Chairman, 2001–2004
  - Goldman Sachs, Chief Economist, Managing Director then Partner, 1986–2001
  - Simon & Coates then Phillips & Drew, Economist, 1979–1986
  - Policy Unit at 10 Downing Street, Economic Policy Economist (1974) then adviser to the Prime Minister (1976–1979)
  - St John's College, Cambridge, then Research at Balliol College, Oxford, until 1974.
- Andrew Stevens (Founding Partner, Chief Executive, Chairman of the Risk Committee)
  - Founded Fulcrum in 2004
  - Goldman Sachs, Investment Management Executive Director, 1992–2004
  - Harvard Business School, MBA, 1990–1992
  - Burns Fry New York, Mergers & Acquisitions, Associate, 1988–1990
  - BA Finance, Georgetown University, 1984–1988.
- Suhail Shaikh, CFA (Partner, Chief investment Officer)
  - Joined Fulcrum in 2005
  - Goldman Sachs, Associate, Investment Strategy Group, 2002–2005
  - Goldman Sachs, Analyst, Global Equity then Global Fixed Income & Currency Asset Management 2000–2002
  - CFA Charterholder since 2003
  - BSc Management, London School of Economics & Political Sciences, 1997–2000.
- Andrew Bevan, PhD (Partner, Fixed Income Strategist)
  - Joined Fulcrum in 2006
  - Goldman Sachs, Managing Director, Head of Global Markets Research, 1994–2005
  - Bear Stearns, Managing Director, Head of Financial Analytics and Structured Transactions Group, 1990–1994
  - Reading University, First Class BA Economics – City University Business School, PhD International Monetary Economics, KCL, PhD Theology 1978, 1986, 2002.
- Nabeel Abdoula, CFA (Partner, Head of Discretionary Strategies)
  - Joined Fulcrum in 2011
  - Fulcrum Asset Management Multi Asset Strategies (2011–present)
  - Goldman Sachs, Investment Strategy Group (2007–2011)
  - Warwick University, BSc in Mathematics, Operational Research, Statistics and Economics (2003–2007)
  - CFA Charterholder since 2011.

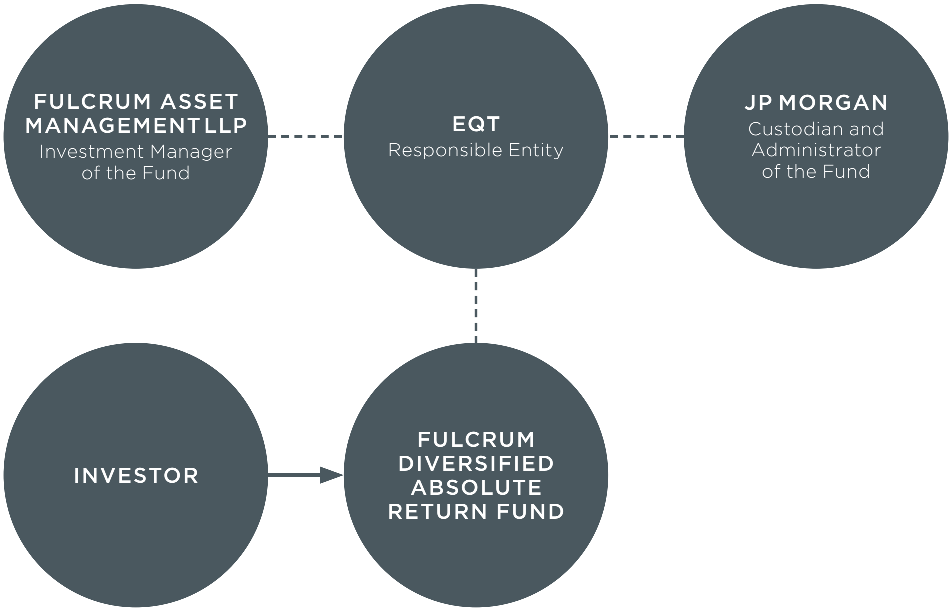
The individuals noted above are ultimately responsible for the oversight of the investment activities for the Fund and will devote a majority of their time on investment strategies applicable to the Fund. No specific individual within the Fulcrum group of entities (Fulcrum) or any of the specific individuals noted are required to devote any specific portion of their time exclusively to the Fund.

There have not been any significant adverse regulatory findings against Fulcrum or the individuals listed.

3. Fund structure

The Fund is an Australian unit trust registered under the Corporations Act as a managed investment scheme.

The diagram below summarises the Fund structure.



Service providers

EQT may appoint service providers to assist in the ongoing operation, management and administration of the Fund.

The key service providers to the Fund are:

- Investment manager – Fulcrum Asset Management LLP
- Distributor – Ambassador Funds Management Services Pty Ltd
- Administrator – JP Morgan (provides fund accounting and unit registry services in connection with the Fund)
- Custodian – JP Morgan (holds the assets of the Fulcrum Fund on behalf of EQT).

The service providers engaged by EQT may change without notice to investors. EQT as responsible entity of the Fund has entered into service agreements with the service providers and will, with the assistance of the Fulcrum Fund Manager, regularly monitor the performance of the service providers against service standards set out in the relevant agreements.

4. Valuation, location and custody of assets

JP Morgan is the Fund Administrator and Custodian, and provides custodial and transfer agency services. JP Morgan will value all the Fund's assets independently and follow its own procedures for pricing and utilise its own database of market data, independent market data vendors and industry standard pricing models for verification and comparison which are comprised of direct exchange prices, broker/dealer pricing and counterparty valuation statements. Due to the listed nature of the instruments traded across the Fund Manager's fund range the vast majority of prices can be taken direct from third party market vendors.

The Fund Manager is not involved in the pricing of any instruments within the Fund. As part of an internal control function, the Fund Manager's operations team will analyse the respective prices and valuations provided by the Fund Administrator to calculate the NAV and will independently reconcile these versus its own internal books and records using internal tolerance thresholds. Internal prices are sourced primarily from Bloomberg. Any outliers are fully investigated and justified before the Fund Manager gives its confirmation of the Fund Administrator's calculation of the NAV. The Fund Manager cannot and does not alter the NAV.

The Fund invests globally in highly liquid instruments, seeking out the most cost-effective of the available implementation options. The investment universe includes global equities, global bonds (government securities and credit), commodities, currencies and liquid hedge fund strategies. Illiquid strategies, such as real estate and private equity, are excluded from the portfolio.

The custodial arrangements in respect of various asset classes are described in Table 5.

Table 5

Asset Class	Responsible Custodian	Location of Custodian	Assets as a proportion of Net Asset Value of the Fund
International listed equities	J.P. Morgan	Australia	0–60%
International government bonds	J.P. Morgan	Australia	0–100%
Exchange-traded derivatives	J.P. Morgan	UK	0–100%
OTC derivatives	J.P. Morgan/Barclays	UK	0–40%
Cash equivalent investments	J.P. Morgan	Australia	0–10% (excluding margin requirements)
Other (Fulcrum Fund Holdings)	J.P. Morgan	Luxembourg	0–100%

Net Asset Value (NAV)

Whilst the Fund may use the latest available published price in respect of each investment in order to calculate the NAV, it reserves the right to use more recent valuations where this is considered appropriate. Such valuations may be based on an estimate of a more recent price of any unit or share in an underlying investment fund or other collective investment undertaking in which the Fund invests obtained from or calculated on the basis of more recent information received from the underlying fund or undertaking or any of its service providers or agents.

Unit prices

The value of the investments of the Fund is generally determined daily.

The value of a unit in the Fund is determined on the basis of the value of the investments in the Fund (after taking into account any liabilities of the Fund), in accordance with the constitution of the Fund. For example, the application price of a unit in the Fund is based on the NAV of the Fund divided by the number of units on issue plus an allowance for transaction costs required for buying investments. This allowance is known as the buy spread.

At the date of this document, there is no buy spread. The buy/sell spread will be reviewed on a regular basis and may change as a result of the investment strategy of the Fund. The responsible entity has the discretion to change the buy/sell spread without providing notice. You can view the current buy/sell spread at eqt.com.au/insto

5. Liquidity

The Fund invests predominantly in liquid assets and is expected to be liquid for the purposes of the Corporations Act.

EQT considers that the Fund meets and will continue to meet the requirements for liquidity under the Corporations Act and the ASIC Disclosure Principles in RG240. It is unlikely that liquidity issues will result from withdrawal requests. Generally, it is the Fund Manager's policy to ensure that the Fund remains liquid as the size of the Fund grows.

6. Leverage

The strategy does not borrow money, but can be leveraged implicitly through the use of derivatives (including exchange traded futures and options as well as non-exchange traded (OTC) options, forwards and swaps). Gross leverage is defined as the sum of the absolute values of all net portfolio positions (expressed as a percentage of NAV) following the ASIC definition in RG240. It is not anticipated that gross leverage will exceed 500%, while net leverage, defined as total long positions minus total short positions will normally range between 80% and 200%.

Leverage is used to reduce the volatility of the strategy by hedging certain risk exposures. In addition it is used to obtain cost efficient market exposure, for example by adding or reducing equity exposures for short periods and to express relative value trades within equities, fixed income, commodities and currencies.

The use of derivatives may cause the nominal exposure of the Fund to be routinely in excess of 100% of the value of the assets. Leverage can increase the volatility of the Fund and thereby increase gains and losses from the underlying investment. The value and liabilities associated with such strategies can be more variable than regular investments and there may be greater exposure to possible losses.

The impact of maximum levels of leverage, all other factors being equal, are shown in the table below.

Table 6

Investment return no leverage % pa	Return on investment of $1,000,000	Investment return (%) maximum leverage 500%	Return on investment of $1,000,000
-2	-$20,000	-10	-$100,000
0	$0	0	$0
+2	+$20,000	+10	$100,000

Collateral posted with counterparties is managed on a daily basis by assessing the required degree of collateralisation versus what has been posted. Excess collateral over a tolerance level will be recalled. The remaining collateral will be encumbered. Collateral will be posted in cash or bills subject to title transfer. If a bank or institution with which the Fund's client money is held becomes insolvent, there is a risk of loss of some or all of such money (subject to any deposit protection schemes that may apply) as well as a risk that it may not be possible to set off amounts held by such approved bank or institution against amounts owed by the Fund to the derivative counterparty.

The Fund Manager favours the largest most creditworthy counterparties. They are selected on the basis of their financial standing, pricing, technical ability and client service. This decision is monitored on an ongoing basis. A number of indicators of credit strength are reviewed as part of the decision making process in transacting with counterparties.

7. Derivatives

The Fund may use futures, options, swaps, forwards and other derivative instruments for investment purposes and for the purposes of hedging against either price or currency fluctuations. The ability to use such strategies may be limited by market conditions, regulatory limits and tax considerations.

For derivative instruments other than purchased options, any loss suffered may exceed the amount of the initial investment made or the premium received by the Fund. OTC derivative instruments involve an increased risk that the counterparty will fail to perform its contractual obligations. If the Fund enters into a transaction in OTC markets, it is exposed to the credit of its counterparties, and their ability to satisfy the terms of such contracts. For example, the Fund may enter into agreements, or use other derivative techniques, each of which expose it to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of bankruptcy, or insolvency of a counterparty the Fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Fund seeks to enforce its rights, inability to realise any gains on its investment during such a period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above-mentioned agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change of tax or accounting laws relative to those at the time the agreement was originated. In such circumstances investors may be unable to recover any losses incurred.

8. Short-selling

The Fund does not use the investment technique short-selling of equities. Short positions may be obtained through derivatives as described above.

5.4 Risks of investing

Risks of investing specific to the Fund are described below.

General risks* associated with investing in hedge funds are described in the *OneAnswer Investment Funds Guide* which can be obtained online at onepath.com.au/superandinvestments-forms-and-brochures or by contacting Customer Services.

* Please note that in the *OneAnswer Investment Funds Guide*, information about leverage risk is provided under the heading 'Gearing'.

Risks specific to the Fund

An investment in the Fund contains risks and neither the performance of the Fund nor the security of an investment is guaranteed by EQT or the Fund Manager. Investments in the Fund 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 the Fund.

Currency risk

Information about this risk is provided in the *OneAnswer Investment Funds Guide*.

Derivatives risk

The Fund may use futures, options, swaps, forwards and other derivative instruments for investment purposes and for the purposes of hedging against either price or currency fluctuations. The Fund Manager's ability to use such strategies may be limited by market conditions, regulatory limits and tax considerations.

Use of derivatives involves certain special risks, including:

a) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies in the Fund
b) the absence of a liquid market for any particular instrument at any particular time
c) while the Fund will not be geared excessively through the use of derivatives, the degree of leverage inherent in futures trading (that is, the low margin deposits normally required in futures trading means that futures trading may be highly leveraged), and accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to the Fund
d) possible impediments to the ability to meet redemption requests or other short-term obligations because of the percentage of the Fund's assets segregated to cover its obligations. Hedging strategies necessarily add costs to the Fund.

For derivative instruments other than purchased options, any loss suffered may exceed the amount of the initial investment made or the premium received by the Fund. OTC derivative instruments involve an additional risk that the counterparty will fail to perform its contractual obligations. If the Fund enters into a transaction in OTC markets, the Fund is exposed to the credit of its counterparties, and their ability to satisfy the terms of such contracts. For example, the Fund may enter into agreements, or use other derivative techniques, each of which exposes the Fund to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of bankruptcy, or insolvency of a counterparty, the Fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Fund seeks to enforce its rights, inability to realise any gains on its investment during such a period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above-mentioned agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change of tax or accounting laws relative to those at the time the agreement was originated. In such circumstances investors may be unable to recover any losses incurred.

Some derivative instruments are not readily marketable or may become illiquid under adverse market conditions. In addition, during periods of market volatility, a commodity exchange may suspend or limit trading in an exchange-traded derivative instrument which may make the contract temporarily illiquid and difficult to price. Commodity exchanges may also establish daily limits on the amount that the price of a futures contract or an option thereon can vary from the previous day's settlement price. Once the daily limit is exceeded, no trades may be made that day at a price beyond the limit. This may prevent the Fund from closing out positions and limiting its losses.

Emerging markets risk

Investment in emerging markets carries a higher risk than investing in mature markets. This is mainly because of the volatility of the markets and local regulations, and custody and registration arrangements, which may be less developed than in more mature markets.

Fixed interest securities risk

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates increase, capital values may fall and vice versa. Inflation will erode the real value of capital. In addition, companies may not be able to honour repayment on bonds they issue.

Foreign exchange risk

The NAV of the Fund will be computed in the base currency whereas the investments held for the account of the Fund may be acquired in other currencies. The Fund's NAV may change significantly when the currencies other than the base currency in which some of the Fund's investments are denominated strengthen or weaken against the base currency. Currency exchange rates generally are determined by supply and demand in the foreign exchange markets and the perceived relative merits of investments in different countries. Currency exchange rates can also be affected unpredictably by intervention by government or central banks or by currency controls or political developments.

In addition currency hedging transactions, while potentially reducing the currency risks to which the Fund would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty. In addition, where the Fund enters into 'cross-hedging' transactions (e.g. utilising a currency different from the currency in which the security being hedged is denominated), the Fund will be exposed to the risk that changes in the value of the currency used to hedge will not correlate with changes in the value of the currency in which the securities are denominated, which could result in loss on both the hedging transaction and the Fund securities.

Forward currency contracts and currency futures involve the possibility that the market for them may be limited with respect to certain currencies and, upon a contract's maturity, the possible inability to negotiate with the dealer to enter into an offsetting transaction. There is no assurance that an active forward currency contract market will always exist. These factors restrict the ability to hedge against the risk of devaluation of currencies in which a substantial quantity of securities are being held for the Fund and are unrelated to the qualitative rating that may be assigned to any particular security.

International investing

Information about this risk is provided in the *OneAnswer Investment Funds Guide*.

Legal risk

There is a risk that laws, including tax laws, might change or become difficult to enforce.

Liquidity risk

Information about this risk is provided in the *OneAnswer Investment Funds Guide*.

Market risk

Investors should be aware that there are risks inherent in the holding of securities, including:

- an investment may fall in value due to changes in market sentiment or economic, technological, political or legal conditions
- past performance is no guide to the future (the value of units, and any income from them, can go down as well as up, particularly in the short term, meaning that an investment may not be returned in full)
- the tax treatment of the Fund may change and such changes cannot be foreseen
- where regular investments are made with the intention of achieving a specific capital sum in the future, this will normally be subject to maintaining a specified level of investment.

Portfolio turnover risk

The Fund does not intend to trade, directly or indirectly, portfolio securities for the purpose of realising short-term profits. However, the Fund Manager will adjust the Fund's portfolio as considered advisable in view of prevailing or anticipated market conditions and the Fund's investment objective, and there is no limitation on the length of time securities must be held, directly or indirectly, by the Fund prior to being sold. Portfolio turnover rate will not be a limiting factor and will vary from year to year. Higher portfolio turnover rates involve correspondingly higher transaction costs, which are borne directly or indirectly by the Fund. In addition, the Fund may realise significant short-term and long-term capital gains.

6. GMO SYSTEMATIC GLOBAL MACRO TRUST

6.1 The Fund

GMO Systematic Global Macro Trust ARSN 090 799 385 (referred to as 'the Fund' for the purposes of this section).

Responsible entity

GMO Australia Limited (GMO Australia) is the responsible entity of the Fund and is responsible for overseeing the operations of the Fund.

GMO Australia is wholly owned by GMO Australasia LLC which in turn is wholly owned by Grantham, Mayo, Van Otterloo & Co. LLC (GMO). Neither GMO Australia, GMO, nor any of their affiliates guarantee the performance of the Fund or the return of unit holders' capital.

Fund website

gmo.com

PDS

The Fund's PDS is available online at gmo.com/asia/product-index-page/alternatives/systematic-global-macro-strategy/systematic-global-macro-trust---sgmt/?accept=Funds. You should refer to the PDS for full information about the Fund.

6.2 Benchmarks

1. Valuation of assets
2. Periodic reporting

1. Valuation of assets

This benchmark requires the responsible entity to have and implement a policy that requires the valuation of the Fund's assets that are not exchange traded to be provided by an independent administrator or an independent valuation service provider.

This benchmark is met. The Fund's non-exchange traded assets are valued by State Street Australia Limited (SSAL), an independent valuation service provider.

2. Periodic reporting

This benchmark requires the responsible entity to have and implement a policy to report on specific information on an annual or monthly basis.

This benchmark is not fully met. GMO Australia provides the following reports:

- monthly and quarterly reports reviewing the operation of the Fund
- an annual report for the Fund which includes the annual audited accounts and independent audit report of the Fund.

The reporting by GMO meets all aspects of the ASIC monthly reporting benchmark, and some but not all aspects of the ASIC annual reporting benchmark.

In particular, reporting for the Fund does not include the liquidity profile of the Fund's assets, the maturity profile of the Fund's assets, or the Fund's leverage ratio. However, information on those aspects of the ASIC annual reporting benchmark may be ascertained from the annual report of the Fund. In addition, reporting for the Fund does not include information regarding the specific derivative counterparties engaged by the Fund because GMO considers that this information is commercially sensitive.

To obtain reports for the Fund, contact the Fund directly (refer to the Fund website for contact details). We will also provide this information on request.

6.3 Disclosure Principles

1. Investment strategy
2. Investment manager
3. Fund structure
4. Valuation, location and custody of assets
5. Liquidity
6. Leverage
7. Derivatives
8. Short-selling

1. Investment strategy

The Fund's investment objective is long-term total return. The Fund plans to pursue its investment objective by taking long and short positions in a range of global equity, bond, commodity and currency markets using exchange traded futures, forward foreign exchange contracts as well as swaps on commodity indices and other investments. Investments held by the Fund are global in nature and may be denominated in a number of currencies.

The Fund seeks annualised returns of 10% (gross of fees) above the Bloomberg Ausbond Bank Bill Index with annualised volatility (standard deviation) of approximately 10–15% per annum, each over a complete market cycle.

The Fund seeks to take advantage of GMO Australia's proprietary investment models for global tactical asset allocation and equity, bond, currency and commodity market selection. GMO Australia's models for this systematic process are based on the following strategies:

- Value-Based Strategies – Value factors compare the price of an asset class or market to an economic fundamental value. Generally, value-based strategies use yield and mean reversion factors.

- Sentiment-Based Strategies – Generally, sentiment-based strategies assess factors such as risk aversion, analyst behaviour and momentum.

The portfolio is constructed through a proprietary optimisation process that seeks to maximise expected returns while controlling for risk. The portfolio construction process attempts to manage risk through various processes including:

- diversification across a broad investment universe
- taking positions that reflect GMO Australia's view of the opportunity to add value and where GMO believes it has skill
- monitoring market conditions.

In implementing the Fund's investment strategy, GMO Australia seeks to take risk positions that, in GMO Australia's view, are proportionate to the return opportunities. As a result, during time periods when GMO Australia believes the return opportunities are high relative to the risks involved, the Fund may take more risk relative to the Fund's benchmark. Conversely, during time periods when GMO Australia believes the return opportunities are low relative to the risks involved, the Fund may take less risk (or no risk) relative to the Fund's benchmark.

GMO Australia may eliminate strategies, add new strategies or cause the Fund to take positions that deviate from GMO Australia's investment models in response to additional research, changing market conditions, or other factors. The factors GMO Australia considers and investment methods GMO Australia uses can change over time.

GMO Australia may change the investment objective, investment strategy, authorised investments and asset allocation and the other investment information at any time. Refer to the Fund's PDS for more information.

For specific key risks associated with the Fund's investment strategy, see Section 6.4.

Authorised investments and asset allocation

The Fund's constitution authorises GMO Australia to invest in a wide range of investments.

The Fund normally invests in cash, cash equivalents and fixed income securities with a maturity of two years or less and then uses derivatives to gain active exposure to markets.

The Fund will typically obtain active exposure to global equity, bond, commodity and currency markets through the use of exchange traded futures, forward foreign exchange contracts, swaps, options and other derivatives. The Fund may also hold exchange traded funds (ETFs) and other funds.

The Fund generally expects to apply the following ranges to active exposures in the management of its portfolio:

- exposure (as determined by GMO Australia) to a single asset class (e.g. shares, bonds, commodities) will be between -100% and +100% of the Fund's net asset value
- exposure (as determined by GMO Australia) to a single asset other than Volatility Index (VIX) futures (e.g. any single futures contract) will be between -50% and +50% of the Fund's net asset value
- exposure to VIX futures will be between -10% and +20% of the Fund's net asset value.

The Fund will generally be managed within these ranges, although the Fund may be outside of these ranges for short periods of time. These ranges do not apply to the Fund's investments in cash, cash equivalents and fixed income securities.

These ranges have been formulated with the aim of limiting the absolute risk of the Fund while providing enough scope for the Fund to meet its targeted return and risk objectives.

The Fund may employ leverage, which tends to amplify risks and also entails special, additional risks (see '6. Leverage' in this section).

Further information about the Fund's investment strategy, including the Fund's investment objective, is provided in the *OneAnswer Investment Funds Guide*.

2. Investment manager

GMO Australia acts as investment manager of the Fund and has delegated some investment management functions to GMO. GMO's appointment may be terminated upon GMO Australia giving not less than five business days written notice, or immediately if certain events occur (for example, if GMO goes into receivership, administration or liquidation).

Management of the Fund is the responsibility of the investment professionals in GMO's Systematic Global Macro Division (Division). The Division's focus is the management of portfolios, including the Fund, utilising GMO's Systematic Global Macro process.

Jason Halliwell is the Head of the Division. Mr Halliwell has been responsible for overseeing the portfolio management of GMO's Systematic Global Macro portfolios since 1999. Mr Halliwell has an honours degree in Commerce/Law from Queensland University and has completed postgraduate studies in Financial Mathematics at the University of Technology in Sydney. He is a CFA charter holder.

Sean Gleason is a portfolio manager for the Division. Mr Gleason joined GMO in 1999. Mr Gleason has a Master of Commerce and Bachelor of Science from the University of New South Wales. He is a CFA charter holder.

Jason Halliwell and Sean Gleason spend the majority of their working time in the investment management of the Fund and other accounts utilising GMO's Systematic Global Macro strategy.

Further information about the members of the Systematic Global Macro Division is available on GMO's website.

Changes to Fund details

GMO Australia may change the investment objective, investment strategy, authorised investments and asset allocation and the other investment information in this section at any time. Unit holders will be notified about any material changes in accordance with the requirements under the Corporations Act. This may be after the change has occurred.

3. Fund structure

The Fund is an Australian registered managed investment scheme. Investors' money is pooled together with other investors. GMO Australia and GMO use this money to buy and sell assets on behalf of all investors in the Fund.

State Street Australia Limited (SSAL) acts as custodian and administrator to the Fund. SSAL is responsible for performing the day-to-day administration of the Fund and for providing Fund accounting and unit registry services, including the calculation of the Fund's unit price. Assets of the Fund will generally be held in the name of the custodian or its sub-custodians or the responsible entity. The role of the custodian is limited to holding assets of the Fund and it has no supervisory role in relation to the operation of the Fund. The custodian does not make investment decisions in respect of the assets held or manage those assets. There may be risks involved when holding assets through external service providers (see Section 6.4).

GMO Australia regularly monitors the performance of SSAL against the documented service level agreements. GMO Australia has agreements in place with the other service providers to the Fund and has systems in place to regularly monitor the performance and services provided.

PricewaterhouseCoopers acts as auditor to the Fund. The Fund does not use a prime broker.

The diagram on the right shows the flow of investment money through the structure.

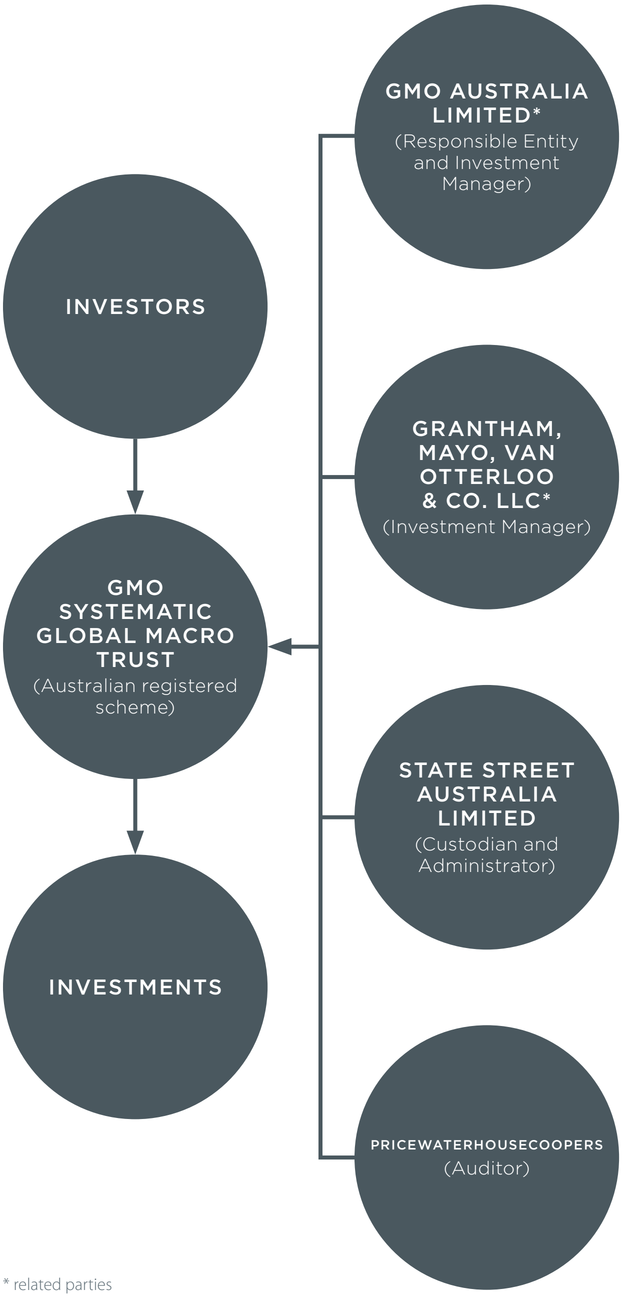
The Fund invests in the underlying assets, which utilise leverage. For every $1.00 invested in the Fund, the Fund may gain exposure to the price movements of up to $4.00 worth of assets. This is possible because the Fund holds underlying assets including exchange traded futures, foreign exchange contracts, swaps, options and other derivative instruments, which require deposits of only a portion of the value of the underlying assets.

4. Valuation, location and custody of assets

The value of the assets and liabilities of the Fund will be calculated by SSAL in accordance with pricing methodologies agreed with the Fund. These agreed pricing methodologies provide that:

- exchange traded futures and other derivatives are valued by reference to the settlement price quoted by the relevant exchange
- over the counter (OTC) derivatives, including foreign currency forward contracts, are valued in accordance with third party valuations
- unlisted investments, such as unlisted managed investment schemes, are valued using the net asset value price most recently quoted by the issuer/sponsor
- fixed income securities are valued at the bid price supplied by a relevant pricing source
- cash is valued at the amount of the cash deposit.

The Fund's constitution authorises GMO Australia to invest in a wide range of investments. The Fund will typically obtain exposure to global equity, bond, currency and commodity markets through the use of exchange traded futures, forward foreign exchange contracts, swaps, options and other derivatives. The Fund may also hold cash, fixed income securities, ETFs and other funds.



* related parties

The Fund typically holds the following investment types:

Investment type	Allocation range
Exchange traded derivatives	0–20%
OTC derivatives	0–20%
Cash equivalent instruments	60–100%

The Fund's asset classes are global in nature and the Fund has no particular policy about the geographic location of its assets.

Most of the cash and cash equivalents are denominated in AUD and held in Australia. Generally the Fund will hold a large proportion of its assets in cash deposits, held with one or more financial institutions, and fixed income securities (including Treasury Bills).

Some assets of the Fund will be held in the name of the custodian or its sub-custodians. Other assets such as cash deposits and certain OTC derivatives may be held by GMO Australia on behalf of the Fund. Such assets may represent a significant portion of the assets of the Fund.

5. Liquidity

GMO Australia reasonably expects to realise at least 80% of the assets of the Fund, at the value ascribed to those assets in calculating the Fund's net asset value in normal market conditions, within 10 days. However, GMO Australia generally pays redemption proceeds within three New South Wales business days.

6. Leverage

The Fund may use a high degree of leverage (with commensurate high risk) as part of its investment strategy.

Leverage primarily results from the Fund's use of derivatives, for example from the Fund's use of futures and forward contracts. Because many derivatives have a leverage component (that is, a notional value in excess of the assets needed to establish or maintain the derivative position), adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself.

The Fund may manage some of its derivative positions by offsetting derivatives positions against one another or against other assets. To the extent offsetting positions do not behave in relation to one another as expected, the Fund may perform as if it were leveraged. The Fund is not limited with respect to the extent to which derivatives may be used. Leverage may exaggerate the effect on net asset value of any increase or decrease in the market value of the Fund's portfolio.

The use of leverage creates opportunities for greater total return but at the same time creates greater risks. While gains made with the use of leverage generally would cause the Fund's net asset value to increase faster than without the use of leverage, losses made with the use of leverage generally would cause the Fund's net asset value to decrease faster and more significantly than without the use of leverage. Such decrease in net asset value could be substantial.

The Fund may create a charge or grant other security over its assets in connection with its derivatives transactions. In the event of a default by the Fund under the derivatives transactions, the counterparty may seek to satisfy the debt owed to it and enforce its security by taking possession and/or disposing of the assets. Such enforcement may or may not involve the appointment of a receiver or equivalent person over the secured assets. In enforcing its security, the counterparty will typically not be subject to any duty to ensure that the assets of the Fund remaining in its portfolio after such enforcement comply with the investment restrictions provided for in the Fund's investment strategy.

Some of the Fund's cash and cash type investments will be used to meet margin requirements for futures and collateral requirements for forward contracts and other derivatives.

The Fund expects that the typical maximum gross leverage it will employ, calculated as the gross aggregate amount of its long and short positions, will be four times the net asset value of the Fund (e.g. for every $1.00 of the Fund's net asset value the Fund may be leveraged to $4.00). However, this is an indicative level only, and the level of leverage that the Fund may employ may vary significantly.

In addition, the Fund generally expects to apply the following ranges to active exposures in the management of its portfolio:

- exposure to a single asset class (e.g. shares, bonds, commodities) will be between -100% and +100% of the Fund's net asset value
- exposure to a single asset other than Volatility Index (VIX) futures (e.g. any single futures contract) will be between -50% and +50% of the Fund's net asset value
- exposure to VIX futures will be between -10% and +20% of the Fund's net asset value.

The Fund will generally be managed within these ranges, although the Fund may be outside of these ranges for short periods of time.

Example of the use of leverage

If the Fund is leveraged from $1.00 to $4.00, a loss of 25% would be sufficient to reduce the $1.00 investment to zero.

See Section 4.4 for information about the risks associated with the use of leverage.

7. Derivatives

The Fund will use derivatives as part of its normal investment strategy.

The Fund plans to pursue its investment objective by taking long and short positions in a range of global equity, bond, commodity and currency markets using exchange traded futures, forward foreign exchange contracts as well as swaps on commodity indices and other investments (including other derivatives).

Some detailed information regarding the Fund's use of futures, forward contracts, currency transactions and commodities follows. Although currently the Fund focuses its derivative use on these instruments the Fund may also use a variety of other derivatives including swaps, options, contracts for difference and other derivatives.

Futures contracts

To the extent permitted by law, the Fund is authorised to enter into futures contracts and may invest in futures contracts on, among other things, financial instruments (such as a government security or other fixed income security), individual equities (single stock futures), securities indices, interest rates, currencies, inflation indices, commodities and commodities indices. If the

Fund purchases a futures contract, it incurs an obligation to take delivery of a specified amount of the obligation underlying the futures contract at a specified time in the future for a specified price. If the Fund sells a futures contract, it incurs an obligation to deliver a specified amount of the obligation underlying the futures contract at a specified time in the future for an agreed-upon price. The purchase and sale of futures contracts can be used for hedging purposes and also may be used for speculative purposes.

The Fund may also invest in options on futures contracts, which give the purchaser the right, in return for the premium paid, to assume a long position (in the case of a call option) or a short position (in the case of a put option) in a futures contract at the option exercise price at any time during the period of the option (in the case of an American style option) or on the expiration date (in the case of a European style option).

The purchase or sale of a futures contract differs from the purchase or sale of a security or option in that no price or premium is paid or received. Instead, an amount of cash, government securities, or other liquid assets equal in value to a percentage of the face amount of the futures contract must be deposited with the broker. This amount is known as initial margin. The size of the initial margin is generally set by the market on which the contract is traded (margin requirements may vary depending on the relevant market). Subsequent payments to and from the broker, known as variation margin, are made on a daily basis as the price of the underlying futures contract fluctuates, making the long and short positions in the futures contract more or less valuable, a process known as 'marking to the market'. The Fund is also required to deposit and maintain margin with respect to put and call options on futures contracts written by it, which requirements vary depending on the nature of the underlying futures contract, the current market value of the option and other futures positions held by the Fund.

Prior to the settlement date of the futures contract, the position may be closed by taking an opposite position. A final determination of variation margin is then made, additional cash is required to be paid to or released by the broker, and the purchaser realises a loss or gain. In addition, a commission is paid to the broker on each completed purchase and sale.

Certain futures contracts are physically settled (that is, involve the making and taking of delivery of a specified amount of an underlying security or other asset). For instance, the sale of futures contracts on currencies or financial instruments creates an obligation of the seller to deliver a specified quantity of an underlying currency or financial instrument called for in the contract for a stated price at a specified time. Conversely, the purchase of such futures contracts creates an obligation of the purchaser to pay for and take delivery of the underlying currency or financial instrument called for in the contract for a stated price at a specified time. In some cases, the specific instruments delivered or taken, respectively, on the settlement date are not determined until on or near that date. That determination is made in accordance with the rules of the exchange on which the sale or purchase was made. Some futures contracts are cash settled (rather than physically settled), which means that the purchase price is subtracted from the current market value of the instrument and the net amount, if positive, is paid to the purchaser by the seller of the futures contract and, if negative, is paid by the purchaser to the seller of the futures contract. In particular, index futures are agreements pursuant to which two parties agree to take or make delivery of an amount of cash equal to the difference between the value of a securities index at the close of the last trading day of the contract and the price at which the index contract was originally written. Although the value of a securities index might be a function of the market value of certain specified securities, no physical delivery of these securities is made.

Although some futures contracts call for making or taking delivery of the underlying securities, currencies, commodities or other underlying instrument, in most cases futures contracts are closed before the settlement date without the making or taking of delivery by offsetting purchases or sales of matching futures contracts (that is, with the same exchange, underlying financial instrument, currency, commodity, or index, and delivery month). If the price of the initial sale exceeds the price of the offsetting purchase, the seller is paid the difference and realises a gain. Conversely, if the price of the offsetting purchase exceeds the purchase price, the seller realises a loss. Similarly, a purchase of a futures contract is closed by selling a corresponding futures contract. If the offsetting sale price exceeds the original purchase price, the purchaser realises a gain, and, if the original purchase price exceeds the offsetting sale price, the purchaser realises a loss. Any transaction costs must also be included in these calculations. Likewise, a position in an option on a futures contract may be terminated by the purchaser or seller prior to expiration by selling or purchasing an offsetting option of the same type (that is, the same exercise price and expiration date), with the difference between the premiums paid and received representing the Fund's profit or loss on the transaction.

Forward contracts

The Fund may use forward contracts. A forward contract is a contract to buy or sell an underlying security or currency at a pre-determined price on a specific future date. The initial terms of the contract are set so that the contract has no value at the outset. Forward prices are obtained by taking the spot price of a security or currency and adding to it the cost of carry. No money is transferred upon entering into a forward contract and the trade is delayed until the specified date when the underlying security or currency is exchanged for cash. Subsequently, as the price of the underlying security or currency moves, the value of the contract also changes, generally in the same direction.

Forward contracts have a number of similar characteristics and risks as futures contracts but there also are several differences. Forward contracts are not market traded, and are not necessarily marked to market on a daily basis. They settle only at the pre-determined settlement date. This can result in deviations between forward prices and futures prices, especially in circumstances where interest rates and futures prices are positively correlated. Second, in the absence of exchange trading and involvement of clearing houses, there are no standardised terms for forward contracts. Accordingly, the parties are free to establish such settlement times and underlying amounts of a security or currency as desirable, which may vary from the standardised provisions available through any futures contract. Finally, forward contracts, as two party obligations for which there is no secondary market, involve counterparty credit risk not present with futures.

Currency transactions

The Fund may buy or sell currencies, or deal in forward currency contracts, currency futures contracts, swaps, swaptions and related options and options on currencies. The Fund may use such currency instruments for any purpose, including for investment, hedging and/or currency risk management.

Commodities

The Fund may invest in commodities and commodity-related instruments, including, by way of example and not of limitation, futures contracts, swaps, options, forward contracts, and structured notes, and equities, debt securities, convertible securities, and warrants of issuers in commodity-related industries. The Fund does not expect to acquire physical commodities directly. Ordinarily, any commodity futures or options contracts and any other derivative instruments that call for physical delivery of the underlying commodity will be liquidated prior to delivery.

Derivative counterparties

The GMO Systematic Global Macro Division has discretion to select counterparties with which to transact and has the primary responsibility for managing the Fund's counterparty risk. The Division weighs various factors in determining the risks associated with a particular counterparty, which may include credit quality, collateral arrangements and guarantees. The Division will diversify its counterparty credit exposure as it believes prudent under the circumstances, keeping in mind best execution considerations. While exposures to counterparties are actively monitored by the Division, there is not an explicit limit on the amount of exposure that the Fund may have with any one counterparty.

See Section 6.4 for information about derivative and counterparty risks.

8. Short-selling

The Fund does not generally short sell securities. However, the Fund may use derivatives to take active short positions in asset classes as part of its normal investment strategy.

6.4 Risks of investing

Risks of investing specific to the Fund are described below.

General risks* associated with investing in hedge funds are described in the *OneAnswer Investment Funds Guide* which can be obtained online at onepath.com.au/superandinvestments-forms-and-brochures or by contacting Customer Services.

* Please note that in the *OneAnswer Investment Funds Guide*, information about leverage risk is provided under the heading 'Gearing'.

Risks specific to the Fund

There is no guarantee that the Fund will achieve its investment objective. The value of the investments of the Fund will vary over time as will the level of returns of the Fund. Future returns may differ from past returns. Returns are not guaranteed and unit holders may lose some of their money. In addition laws affecting registered managed investment schemes may change in the future and this may impact the Fund's ability to achieve its investment objective.

An investment in the Fund can be subject to investment risk, including possible delays in repayment and loss of income or principal invested. An investment in the Fund is not a deposit or liability of GMO Australia, GMO or any of their affiliates and none of these entities stands behind or in any way guarantees the capital value and/or performance of units issued or the assets of the Fund.

Some of the significant risks of the Fund are summarised below. Other risks also apply.

Commodities Risk

Commodities prices can be extremely volatile and exposure to commodities can cause the price of the Fund's units to decline and fluctuate in a rapid and unpredictable manner.

Counterparty Risk

The Fund runs the risk that the counterparty to an over-the-counter ("OTC") derivatives contract will be unable or unwilling to make timely settlement payments or otherwise honour its obligations. The credit risk for exchange-traded derivatives is generally less than for OTC derivatives, since the clearinghouse, which is the issuer or counterparty to each exchange-traded derivative, provides additional protections in the event of non-performance by the counterparty. Sometimes the Fund may post or receive collateral related to changes in the market value of a derivative. In addition, the Fund may invest in derivatives that (i) do not require the counterparty to post collateral, (ii) require collateral but that do not provide for the Fund's security interest to be perfected, (iii) require significant upfront deposits unrelated to the derivatives' intrinsic value, or (iv) that do not require the collateral to be regularly marked-to-market (e.g., certain OTC derivatives). Even when obligations are required by contract to be collateralised, there is usually a lag between the day the collateral is called for and the day the Fund receives the collateral. When a counterparty's obligations are not fully secured by collateral, the Fund is exposed to the risk of having limited recourse if the counterparty defaults.

If a counterparty fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, the Fund could miss investment opportunities or otherwise be forced to hold investments it would prefer to sell, resulting in losses for the Fund. Counterparty risk is pronounced during unusually adverse market conditions and is particularly acute in environments in which financial services firms are exposed (as they were in 2008) to systemic risks of the type evidenced by the insolvency of Lehman Brothers and subsequent market disruptions. Certain markets in which the Fund may effect transactions are OTC or interdealer markets, and may also include unregulated private markets. The lack of a common clearing facility creates counterparty risk. The participants in such markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. The Fund may also be exposed to similar risks with respect to brokers in jurisdictions where there are delayed settlement periods.

There can be no assurance that a counterparty will be able or willing to satisfy its obligations to pay settlement payments or to otherwise meet its obligations, especially during unusually adverse market conditions. The Funds typically may only close out OTC transactions with the relevant counterparty, and may only transfer a position with the consent of the particular counterparty. When a counterparty's obligations are not fully secured by collateral, then the Fund is essentially an unsecured creditor of the counterparty. If the counterparty defaults, the Fund will have contractual remedies, but there is no assurance that a counterparty will be able to meet its obligations pursuant to such contracts or that, in the event of default, the Fund will succeed in enforcing contractual remedies. Counterparty risk still exists even if a counterparty's obligations are secured by collateral if the Fund's interest in collateral is not perfected or additional collateral is not promptly posted as required. Counterparty risk also may be more pronounced if a counterparty's obligations exceed the amount of collateral held by the Fund (if any), the Fund is unable to exercise its interest in collateral upon default by the counterparty, or the termination value of the instrument varies significantly from marked-to-market value of the instrument. To the extent the Fund allows any OTC derivative counterparty to retain possession of any collateral, the Fund may be treated as an unsecured creditor of such counterparty in the event of the counterparty's insolvency.

Due to the nature of the Fund's investments, the Fund may invest in derivatives and/or execute a significant portion of its transactions through a limited number of counterparties and events that affect the creditworthiness of any of those counterparties may have a pronounced effect on the Fund. Additionally, the Fund may be exposed to documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. In addition, the creditworthiness of a counterparty can be expected to be adversely affected by greater than average volatility in the markets, even if the counterparty's net market exposure is small relative to its capital.

The Fund's investment manager evaluates the creditworthiness of the counterparties to the Fund's transactions or their guarantors at the time the Fund enters into a transaction. The Fund is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of the Fund to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund.

Credit Risk

This is the risk that the issuer or guarantor of a fixed income investment or obligors of obligations underlying an asset-backed security will be unable or unwilling to satisfy their obligations to pay principal and interest or otherwise to honour their obligations in a timely manner. The market price of a fixed income investment will normally decline as a result of the issuer's, guarantor's, or obligors' failure to meet their payment obligations. Below investment grade investments have speculative characteristics, and negative changes in economic conditions or other circumstances are more likely to impair the ability of issuers of those investments to make principal and interest payments than is the case with issuers of investment grade investments. Credit risk arises from cash and cash equivalents held by the Funds with financial institutions. Credit risk also arises from the ability or willingness of underlying funds in which a Fund may invest to realise investments to meet redemptions made by the Fund. A Fund may also be indirectly exposed to the credit risk faced by such underlying funds.

Currency Risk

Fluctuations in exchange rates may adversely affect the market value of the Fund's investments and includes the risk that currencies in which the Fund's investments are traded, in which the Fund receives income and/or in which the Fund has taken on an active investment position will decline in value relative to other currencies, in the case of long positions, or increases in value relative to other currencies in the case of short positions, in each case resulting in a loss to the Fund.

Derivatives and Short Sales Risk

The use of derivatives involves the risk that their value may not change as expected relative to changes in the value of the relevant underlying assets, pool of assets, rates, currencies or indices. Derivatives also present other risks, including market risk, illiquidity risk, currency risk and counterparty risk. The Fund may create short investment exposure by selling securities short or by taking a derivative position in which the value of the derivative moves in the opposite direction from the price of an underlying asset, pool of assets, rate, currency, or index. In addition, the risks of loss associated with derivatives that provide short investment exposure and short sales of securities are theoretically unlimited.

Foreign Investment Risk

The market prices of many foreign investments (particularly in emerging markets) may fluctuate more than those of Australian investments. Foreign investment markets may be less stable, smaller, less liquid and less regulated than Australian investment markets, and the cost of trading in those markets often may be higher than in Australian markets. Foreign portfolio transactions (including derivatives transactions) may involve higher commission rates, transfer taxes, and custodial costs than similar transactions in Australia. A Fund may be subject to foreign taxes, potentially on a retroactive basis, on

(i) capital gains it realises or dividends, interest or other amounts it realizes or accrues in respect of foreign investments,

(ii) transactions in those investments and

(iii) repatriation of proceeds generated from the sale or other disposition of those investments.

Any taxes or other charges paid or incurred by a Fund in respect of its foreign investments will reduce its return thereon. The tax laws of some foreign jurisdictions in which a Fund may invest are unclear and interpretations of such laws can change over time, including on a retroactive basis. In such case, a Fund could potentially incur foreign taxes on a retroactive basis. Similarly, provisions in or official interpretations of the tax treaties with such foreign jurisdictions may change over time and such changes could impact a Fund's eligibility for treaty benefits, if any. A Fund may accrue for certain taxes in respect of its foreign investments that it may or may not ultimately pay. Such tax accruals will reduce a Fund's net asset value at the time accrued, even though in some cases, a Fund ultimately may not pay the related tax liabilities. Conversely, a Fund's net asset value will be increased by any tax accruals that are ultimately reversed.

In some cases, a Fund may seek to collect a refund in respect of taxes paid to a non-Australian country. In those cases, all or a portion of those taxes could ultimately be recovered. However, the recovery process could take several years and a Fund will incur expenses in its efforts to collect the refund, which will reduce the benefit of any recovery. A Fund's efforts to collect a refund may not be successful, in which case the Funds will have incurred additional expenses for no benefit. The decision to pursue a refund is GMO Australia's sole discretion and a Fund may not pursue a refund, even if it is entitled to one. The outcome of a Fund's pursuit of a refund is inherently unpredictable. Accordingly, a refund is not typically reflected in a Fund's net asset value until it is received or until GMO Australia is confident that the refund will be received. In some cases, the amount of refund could be material to a Fund's net asset value. Absent a determination that a refund is collectible and free from significant contingencies, a refund is not reflected in a Fund's net asset value.

Taxes on non-Australian interest and dividend income are generally withheld in accordance with the applicable country's tax treaty with Australia. For example, the foreign withholding rates applicable to a Fund's investments in certain jurisdictions may be higher if (among other factors) a significant portion of the relevant Fund is held by non-Australian unit holders.

Also, the Funds need a licence to invest directly in securities traded in many foreign securities markets, and the Funds are subject to the risk that they could not invest if any licence held on their behalf were terminated or suspended. In some foreign securities markets, prevailing custody and trade settlement practices (e.g., the requirement to pay for securities prior to receipt) expose the Funds to credit and other risks with respect to participating brokers, custodians, clearing banks or other clearing agents, escrow agents and issuers. Further, adverse changes in investment regulations, capital requirements or exchange controls could adversely affect the value of the Funds' investments.

These and other risks (e.g., nationalisation, expropriation, or other confiscation of assets of foreign issuers) tend to be greater for investments in the securities of companies tied economically to emerging markets, the economies of which may be predominantly based on only a few industries or dependent on revenues from particular commodities and which often are more volatile than the economies of developed markets.

Focused Investment Risk

Investments that are focused in a limited number of asset classes, countries, regions, sectors, currencies, industries or issuers that are subject to the same or similar risk factors or investments whose prices are closely correlated are subject to greater overall risk than investments that are more diversified or whose prices are not as closely correlated.

Fund of Funds Risk

The Fund is indirectly exposed to all of the risks of its investment in the underlying funds in which it invests, including the risk that those underlying funds (including ETFs) will not perform as expected.

Futures Contracts Risk

Investment in futures contracts involves risk. A purchase or sale of futures contracts may result in losses in excess of the amount invested in the futures contract.

There is no guarantee that the Fund will be able to enter into an offsetting closing transaction for a purchased or sold futures contract, by selling or purchasing, respectively, an instrument identical to the instrument purchased or sold. In addition, under certain circumstances, futures exchanges may establish daily limits on the amount that the price of a futures contract can vary from the previous day's settlement price, thereby effectively preventing liquidation of unfavorable positions. If the Fund is unable to liquidate a futures position due to the absence of a liquid secondary market or the imposition of price limits or other restrictions, it could incur substantial losses. Furthermore, the Fund would continue to be subject to market risk with respect to the position.

The low initial margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract can result in immediate and substantial losses. All participants in the futures markets are subject to margin deposit and maintenance requirements. Instead of meeting margin calls, investors may close futures contracts through offsetting transactions, which could distort normal correlations. The margin deposit requirements in the futures markets are less onerous than margin requirements in the securities market, allowing for more speculators who may cause temporary price distortions.

Risks Associated with Futures Brokers: The Funds will assume the credit risk associated with placing its cash, margin and securities with futures brokers, and the failure or bankruptcy of any of such brokers could have a material adverse impact on the Funds. To the extent that the Funds engage in futures and options contract trading and the futures commission merchants with whom the Funds maintain accounts fail to so segregate the Fund's assets, the Funds will be subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. If a futures broker of a Fund becomes bankrupt or insolvent, or otherwise defaults on its obligations to the Fund, the Fund may not receive all amounts owing to it in respect of its trading, despite the clearing house fully discharging all of its obligations. In the event of the bankruptcy of a futures broker, a Fund could be limited to recovering only a pro rata share of all available funds segregated on behalf of the futures broker's combined customer accounts. Also, in contrast to the treatment of margin provided for cleared derivatives, the futures broker does not typically notify the futures clearing house of the amount of margin provided by the futures broker to the futures clearing house that is attributable to each customer. Therefore, the Funds are subject to the risk that their margin will be used by the futures clearing house to satisfy the obligations of another customer of the Fund's futures broker. In addition, in the event of the bankruptcy or insolvency of a clearing house, a Fund might experience a loss of funds deposited through its futures broker as margin with the clearing house, a loss of unrealized profits on its open positions, and the loss of funds owed to it as realized profits on closed positions. Such a bankruptcy or insolvency might also cause a substantial delay before a Fund could obtain the return of funds owed to it by a futures broker who was a member of such clearing house. Furthermore, if a futures broker does not comply with the applicable regulations or its agreement with a Fund, or in the event of fraud or misappropriation of customer assets by a futures broker, a Fund could have only an unsecured creditor claim in an insolvency of the futures broker with respect to the margin held by the futures broker. The Fund may carry substantially all of its positions at a single broker, thereby increasing this credit risk.

Illiquidity Risk

Low trading volume, lack of a market maker, large position size, or legal or contractual restrictions (including daily price fluctuation limits or "circuit breakers") may limit, delay or prevent the Fund from selling particular securities or closing derivative positions at desirable prices. In addition, the Fund may buy securities that are less liquid than those in its benchmark.

Leveraging Risk

The Fund's use of reverse repurchase agreements and other derivatives and securities lending may cause its portfolio to be leveraged. Leverage increases the Fund's portfolio losses when the value of its investments decline.

Market Disruption and Geopolitical Risk

Geopolitical and other events may disrupt securities markets and adversely affect global economies and markets. Those events, as well as other changes in foreign and domestic economic and political conditions, could adversely affect the value of the Fund's investments.

Market Risk – Equity Securities

The market price of equity investments may decline due to factors affecting the issuer, their industries, or the economy and equity markets generally. If the Fund purchases equity investments for less than their fundamental fair (or intrinsic) value as assessed by GMO, the Fund runs the risk that the market prices of these equities will not appreciate or will decline due to GMO's incorrect assessment. The Fund also may purchase equity investments that typically trade at higher multiples of current earnings than other securities, and the market prices of these equities often are more sensitive to changes in future earnings expectations than the market price of equities trading at lower multiples. Declines in stock market prices generally are likely to reduce the net asset value of the Fund's units.

Market Risk – Fixed Income

The market price of a fixed income investment can decline due to a number of market-related factors, including rising interest rates and widening credit spreads, or decreased liquidity stemming from the market's uncertainty about the value of a fixed income investment (or class of fixed income investments).

Management and Operational Risk

The Funds run the risk that the investment manager's investment techniques will fail to produce desired results. The Fund's portfolio managers may use quantitative analyses and models as part of their investment process and in making investment decisions. The investment manager's models support portfolio decisions but may not accurately predict future market movements or characteristics. In addition, they are based on assumptions that may limit their effectiveness and they rely on data that is subject to limitations (e.g., inaccuracies, staleness). Any of those assumptions and/or limitations could adversely affect their predictive value. The usefulness of those models may be diminished by the faulty incorporation of mathematical models into computer code, by reliance on proprietary and third party technology that includes bugs or viruses, and by the retrieval of imperfect data for processing by the model. These aspects are present in the ordinary course of business and are more likely to occur at times of rapidly changing models. Any of these aspects could adversely affect the Funds' performance. The Funds also run the risk that the investment manager's fundamental assessment of an investment is wrong, or that deficiencies in the investment manager's or another service provider's internal systems or controls will cause losses for the Fund or impair Fund operations.

Large Unit Holder Risk

If a large number of units of the Fund are held by a single unit holder (e.g., an institutional investor or another GMO fund) or a group of unitholders with a common investment strategy, the Fund is subject to the risk that these investors will purchase, redeem, reallocate or rebalance their investments in large amounts and/or on a frequent basis, resulting in substantial withdrawals from, or investments into, the Fund. A redemption by those unit holders of all or a large portion of the Fund's units may adversely affect the Fund's performance by forcing the Fund to sell securities potentially at disadvantageous prices to satisfy a redemption request. Redemptions of a large number of units also may increase transaction costs or, by necessitating a sale of portfolio investments, have adverse tax consequences for unit holders. Applications and redemptions of units by a large unit holder or a group of unit holders could limit the deductibility of certain losses (from an Australian tax perspective) that would otherwise reduce the Funds' taxable income. In such cases, unit holders may bear more taxes than would have otherwise been the case.

Service Provider Risk

The Funds rely on external service providers in connection with their operation and investment activities. This includes fund administration, custody and audit. There is a risk that these service providers may not meet their contractual obligations or seek to terminate their services to the Funds. In this situation, the Funds may be required to replace a service provider and this may lead to a disruption of their activities.

7. PLATINUM FUNDS

In this section
7.1 The Funds
7.2 Benchmarks
7.3 Disclosure Principles
7.4 Risks of investing

7.1 The Funds

- Platinum Asia Fund ARSN 104 043 110
- Platinum International Fund ARSN 089 528 307

Investment in the Platinum International Fund and the Platinum Asia Fund (each a 'Fund', and collectively referred to as 'the Funds' for the purposes of this section) is offered and managed by Platinum Investment Management Limited ABN 25 063 565 006, AFSL 221935 trading as Platinum Asset Management (Platinum).

Each of the Funds is a managed investment scheme registered with ASIC. The operation of each Fund is regulated by the Corporations Act, the Funds' constitutions and the general law of Australia.

Responsible entity

Platinum acts as responsible entity of the Funds under the Corporations Act.

Fund website

platinum.com.au

PDS

The PDS for each Fund is available online at platinum.com.au/PlatinumSite/media/Default/pt_pds.pdf. You should refer to the PDS for full information about the Funds.

7.2 Benchmarks

1. Valuation of assets
2. Periodic reporting

1. Valuation of assets

This benchmark requires the responsible entity to have and implement a policy that requires the valuation of the Funds' assets that are not exchange traded to be provided by an independent administrator or an independent valuation service provider.

Platinum's valuation policy requires that the Funds' assets that are not exchange traded be valued using a price provided by State Street Australia Limited or another independent third party, or otherwise determined in accordance with a valuation methodology that has been verified by an independent third party.

2. Periodic reporting

This benchmark requires the responsible entity to have and implement a policy to report on specific information on an annual or monthly basis.

Platinum has policies in place to make daily unit prices for each of the Funds available on its website as soon as practical after the relevant period.

Annual reporting

- Liquidity profile of the Funds
- Maturity profile of financial liabilities relative to the liquidity profile of the portfolio assets
- Leverage ratio
- Derivative counterparties engaged
- Financial reports.

Monthly reporting

- Month-end invested positions/asset allocation
- Month-end net performance of each of the Funds after fees, costs and fund taxes
- Key service providers to each of the Funds
- Material changes in a Fund's risk profile (if any)
- Material changes in a Fund's strategy (if any)
- Changes in the individuals playing a key role in investment decisions for a Fund (if any).

The Fund's monthly update and quarterly investment report provide the latest information about investments held, along with the Portfolio Manager's comments on Fund performance and outlook. These documents are available on the Fund website or by contacting Platinum directly (refer to the Fund website for contact details). We will also provide this information free of charge, on request.

7.3 Disclosure Principles

1. Investment strategy
2. Investment manager
3. Fund structure
4. Valuation, location and custody of assets
5. Liquidity
6. Leverage
7. Derivatives
8. Short-selling

1. Investment strategy

Platinum seeks investments in companies whose businesses and growth prospects are being inappropriately valued by the market.

Each Fund's constitution permits a wide range of investments. However, Platinum typically invests in listed equity securities of companies, cash and cash equivalents, derivatives (including over the counter (OTC) derivatives) and foreign exchange transactions.

The Funds will not invest in unlisted equity securities, except in the case of initial public offers of securities, or where an unlisted securities holding arises inadvertently, for example due to a corporate event. Any investments in such unlisted securities will be kept to a *de minimis* amount at all times.

The portfolios of both Funds are constructed in accordance with Platinum's 'Investment Strategy'.

Further information about each Fund's investment strategy, including each Fund's investment objective, is provided in the Funds' PDS and in the *OneAnswer Investment Funds Guide*.

Platinum Asia Fund

This Fund primarily invests in the listed securities of Asian companies. Asian companies may list their securities on securities exchanges other than those in Asia, and the Fund may invest in those securities. The Fund may invest in companies not listed in Asia but where their predominant business is conducted in Asia. The Fund may invest in companies that benefit from exposure to the Asian economic region.

Platinum defines 'Asia' as all countries that occupy the eastern part of the Eurasian landmass and its adjacent islands and is separated from Europe by the Ural Mountains, and includes the Russian Far East and companies based in China, Hong Kong, Taiwan, Korea, Malaysia, Singapore, India, Thailand, Indonesia, Philippines, Sri Lanka, Pakistan and Vietnam.

The Fund will ideally consist of 50 to 100 securities that Platinum believes to be undervalued by the market. Cash may be held when undervalued securities cannot be found. Platinum may short sell securities that it considers overvalued. For more information see '8. Short-selling' in this section.

The Fund will typically have 50% or more net equity exposure.

Platinum International Fund

This Fund primarily invests in listed securities. The Fund will ideally consist of 70 to 140 securities that Platinum believes to be undervalued by the market. Cash may be held when undervalued securities cannot be found. Platinum may short sell securities that it considers overvalued. For more information, see '8. Short-selling' in this section.

The Fund will typically have 50% or more net equity exposure.

Investment returns

In Platinum's opinion, investing in a broad range of companies whose businesses and growth prospects are being inappropriately valued by the market provides a foundation for long-term investment returns.

Investment return assumptions

Investing in the shares of a company is a claim on the underlying profits of a company's business. In simple terms, investment returns are determined by amongst other things: initial valuation, subsequent performance of the business, and valuation of the company at the end of the period. The assessment of a company's future prospects is a very significant and challenging part of the day-to-day process of investing. Not only do general economic conditions play a part, but issues such as the behaviour of competitors, technological change, government regulation and management decisions all have a bearing on the future outcomes for a company. Also, understanding the future valuation that a company will attract is no simple task as often this can change quite dramatically with changes in growth rates of earnings.

Diversification guidelines and limits

Each Fund will typically have a net equity exposure of between 50 and 100%. In general, a Fund will seldom invest more than 5% of the Fund's NAV in the securities of a single issuer.

Risk management strategy

Risk management is an integral part of good management and corporate governance practice and in relation to any investment strategy, an element of risk is inevitable.

Platinum views risk primarily as being about the prospect of losing investors' capital. The greatest risk factor is the portfolio's security exposure and Platinum monitors and controls risks through the following channels:

- Risk management is core to Platinum's stock selection process. As a result of Platinum's investment approach, the key risks in the portfolio are the specific risks associated with each individual stock position. Platinum views specific stock risk as a function of its knowledge based on the company and seeks to manage and reduce risk via a process of thorough and in-depth research, detailed scrutiny by the relevant analysts and their peer group as well as ongoing monitoring. Within the portfolio, care will be taken to avoid excessive exposure to areas that have a high co-variance.
- Platinum's investment approach is focused on seeking out the out-of-favour and overlooked parts of the market. As a consequence, stocks are purchased when Platinum believes they offer good value and the price is already depressed, which may create an element of protection and a portfolio with below-average risk characteristics.
- Platinum's index-agnostic approach also contributes to the control of the absolute risk of the portfolio.
- From time to time, Platinum may utilise derivatives to manage risk, such as:
  - selling index futures or buying index put options to reduce market risk in the portfolio; and
  - where Platinum has identified stocks that it believed to be overvalued, buying put options over that stock or taking short positions in the stock.

Platinum manages risk associated with currency exposure through the use of hedging devices (e.g. foreign exchange forwards, swaps, non-deliverable forwards and currency options) and cash foreign exchange trades. See Section 7.4 for information about risks relevant to the Funds.

Platinum also has a documented Risk Management Policy based on the relevant Australian/New Zealand Risk Management Standards, ASIC and Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations incorporating a structured approach to managing and reviewing risk.

Investment strategy changes

The investment strategies of the Funds are unlikely to change. Investors will be notified of any such changes in accordance with the Corporations Act.

Currency

International equity investments create an exposure to foreign currency fluctuations, which can change the value of the equity investments measured in a portfolio's reporting currency (the Australian dollar). Assessment of potential returns and risks created by currency exposure, and appropriate positioning of a Fund's portfolio to attempt to capture those returns, and minimise those risks, are a component of Platinum's investment process.

Platinum may seek to hedge a Fund's foreign currency exposure using foreign exchange forwards, swaps, non-deliverable forwards, currency options and spot foreign exchange trades.

More generally, Platinum will take account of currency exposures in an attempt to maximise returns and minimise risks in a Fund's portfolio. This includes assessing the indirect impact of currency on a business (e.g. the impact of currency fluctuations on a manufacturing company with significant export sales), and the potential for exchange rate movements to amplify or diminish reporting currency returns for a holding. The investment of cash holdings is also undertaken with consideration of the potential currency impact on the cash (as well as interest rate and credit risk considerations).

The aim is for a Fund's portfolio to be exposed to the greatest extent possible to appreciating currencies and to a minimum to depreciating currencies.

For more information, refer to the Funds' PDS.

2. Investment manager

Platinum Investment Management Limited trading as Platinum Asset Management is the manager of the Funds. There have been no significant adverse regulatory findings against Platinum.

Portfolio Managers

The Portfolio Managers listed in the table below are investment analysts with stock research responsibilities and retain ultimate responsibility for a Fund's portfolio construction. Investment analysts not identified below may share portfolio management responsibilities with the Portfolio Managers. The level of their portfolio management responsibilities will vary from time to time and will be determined by the Chief Investment Officer. Portfolio Managers may also manage different funds to those stated below. The Chief Investment Officer has responsibility for the implementation of the investment strategy of the Funds and the investment process across the investment team. The Funds' investment personnel spend as much time as required to accomplish the investment objectives of the Funds.

There have been no regulatory findings against any of the Portfolio Managers.

Table 7

Portfolio Manager	Fund	Qualifications	Investment management experience	Years with Platinum
Andrew Clifford (Chief Executive Officer and Chief Investment Officer)	Platinum International Fund	BCom (Hons), Dip, SIA	30 years	25 years
Clay Smolinski	Platinum International Fund	BCom	13 years	13 years
Joseph Lai	Platinum Asia Fund	MBBS, MBA. CFA	15 years	15 years

3. Fund structure

Investment structure

Platinum is ultimately owned by Platinum Asset Management Limited (ABN 13 050 064 287), a company listed on the ASX (ASX ticker PTM). Platinum staff have relevant interests in approximately 50% of Platinum Asset Management Limited's issued shares.

The diagram on the right shows the flow of investment money for the Platinum Funds.

Key service providers

- Custodian – Platinum has appointed State Street Australia Limited (SSAL) to act as global custodian for the Funds.
- Auditor – PricewaterhouseCoopers (PwC) is the registered company auditor for the Funds. The auditor's role is to audit the Funds' annual financial reports (which includes the financial statements), perform a half-yearly review (if required), and to provide an opinion on the financial statements.
- Valuation of Fund assets – Platinum has appointed SSAL to value the assets of the Funds and calculate the daily unit price.

Monitoring service providers

Platinum has in place procedures to periodically monitor key service providers to provide reasonable assurance that:

a) services rendered are in accordance with written agreements and service level standards

b) there is integrity in the data and information provided by service providers to Platinum.

Related party

There are no related party relationships. Platinum may, in its personal capacity, invest in one or more of the funds it manages.

Material arrangement

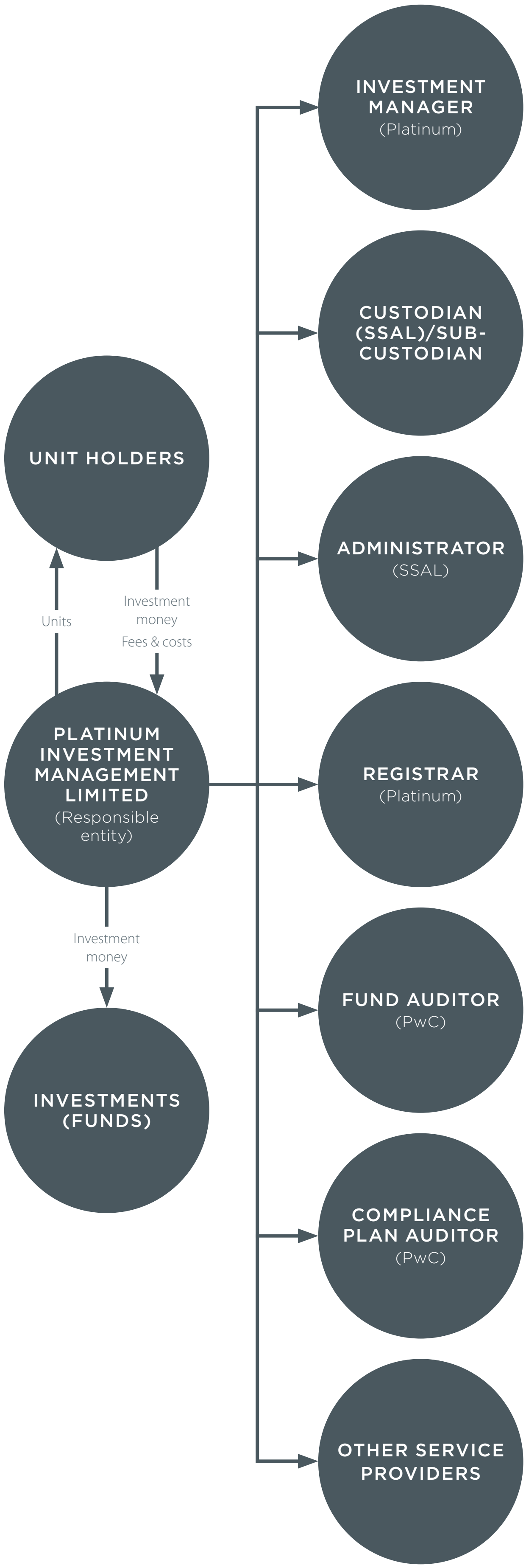
There are no material arrangements in connection with any Fund that are not on arm's length terms.

Jurisdictions of entities

All entities involved in the Funds' structure are based in Australia and are subject to the jurisdiction of ASIC and the Australian Transaction Reports and Analysis Centre (AUSTRAC).

Risks of holding assets overseas

Fund assets are held in custody by SSAL and third party sub-custodians engaged by SSAL located globally. Certain securities are held in omnibus accounts consistent with local market practice and in accordance with ASIC *Regulatory Guide 133*. In respect of these omnibus accounts, Fund investments are always separately identified in the books and records of SSAL.



4. Valuation, location and custody of assets

Valuation policy

The assets of a Fund are valued by SSAL, and the NAV is calculated in accordance with each Fund's constitution. The assets held by a Fund are normally valued on each Business Day. Each Fund's constitution provides that the value of a Fund will be increased by items such as the amount of money owing to a Fund, prepaid expenses and accrued or payable income. The value of a Fund will be decreased by the amount of any liability owing by a Fund, such as distributions to investors, the management costs paid to Platinum (including amounts accrued but not yet paid), provisions and contingent liabilities. SSAL values each Fund's assets in accordance with standard market practice and market prices are electronically sourced from third party vendors such as Thomson Reuters, Markit Partners, WM Company, Bloomberg and from brokers.

If, in Platinum's opinion, the initial value of an asset as provided by SSAL is not a true reflection of the value that would reasonably be obtained if the security were to be sold in the market, Platinum has procedures and controls for reviewing, approving and documenting any changes to the initial valuation.

Platinum Fund assets that are not exchange traded are valued using a price provided by SSAL or another independent third party, or otherwise determined in accordance with a valuation methodology that has been verified by an independent third party.

Asset types and allocation ranges

The principal investments in a Fund are international equities.

Type of asset	Allocation range (%)
International equities	0–100
Cash and cash equivalents	0–100

Cash and cash equivalents typically represents less than 40% of a Fund's NAV.

A Fund may invest in bullion and other physical commodities, but the total value of such investments at the time of acquisition will not exceed 20% of the NAV of the Fund.

Location of assets

The Funds primarily invest in listed equity and equity related securities of international companies including those in emerging or frontier markets.

A material asset is a significant holding or exposure relative to a Fund's total assets. In general, a Fund will seldom invest more than 5% of the Fund's NAV in the securities of a single issuer.

Platinum Asia Fund

The table below shows the Fund's top ten holdings as at 31 December 2018. Refer to the Fund website for more information.

Table 8

Stock	Country	Industry	%
Samsung Electronics Co Ltd	Korea	Info Technology	3.7
Tencent Holdings	China	Communication Services	3.1
Kasikornbank PCL	Thailand	Financials	3.0
Axis Bank Limited	India	Financials	2.7
Ayala Land Inc	Philippines	Real Estate	2.4
Alibaba Group Holding Ltd	China	Cons Discretionary	2.4
Naver Corp	Korea	Communication Services	2.1
Reliance Industries Ltd	India	Energy	2.0
AIA Group Ltd	Hong Kong	Financials	2.0
Anta Sports Products	China	Cons Discretionary	2.0

Platinum International Fund

The table below shows the Fund's top ten holdings as at 31 December 2018. Refer to the Fund website for more information.

Table 9

Stock	Country	Industry	%
Samsung Electronics Co Ltd	Korea	Info Technology	2.8
Ping An Insurance	China	Financials	2.7
Alphabet Inc	United States	Communication Services	2.6
Glencore plc	Switzerland	Materials	2.6
China Overseas Land & Investment	China	Real Estate	2.4
Sanofi SA	France	Health Care	2.3
Roche Holding AG	Switzerland	Health Care	2.1
Siemens AG	Germany	Industrials	2.0
Facebook Inc	United States	Communication Services	2.0
PICC Prop & Cas	China	Financials	1.8

Custodial arrangements

Platinum has appointed SSAL to act as global custodian for the Funds. Fund assets are generally held by SSAL and third party sub-custodians engaged by SSAL. The securities of each Fund are clearly identified from the assets of Platinum, SSAL, third party sub-custodians and SSAL's clients. SSAL custody staff are independent to Platinum and SSAL plays no investment management role. Cash is held by SSAL as custodian and is deposited with State Street Bank and Trust Corporation.

The custody agreement between Platinum and SSAL sets out the required standards of care and conduct to be performed by SSAL and its sub-custodians in accordance with ASIC *Regulatory Guide 133* and complies with the content requirements for custody agreements under ASIC Class Order [CO 13/1409]. SSAL monitors sub-custodians and requires them to exercise reasonable care in carrying out the terms specified in their sub-custodial agreements with SSAL. For assets custodied at SSAL, Platinum performs a daily reconciliation to SSAL records.

5. Liquidity

The Funds primarily invest in listed international equities traded on regulated exchanges.

Platinum generally maintains adequate cash levels in a Fund for the settlement of trades and to meet withdrawals made during the normal course of business. A key principle of Platinum's liquidity management policy is the fair and equitable treatment of all investors.

6. Leverage

Use and restrictions

Leverage can be defined as the use of financial products (such as derivatives) or borrowing (such as a margin facility) to amplify the exposure of capital to an investment.

A Fund may gain leveraged market exposure through the use of derivatives.

Investment restrictions in relation to the use of derivatives are detailed under '7. Derivatives' in this section.

Whilst there is no restriction on borrowing in the Funds' constitutions, it is Platinum's policy not to borrow on behalf of any Fund except to the extent short-term overdrafts arise from trade settlement delays. If this policy is amended, Platinum will notify investors by placing a notice on its website.

Source and type of leverage

A Fund may use derivatives including futures, options, swaps (currency and equity), credit default swaps and related instruments, to leverage the Fund.

Collateral usage

Derivative positions are collaterised with cash. No security holding of a Fund is used as collateral, encumbered or otherwise exposed to claims by third parties. The Funds are exposed to counterparty risk (see Section 7.4).

Maximum anticipated and allowed level of leverage

The maximum allowable leverage in a Fund is 150% of the NAV of a Fund, that is, for every $1 invested, the gross invested position of the Fund taking into account all securities and derivatives held, is limited to $1.50. For the purposes of this calculation, the underlying effective face value of the derivatives is used. Further, this limitation includes all positions and does not allow for netting of any offsetting positions.

Although the maximum allowable leverage in a Fund is 150% of the NAV of a Fund, a Fund's positions in long securities and derivatives would not typically be greater than 100%. Predominantly, the use of derivatives is to establish short positions in securities and thus reduce a Fund's net exposure to markets. The underlying value of derivatives may not exceed 100% of the NAV of a Fund.

The table below outlines the history of the use of leverage in the Platinum International Fund. This example can be applied to Platinum Asia Fund.

Restrictions on leverage and Platinum International Fund's experience over 5 Years to 31 March 2017

Figures are as a percentage of the Platinum International Fund's NAV. This example can also be applied to the Platinum Asia Fund.

Table 10

	Allowable		Average	Last 5 years*	
	Maximum	Minimum		Highest	Lowest
Gross (Long + Short)	150%	50%[1]	104%	114%	91%
Long positions	150%	50%[1]	91%	100%	84%
Short positions	50%[1]	0%	12%	24%	5%
Net (Long – Short)	150%[2]	50%[3]	79%	89%	66%

1 This restriction is implied only by the Fund's requirement to be 'typically at least 50% net invested'.
2 Though maximum is 150%, typically the actual position will be 100%.
3 The restriction is implied only by the Fund's requirement to be 'typically at least 50% net invested'.
* Based on month-end positions.

Impact of leverage on investment returns and losses

The maximum allowable leverage with greatest impact on a Fund's returns would likely be where a Fund was 150% long. In such a case, if the value of a Fund's securities (or the underlying securities of derivatives) increased in value by 10%, the increase in a Fund's value would be 15%.

Conversely, a fall of 10% in the value of a Fund's securities (or the underlying securities of derivatives) would result in a fall of a Fund's value of 15%.

It should be noted that as per the table above, the Funds have not historically held positions of this magnitude.

7. Derivatives

Platinum may use derivatives:

- for risk management purposes;
- to take opportunities to increase returns;
- to create a short position in a security;
- to establish positions in securities that may otherwise not be readily available (e.g. to gain access to particular stock markets where foreign investors face restrictions); and
- to aid in the management of Fund cash flows (e.g. some stock markets require pre-funding of stock purchases that may be avoided through the use of derivatives).

Platinum has set the following investment restrictions in respect of each Fund:

- the underlying value* of derivatives may not exceed 100% of the NAV of a Fund; and
- the underlying value* of long stock positions and derivatives will not exceed 150% of the NAV of a Fund.

* Where options are employed, the underlying value will be the Delta adjusted exposure. 'Delta' is the theoretical measure of the sensitivity of the option price to a change in the price of the underlying asset (usually expressed as a percentage).

Types of derivatives used

Platinum currently uses the following derivatives: futures, options, swaps (currency and equity), credit default swaps and related instruments.

Criteria for engaging derivative counterparties

OTC derivative transactions may only be entered into with counterparties that have been approved by the board of directors of Platinum.

Consideration is given to the financial position and credit rating of the counterparty. Counterparties are engaged through standard market contracts such as the International Swaps and Derivative Association Master Agreement.

The aggregate exposure of each of the Funds to all OTC derivative counterparties will typically be no more than 5% of the NAV of the relevant Fund, and in any event will not exceed 10% of the NAV of the relevant Fund.

Key risks associated with collateral requirements

Trading in OTC derivatives generally requires the lodgement of collateral (also known as 'credit support', such as a margin or guarantee) with the counterparty. This gives rise to counterparty risk (see Section 7.4). Financial transactions that are conducted via the OTC market generally carry greater counterparty risk than securities traded on a recognised exchange (where the other party to the transaction is the exchange's clearing house).

Trading mechanism

Platinum uses both OTC and exchange traded derivatives (that is, those traded on a recognised derivatives exchange).

8. Short-selling

The rationale behind short-selling is to profit from a fall in the price of a particular security (e.g. share, index, exchange traded fund). From time to time, Platinum applies an active short-selling strategy for a Fund and the level of short-selling will differ between the Funds. Platinum may use short-selling to reduce a Fund's net invested position and thus reduce the Fund's level of market risk, and to take opportunities to increase returns.

Platinum generally utilises equity swaps to short sell. A swap is a derivative contract, in which two parties (counterparties) agree to exchange payments of value (or cash flows) for another. Normally they are cash settled non-deliverable contracts (that is, settled for profit or loss).

Platinum may also effect a short-selling strategy by borrowing the desired security. The security is repurchased in the market and repaid to the lender to close the short position.

In taking a short position, Platinum expects the asset to depreciate, although there is a risk that the asset could appreciate. Unlike a long security, losses can exceed the amount initially invested.

The risks associated with short-selling are managed in the same way as the risks associated with holding a long security, that is, thorough research, daily reporting and ongoing monitoring of positions held.

Short-selling example (loss)

Platinum short sells (via a swap agreement) 10,000 shares of ABC at $100 and closes the position when the share price rises to $120 by entering into an equal and opposite trade.

Trade	Number of shares	Share price ($)	Total income/cost ($)
Opening sell	10,000	100	1,000,000
Borrowing cost and commission			(200)
Interest receivable			250
Closing buy	10,000	120	(1,200,000)
Loss			**(199,950)**

There will be additional costs and revenues from borrowing costs, commissions and the return of dividends.

Short-selling example (profit)

Platinum short sells (via a swap agreement) 10,000 shares of ABC at $100 and closes the position when the share price falls to $80.

Trade	Number of shares	Share price ($)	Total income/cost ($)
Opening sell	10,000	100	1,000,000
Borrowing cost and commission			(200)
Interest receivable			250
Closing buy	10,000	80	(800,000)
Profit			**200,050**

There will be additional costs and revenues from borrowing costs, commissions and the return of dividends.

7.4 Risks of investing

Risks of investing specific to the Funds are described below.

General risks* associated with investing in hedge funds are described in the *OneAnswer Investment Funds Guide* which can be obtained online at onepath.com.au/superandinvestments-forms-and-brochures or by contacting Customer Services.

* Please note that in the *OneAnswer Investment Funds Guide*, information about leverage risk is provided under the heading 'Gearing'.

Risks specific to the Funds

You could lose money by investing in a Fund and the Fund could underperform other investments. Performance may differ significantly from industry benchmarks such as indices issued by MSCI. You should expect a Fund's unit price and total return to fluctuate within a wide range. Each Fund's performance could be affected by the risks noted below.

Counterparty risk

This is the risk of loss resulting from a counterparty not meeting its obligations due to a dispute over terms, or the insolvency, financial distress or bankruptcy of a counterparty used by Platinum.

Currency risk

Investing in assets denominated in a currency other than a Fund's base or reporting currency may cause losses resulting from exchange rate fluctuations. Platinum may not hedge or any hedging strategies employed may not be successful.

Derivative risk

Investments in derivatives may cause losses associated with changes in market conditions, such as fluctuations in interest rates, equity prices or exchange rates and, changes in the value of a derivative may not correlate perfectly with the underlying asset. Derivative transactions may be highly volatile and can create investment leverage, which could cause a Fund to lose more than the amount of assets initially contributed to the transaction. As OTC derivatives are customised instruments, a Fund may be unable to liquidate the derivative contract at a fair market price within a reasonable timeframe. The OTC counterparty may be unable or unwilling to make the required delivery of the security or make the required payments.

Foreign issuer risk

Investments in foreign companies may decline in value because of sovereign, political, economic or market instability, the absence of accurate information about the companies, and risks of unfavourable government actions such as expropriation and nationalisation. Such securities may be less liquid, more volatile, and harder to value. In times of market disruptions (including but not limited to market closures), security prices may be delayed or unavailable. Some countries may have different legal systems, taxation regimes, auditing and accounting standards with less governmental regulation and transparency. These risks may be higher when investing in emerging markets.

Fund and operational risks

The following risks may adversely affect a Fund and its performance:

- a Fund could terminate
- its features could change
- Platinum may not be able to continue to act as responsible entity
- third party service providers engaged by Platinum for the Funds may not properly perform their obligations and duties to Platinum, or
- circumstances beyond the reasonable control of Platinum may occur, such as failure of technology or infrastructure, or natural disasters.

General regulatory and tax risk

This is the risk that a government or regulator may introduce regulatory and/or tax changes, or a court makes a decision regarding the interpretation of the law, which affects the value of a Fund's assets or the tax treatment of a Fund and its investors. These changes are monitored by Platinum and action is taken, where appropriate, to facilitate the achievement of the investment objectives of each Fund. However, Platinum may not always be in a position to take such action.

Global pandemic risk

Health pandemics could significantly affect the industries that a Fund invests in, as well as the normal operations of financial markets and the operation of custodians and Platinum's counterparties.

International investing

Information about this risk is provided in the *OneAnswer Investment Funds Guide*.

Liquidity risk

A Fund may not be able to purchase or sell a security in a timely manner or at a desired price or achieve its desired weighting in a security.

Manager risk

A Fund's performance depends on the expertise and investment decisions of Platinum. Platinum's opinion about the intrinsic worth of a company or security may be incorrect, a Fund's investment objective may not be achieved and the market may continue to undervalue the securities held by a Fund.

Market risk

Security prices may decline over short or extended periods due to general market conditions, including but not limited to, inflation, foreign currency fluctuations and interest rates.

Performance fee risk

Where performance fees are charged, Platinum may have an incentive to take higher investment risks in a portfolio.

Platinum has a duty to act in the best interests of the investors of the Fund. Platinum's investment strategy is applied to derive prospects for investment – this includes peer review of investment choices to investigate the merits of the case and the achievements that are expected from a company. Portfolio Managers and associated investment staff are required to comply with conflict management policies and compliance and risk management frameworks.

Portfolio asset risk

Investments in equity and equity related securities generally have greater price volatility risk than debt securities. The value of securities held in a Fund may decline because of the quality of a company's management, financial condition, operations and the general health of the sector in which the company operates. Share markets can experience exceptionally high levels of volatility affecting the value of the securities traded in those markets.

Short-selling risk

Short-selling can be seen as a form of leverage and may magnify the gains and losses achieved in the portfolio. While short-selling may be used to manage certain risk exposure in the portfolio, it may also have a significantly increased adverse impact on its return. Losses resulting from a short position may exceed the amount initially invested.

8. MAN AHL ALPHA (AUD)

8.1 The Fund

Man AHL Alpha (AUD) ARSN 138 643 768 (referred to as 'the Fund' for the purposes of this section).

Responsible entity

Man Investments Australia Limited ABN 47 002 747 480, AFSL 240 581.

Fund website

man.com

PDS

The Fund's PDS is available at man.com/products/man-ahl-alpha-aud-class-b#_product-documents. You should refer to the PDS for full information about the Fund.

RG240

RG240 Benchmarks and Disclosure Principles apply primarily to underlying hedge funds that are 'significant underlying funds' (that is, they account for 35% or more of a fund's assets). Different disclosure requirements apply to underlying hedge funds that are not significant underlying funds.

OnePath Alternatives Growth Fund invests in Man AHL Alpha (AUD), a hedge fund that is not considered a significant underlying fund for the purposes of RG240. The disclosure information relevant to Man AHL Alpha (AUD) under RG240 is set out below.

8.2 Fund strategy

The Fund aims to generate medium to long-term returns primarily by identifying and taking advantage of upward and downward price trends through a varied portfolio of investments which may include trading futures, options, forward contracts, contracts for difference, equities, debt, swaps and other derivatives, both on and off exchange, using AHL Alpha Program. Amounts not required for trading using the AHL Alpha Program are held in a cash deposit.

The Fund accesses the AHL Alpha Program by investing in Class D1 Sub-Class B AHL Alpha AUD Shares of AHL Strategies PCC Limited (the Man Underlying Fund), a company incorporated in Guernsey.

The Man Underlying Fund, in turn, invests in the shares of underlying investment vehicles (Underlying Vehicles) selected by the AHL Partners LLP. Refer to the Fund's PDS for further information.

The markets accessed by the AHL Alpha Program are global.

It is not expected that the Fund's strategy, as described above, will change.

Use of leverage

On a look through basis, the Fund's investments using the AHL Alpha Program use leverage. However, the Fund is not leveraged. For every $0.30 used, the Fund, using the AHL Alpha Program, aims to gain exposure to the price movements of $1.00 worth of assets. This is possible because the AHL Alpha Program involves trading in futures, options, forwards contracts, contracts for difference, swaps and other derivative instruments, both on and off exchange, which require deposits of only a portion of the value of the underlying assets.

8.3 Risks of investing

Risks of investing specific to the Fund are described in the Fund's PDS.

General risks* associated with investing in hedge funds, including international investment risks, are described in the *OneAnswer Investment Funds Guide* which can be obtained online at onepath.com.au/superandinvestments-forms-and-brochures or by contacting Customer Services.

* Please note that in the *OneAnswer Investment Funds Guide*, information about leverage risk is provided under the heading 'Gearing'.

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Customer Services
Phone 133 665 weekdays between 8.30am and 6.30pm (AEST)
Email customer@onepath.com.au

Adviser Services (for use by financial advisers only)
Phone 1800 804 768 weekdays between 8.30am and 6.30pm (AEST)
Email adviser@onepath.com.au

Address
OneAnswer
GPO Box 5306
Sydney NSW 2001
347 Kent Street
Sydney NSW 2000

OnePath Custodians Pty Limited ABN 12 008 508 496 AFSL 238346 RSE L0000673
OnePath Funds Management Limited ABN 21 003 002 800 AFSL 238342