

# JPMORGAN GLOBAL RESEARCH ENHANCED INDEX EQUITY FUND

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Reference Guide (“Reference Guide”) dated 2 December 2019

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## CONTACT DETAILS

If you have any questions or would like more information about the Fund, you may contact the Manager or the Responsible Entity:

### MANAGER

T: 1800 576 468  
M: Level 31, 101 Collins Street,  
Melbourne VIC 3000  
W: [www.jpmorganam.com.au](http://www.jpmorganam.com.au)  
E: [jpmorgan.funds.au@jpmorgan.com](mailto:jpmorgan.funds.au@jpmorgan.com)

### RESPONSIBLE ENTITY

T: 02 9229 9000  
M: Level 18, 123 Pitt Street,  
Sydney, NSW, 2000  
W: [www.perpetual.com.au](http://www.perpetual.com.au)

This Reference Guide is issued by Perpetual Trust Services Limited, ABN 48 000 142 049, AFSL 236648 (“**Responsible Entity**”), as responsible entity of the JPMorgan Global Research Enhanced Index Equity Fund (“**Fund**”).

The investment manager of the Fund is JPMorgan Asset Management (Australia) Limited, ABN 55 143 832 080, AFSL 376919 (“**Manager**”).

## IMPORTANT NOTES

The information in this Reference Guide forms part of the Product Disclosure Statement dated 2 December 2019 for the Fund (“**PDS**”) and should be read in conjunction with the PDS. You should consider all of this information before making a decision to invest in the Fund.

The information provided in this Reference Guide is for general information only and does not take into account your objectives, financial situation or needs. You should obtain financial advice tailored to your personal circumstances.

The information in this Reference Guide is up to date at the time of preparation. This Reference Guide may be updated with changes that are not materially adverse via disclosure on the Manager’s website, at [www.jpmorganam.com.au](http://www.jpmorganam.com.au). Upon request, a paper copy of this information will be made available without charge by contacting the Manager. If you invest through a Service, updated information may also be obtained from your Service operator.

Defined terms used in this Reference Guide have the same meaning as used in the PDS unless defined in this Reference Guide or the context requires otherwise.

While the Fund is admitted on the mFund Settlement Service (“**mFund**”) you will be able to make application and withdrawal requests through mFund with approved ASX brokers or your financial adviser who uses a stockbroking firm on your behalf.

## 1. About Perpetual Trust Services Limited

There is no additional information in this section. Refer to the section 1 'About Perpetual Trust Services Limited' in the PDS.

## 2. How the Fund works

### Withdrawals

You may withdraw all or part (subject to a minimum withdrawal amount of \$5,000) of your investment in the Fund at any time as long as you maintain a minimum balance (currently \$1,000) in the Fund after any partial withdrawal from the Fund. Otherwise we may close your account and pay the balance of your investment to you.

To make a withdrawal request, please complete the withdrawal form available from the Manager's website at [www.jpmorganam.com.au](http://www.jpmorganam.com.au). Withdrawal requests may be sent electronically either by email or facsimile to the Administrative Agent. For investments made via mFund see "Transactions via mFund" below for further information.

You may cancel a withdrawal request by notifying the Administrative Agent at any time before they are accepted and processed.

Your withdrawal proceeds are generally deposited into a nominated Australian bank, building society or credit union account. Withdrawal proceeds that are paid directly into your nominated account are subject to clearance by your bank, building society or credit union from the date of deposit into your account. We do not accept withdrawal requests in relation to withdrawals made payable to third parties.

The Administrative Agent will confirm all withdrawals in email or writing. For your protection, withdrawals will not be paid in cash.

If you withdraw your Units before the end of the distribution period, you may not receive a distribution for those Units in that period. Your withdrawal amount will generally include your share of distributable income accrued in the Fund to the date of withdrawal as capital.

We may determine that part of your withdrawal amount represents a share of the distributable income including realised net capital gains for that distribution period. We will advise you if this happens.

If you are investing through a Service, you should follow the instructions of the Service operator when withdrawing your investment from the Fund.

### Restrictions on withdrawals

We are not obliged to offer investors the opportunity to make, or to give effect to a withdrawal request. The circumstances in which we may not give effect to all or part of the withdrawal request may include, but are not limited to, situations where:

- any relevant financial, stock, bond, note, derivative or foreign exchange market is closed;
- trading on any such market is restricted;
- an emergency exists as a result of which it is not reasonably practicable to acquire or dispose of assets of the Fund or to determine fairly the withdrawal price;
- any state of affairs exist as a result of which it is not reasonably practicable for us to acquire or dispose of the assets of the Fund or to determine fairly the withdrawal price;
- any moratorium declared by a government or the competent authority or regulator of any country in which a significant proportion of the Fund is invested exists;

- disposal would be prejudicial to other investors, such as where there is a large single redemption or a number of significant redemptions together; or
- it is not practicable to sell investments in the Fund in the usual timeframe.

If we refuse to give effect to all or part of a withdrawal request, we will advise you as soon as practical of such refusal. We will use reasonable endeavours to give effect to the withdrawal request as soon as possible thereafter, and in an orderly manner.

In certain circumstances where there is a large withdrawal request, we may treat it as a series of smaller requests over a number of weeks or months.

If you are investing through a Service, you should follow the instructions of the Service operator when withdrawing your investment from the Fund.

### Transactions via mFund

While the Fund continues to be admitted as an mFund product, you will be able to make application and withdrawal requests through mFund by placing a buy or sell order with approved ASX brokers or your financial adviser who uses a stock broking service on your behalf.

Your ASX broker will process a completed application or withdrawal request for Units through ASX's CHESS settlement system. CHESS will confirm the order with your ASX broker once it is received and accepted by the Administrative Agent. Correctly completed application or withdrawal requests for Units received by the Administrative Agent will be forwarded by CHESS to your ASX broker for your payment or to receive proceeds, respectively<sup>1</sup>. For application or withdrawal requests made through mFund, the payment options will depend on the requirements of the ASX broker.

For application requests, you will need to provide your application money to your ASX broker. The Administrative Agent will calculate and allot new Units in the Fund to your CHESS Holder Identification Number ("HIN"). CHESS will notify your ASX broker of the Unit price and Units allotted. If you are allotted Units (through transfer or certain corporate actions) which are not broker-sponsored, your holding will be issuer sponsored and you will be provided with a security reference number ("SRN"). Please refer to [www.mfund.com.au](http://www.mfund.com.au) for additional information. Note that mFund is not a trading facility and does not facilitate buying and selling between investors on the market.

<sup>1</sup> When investing via mFund, any errors made on the application instruction may result in application or withdrawal requests being automatically rejected by the registry system. Any rejected requests will not be processed and will require resubmission.

### Mortgage of Units

The Administrative Agent is not able to note any security interests over your Units.

### Transfer of Units

With our consent, you may transfer Units to another person by providing us with a signed and completed transfer form prescribed by the Responsible Entity, with duty paid, if applicable, and any other required documents.

A transfer of Units will generally be a disposal of Units for tax purposes, which may have tax implications.

If you are investing through a Service, you should follow the instructions of the Service operator if you wish to transfer your Units.

### Instructions and changes

Please contact the Administrative Agent in writing to advise of any changes to your name, address, contact details and bank accounts, and to provide any other details or instructions.

If you are investing through a Service, you should contact the Service operator to advise them of such matters.

## 3. Additional information about risks of managed investment schemes

As the Fund will be substantially invested in shares that correspond to the Underlying Sub-Fund, the value of the Underlying Sub-Fund's investment may fall as well as rise and the Fund may get back less than it originally invested. There is no guarantee that the Underlying Sub-Fund (and therefore the Fund) will meet its investment objectives. The Underlying Sub-Fund is subject to investment risks and other associated risks from the techniques and securities it uses to seek to achieve its objective. This should be read in conjunction with key risks disclosed in section 4 'Risks of managed investment schemes' of the PDS.

For more information about conflicts of interest about the Perpetual Group and the JPMorgan Chase Group, you may refer to section 4 of this Reference Guide.

### Other Risks of the Underlying Sub-Fund

Type of risk	Description of risk
<b>Currency risk</b>	The Fund is denominated in AUD and invests in the Underlying Sub-Fund which is denominated in Euro ("EUR"). The Underlying Sub-Fund may invest in assets denominated in a currency other than AUD or EUR. Movements or changes in currency exchange rates could adversely affect the value of the Underlying Sub-Fund's securities and the price of its shares, and consequently, the per unit price of the Fund. Exchange rates can change rapidly and unpredictably for a number of reasons including changes in interest rates or in exchange control regulations.
<b>Market risk</b>	Prices of securities change continually and can fall based on a wide variety of factors affecting financial markets generally or individual sectors.
<b>Accounting practices risk</b>	The accounting, auditing and financial reporting system may not accord with international standards in countries where the Underlying Sub-Fund may invest. Even when such reports have been brought into line with international standards, they may not always contain correct information. Obligations on companies to publish financial information may also be limited.
<b>Collateral risk</b>	<p>Collateral is received from counterparties in connection with transactions in securities lending, reverse repurchase transactions and OTC derivatives other than currency forwards. A counterparty may become unable or unwilling to meet its obligations to the Underlying Sub-Fund, resulting in losses to the Underlying Sub-Fund.</p> <p>In the event of default, the counterparty would forfeit its collateral on the transaction. However if a transaction is not fully collateralised, the collateral may not cover the credit exposure to the counterparty. Collateral may be held either by the Depositary or by a third party custodian and there is a risk of loss if the custodian or sub-custodian are negligent or become insolvent.</p>
<b>Legal risk</b>	<p>There is a risk that legal agreements in respect of certain derivatives, instruments and techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in tax or accounting laws. In such circumstances, the Underlying Sub-Fund may be required to cover any losses incurred. Furthermore, certain transactions are entered into on the basis of complex legal documents. Such documents may be difficult to enforce or may be the subject of a dispute as to interpretation in certain circumstances. Whilst the rights and obligations of the parties to a legal document may be governed by English law, in certain circumstances (for example insolvency proceedings) other legal systems may take priority which may affect the enforceability of existing transactions.</p> <p>The Underlying Sub-Fund will not, and potentially none of the service providers, carry any insurance for losses for which the Underlying Sub-Fund may be ultimately subject to an indemnification obligation. Any indemnification payment with respect to the Underlying Sub-Fund would be borne by it and will result in a corresponding reduction in the price of the Shares.</p>
<b>mFund registration risk</b>	While the Fund is an mFund product, if you invest via mFund then you may be exposed to some additional counterparty risks. Losses can be incurred if a counterparty fails to deliver on its contractual obligations, experiences financial difficulty or abandons the mFund settlement service. You may incur loss through exposure to a counterparty. In addition, there is some risk the ASX may suspend or revoke the Fund's admission/settlement status on the mFund settlement service as a result of the Fund failing to comply with the ASX admission requirements or otherwise, the ASX's systems could fail, or there could be errors in connection with the system. As a result investors may experience delays in processing applications or redemptions.
<b>Political risk</b>	The value of the Underlying Sub-Fund's investments may be affected by uncertainties such as international political developments, civil conflicts and war, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made. For example, assets could be compulsorily re-acquired without adequate compensation. Events and evolving conditions in certain economies or markets may alter the risks associated with investments in countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in emerging market countries.

Type of risk	Description of risk
<b>Taxation risk</b>	Proceeds from the sale of securities in some markets or the receipt of any dividends and other income may be or may become subject to tax, levies, duties or other fees or charges imposed by the authorities in that market, including taxation levied by withholding at source. Tax law and practice in certain countries into which the Underlying Sub-Fund invests or may invest in the future (in particular Russia, China and other emerging markets) is not clearly established. It is therefore possible that the current interpretation of the law or understanding of practice might change, or that the law might be changed with retrospective effect. As a result, the Underlying Sub-Fund could become subject to additional taxation in such countries that is not currently anticipated or when investments are made, valued or disposed of.
<b>Volcker Rule</b>	JPMorgan Chase & Co. and its affiliates (together, "J.P. Morgan") are subject to certain U.S. federal banking laws and regulations which may be relevant to the Fund and Underlying Sub-Fund and its investors. On July 21, 2010, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the "Dodd-Frank Act") was signed into law. The Dodd-Frank Act includes certain provisions (known as the "Volcker Rule") that restricts the ability of a banking entity, such as J.P. Morgan, from acquiring or retaining any equity, partnership or other ownership interest in, or sponsoring, a covered fund and prohibits certain transactions between such funds and J.P. Morgan. Although J.P. Morgan does not intend to treat either of the Fund or Underlying Sub-Fund as a covered fund, under the Volcker Rule, if J.P. Morgan, together with its employees and directors, owns 15% or more of the ownership interests of the Fund or Underlying Sub-Fund outside of the permitted seeding period, the Fund or Underlying Sub-Fund (as applicable) could be treated as a covered fund. Generally, the permitted seeding period is three years from the implementation of the Fund's or Underlying Sub-Fund's investment strategy. As a result, it may be required to reduce its ownership interests in the Fund or Underlying Sub-Fund (as applicable) at a time that is sooner than would otherwise be desirable. This may require the sale of portfolio securities, which may result in losses, increased transaction costs and adverse tax consequences. In addition, in cases where J.P. Morgan continues to hold a seed position representing a significant portion of the Fund's or Underlying Sub-Fund's assets at the end of the permitted seeding period, the anticipated or actual redemption of shares owned by J.P. Morgan could adversely impact the Fund or Underlying Sub-Fund (as applicable) and could result in such fund's liquidation. Impacted banking entities are generally required to be in conformance with the Volcker Rule by July 21, 2015.

#### 4. Additional information about how we invest your money

This should be read in conjunction with section 5 'How we invest your money' of the PDS.

##### No interest earned on application and distribution accounts

No interest is earned on application money, proceeds of withdrawal requests and distribution amounts, which are held in trust accounts prior to being processed.

##### Transaction confirmations

The Administrative Agent will provide written confirmation of each of your transactions promptly. This includes initial and additional investments and reinvestments. Confirmation will be made to you by email or post.

##### Annual financial report

The audited financial statements for the Fund will be prepared as at 30 June each year and published on the Manager's website at [www.jpmorganam.com.au](http://www.jpmorganam.com.au) within 3 months after 30 June each year.

Upon request, you may also receive, free of charge, a hard copy or electronic copy of the financial statements by contacting the Manager.

##### Disclosing entity

If the Fund becomes a "disclosing entity" under the Act, the Fund will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

If the Fund is a "disclosing entity" under the Act, you have a right to obtain a copy of the following documents at no charge to you:

- a) the annual financial report most recently lodged with ASIC by the Fund;

- b) any half-year financial report lodged with ASIC by the Fund after the lodgement of that annual financial report and before the date of the PDS; and
- c) any continuous disclosure notices given by the Fund after the lodgement of that annual report and before the date of the PDS.

If the Fund is a "disclosing entity", we will disclose information to investors which may have a material effect on the price or value of Units or would be likely to influence persons who commonly invests in deciding whether to acquire or dispose of Units. You have a right to obtain a copy of these documents at no charge. Please call the Manager and they will provide you with a copy of the requested document within 5 days. We intend to post on the Manager's website at [www.jpmorganam.com.au](http://www.jpmorganam.com.au) all continuous disclosure information.

##### Markets announcement platform

We will make information required to be disclosed while the Fund is an mFund on the Manager's website at [www.jpmorganam.com.au](http://www.jpmorganam.com.au) and via the ASX website at [www.mfund.com.au](http://www.mfund.com.au) via the markets announcement platform on a periodic basis.

##### Tax statement

A year-end tax statement will be sent to you by the Administrative Agent with tax information as soon as practical after the end of the financial year to help you include the information in your tax return.

##### Indirect investors

If you are investing through a Service, your Service operator will report to you about your investment. Please refer to them about the frequency and nature of reporting on your investment.

## Valuation

The assets of the Fund are generally valued on each Business Day, however we may value assets of the Fund at any time, and must do so in accordance with and when required by the Act or an ASIC instrument. The valuation methods and policies applied by us must be consistent with ordinary commercial practices for valuing property of the relevant kind.

Assets of the Fund must be valued at their market value unless:

- a) there is no market for the assets; or
- b) we reasonably believe that the valuation does not represent the fair value of the assets,

in which case, we may use another valuation method or policies in respect of the assets provided that the method or policies for calculating the value must be consistent with ordinary commercial practice for valuing that type of Fund property and produce a value that is reasonably current at the time of valuation. Where an asset is in a currency other than the currency of the Fund, the asset will be valued using the relevant exchange rate quoted by a bank or other responsible financial institution.

Unless we otherwise prescribe, the value of assets of the Fund as at a specified day is to be determined using the values available at the close of that Business Day, unless where the specified day is not a Business Day, then the value is determined using the values most reasonably current, which are typically as at the close of the preceding Business Day.

Our determination of the value of the Fund, of any asset of the Fund and of any part of the Fund is, in the absence of fundamental error, final and binding on all investors of the Fund.

## Borrowing by the Fund

Although the Constitution allows us to borrow or raise money, it is not our intention for the Fund to enter into any long term borrowings. Short term borrowings may occur in the ongoing management of the Fund, including for meeting day-to-day liquidity requirements.

## Forced Redemption

Pursuant to the Constitution, the Responsible Entity has absolute power and discretion at any time to reject any application, prevent further transactions by any investor, delay or withhold processing and/or payout of redemption proceeds and/or effect forced redemption of Units. Without limiting the generality of the foregoing, the Responsible Entity may exercise such power:

- a) on any investor, who does not fulfil any "Know Your Customer", anti-money laundering and/or other regulatory or compliance requirements;
- b) on any investor, who is subject to either individual sanctions or a part of such entity or country which is subject to U.S. sanctions (Office of Foreign Assets Control or "OFAC") or other sanctions; and
- c) if the Responsible Entity determines in its sole discretion that the relevant transaction is suspicious in nature as regards money laundering.

We are not liable for any loss you may suffer as a result of your compliance with our legal or regulatory obligations.

The Responsible Entity has the absolute discretion to reject and reverse any market timing or related excessive, short-term trading practices deployed by any investors that it becomes aware of. In general, market timing refers to the systematic investment behaviour of an investor subscribing or redeeming units for the same fund within a short period of time on the basis of predetermined prices by taking advantage of time differences

and/or imperfections and deficiencies in the method of determination of net asset value. Accordingly, to protect the best interests of investors and/or the Fund, we reserve the right to reject and/or suspend any application and withdrawal requests from any investor engaging in such practices or suspected of engaging in such practices and to take such further action as we, at our discretion, may deem appropriate or necessary.

## Privacy and personal information

### *Indirect investors*

If you are investing through a Service, we do not collect or hold personal information in connection with your investment in the Fund. Please contact your Service operator for more information about their privacy policy.

### *Direct Investors (including investors through mFund)*

We collect personal information from you in the application form and any other relevant forms to be able to process your application, administer your investment and comply with any relevant laws. If you do not provide us with your relevant personal information, we will not be able to do so.

Privacy laws apply to our handling of personal information and we will collect, use and disclose your personal information in accordance with our privacy policy, which includes details about the following matters:

- the kinds of personal information we collect and hold;
- how we collect and hold personal information;
- the purposes for which we collect, hold, use and disclose personal information;
- how you may access personal information that we hold about you and seek correction of such information (note that exceptions apply in some circumstances);
- how you may complain about a breach of the Australian Privacy Principles ("**APP**"), or a registered APP code (if any) that binds us, and how we will deal with such a complaint; and
- whether we are likely to disclose personal information to overseas recipients and, if so, the countries in which such recipients are likely to be located if it is practicable for us to specify those countries.

We may also give your personal information to service providers of the Fund, including the Manager, the Custodian, the Administrative Agent, the Fund accountant and their related bodies corporate ("**Service Providers**") which may require transferring your personal information to entities located outside Australia where it may not receive the level of protection afforded under Australian law. We and the Service Providers may use personal information collected about you to notify you of other products.

Our privacy policy is available on our website at [www.perpetual.com.au](http://www.perpetual.com.au) or you can obtain a copy free of charge by contacting us. Personal information will also be handled by the Manager in accordance to the Manager's privacy policy. A copy of the Manager's privacy policy is publicly available by visiting [www.jpmorganam.com.au](http://www.jpmorganam.com.au).

## Anti-Money Laundering/Counter-Terrorism Financing Laws

Under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ("**AML Act**"), we (or our agent or service provider appointed by us) are required to verify your identity before providing services to you, and where you supply documentation relating to your identity, keep a record of this documentation for 7 years after you end your relationship with us.

Transactions may be delayed or refused where we require further information regarding your identity or we have reasonable grounds to believe that the transaction breaches the law or sanctions of Australia or any other country. Where transactions are delayed or refused, we are not liable for any loss you suffer, including consequential loss, as a result of our compliance with the AML Act or similar law of any other country.

Where required by law, we may disclose your information to regulatory or law enforcement agencies, including the Australian Transaction Reports and Analysis Centre ("**AUSTRAC**"), which is responsible for regulating the AML Act.

Customer identification requirements for individual investors are collected in the application form.

### **Constitution**

The Constitution, along with the Act and other relevant laws, governs the way in which the Fund operates and the rights and responsibilities and duties of the Responsible Entity and investors.

The Constitution contains the rules relating to a number of issues including:

- a) the rights and liability of investors;
- b) the process by which Units are issued and redeemed and the calculation of Unit prices;
- c) the calculation and distribution of the income of the Fund;
- d) the investment powers of the Responsible Entity, which are very broad;
- e) the Responsible Entity's right to claim an indemnity from the Fund for expenses incurred in relation to the Fund;
- f) the rules about investors' meetings;
- g) information about complaints' handling; and
- h) the duration and termination of the Fund.

The Constitution states that the liability of an investor is limited to the amount, if any, that remains unpaid on the investor's Units. An investor need not indemnify the Responsible Entity or any creditor of the Fund or Responsible Entity, if the Fund's assets are not sufficient to discharge the Fund's liabilities or meet the claim of any creditor of the Fund or the Responsible Entity in respect of the Fund. The Constitution also provides that the Responsible Entity may deduct from any money payable to an investor any taxes which it is required or authorised to deduct or which it considers should be deducted. While the Constitution limits the liability of the investors in the manner described above, this position has not been fully tested in the courts of law.

The Responsible Entity may by deed modify, repeal or replace the Constitution if it reasonably considers the amendments will not adversely affect investors' rights. Otherwise, it must obtain investors approval of the amendments at a meeting of investors.

The Responsible Entity may retire or be required to retire as responsible entity if investors vote for its removal or when requested to do so by the Manager subject to the law and its duties.

The Fund will terminate two days before the 80th anniversary of the establishment of the Fund, but the Responsible Entity may terminate it earlier by notice to investors. On termination, the Responsible Entity will realise the Fund's assets and pay to investors their share of the net proceeds of realisation.

A copy of the Constitution is available at no charge from the Responsible Entity on request. The information set out in the PDS and this Reference Guide about the content of the Constitution is a summary only.

### **Conflicts of interest of the Perpetual Group**

Other entities within the 'Perpetual Group' (comprising Perpetual Limited and its subsidiaries, including the Responsible Entity) may act in various capacities (such as responsible entity, trustee and custodian) for other funds or accounts not described in the PDS or this Reference Guide. Perpetual Group have implemented policies and procedures to identify and where possible mitigate or avoid the conflict.

### **Conflicts of interest of the JPMorgan Chase Group**

An investment in the Fund is subject to a number of actual or potential conflicts of interest. The JPMorgan Chase Group has adopted policies and procedures reasonably designed to appropriately prevent, limit or mitigate conflicts of interest. In addition, these policies and procedures are designed to comply with applicable law where the activities that give rise to conflicts of interest are limited and/or prohibited by law, unless an exception is available.

The Manager, the Fund, the Administrative Agent and the Custodian are not independent third parties. Likewise, the Management Company, the Underlying Sub-Fund, the investment manager and depositary of the Underlying Sub-Fund are also not independent third parties. They are all part of the JPMorgan Chase Group, which provide a broad range of services and products to their clients and are major participants in the global currency, equity, commodity, fixed-income and other markets in which the Fund indirectly invests or will invest. In certain circumstances by providing services and products to their clients, JPMorgan Chase Group's activities may disadvantage or restrict the Fund and/ or Underlying Sub-Fund and/or benefit these affiliates.

Generally, potential conflicting interests or duties described in this Reference Guide at the Fund level involving the Manager, the Fund, the Administrative Agent, the Custodian and its service providers may arise in a similar fashion at the Underlying Sub-Fund level involving the Management Company, the Underlying Sub-Fund, the investment manager and depositary of the Underlying Sub-Fund, and its service providers.

Potential conflicts of interest may arise between the Custodian and any delegates or sub-delegates it has appointed to perform safekeeping and related services. For example, potential conflicts of interest may arise where an appointed delegate is an affiliated group company of the Custodian and is providing a product or service to the Fund and has a financial or business interest in such product or service or where an appointed delegate is an affiliated group company of the Custodian which receives remuneration for other related custodial products or services it provides to the Fund, such as foreign exchange, securities lending, pricing or valuation services. In the event of any potential conflict of interest which may arise during the normal course of business, the Custodian will at all times have regard to its obligations under applicable laws and regulations.

Potential conflicts of interest may also arise as a consequence of the depositary (which is part of the JPMorgan Chase Group) providing administrative services to the Underlying Sub-Fund as the Management Company's agent. In addition, potential conflicts of interest may arise between the depositary and any delegates or sub-delegates it has appointed to perform safekeeping and related services.

The description of conflicts of interests below is without prejudice to the laws and regulations which each specific entity of the JPMorgan Chase Group is subject to. In particular it is a duty of the Management Company, under the rules of conduct applicable to it, to try to avoid conflicts of interest and, when they cannot be avoided, ensure that its clients (including the Fund) are fairly treated. To manage these potential conflicts, all arrangements

between the Fund, the Underlying Sub-Fund, the Manager, the Management Company, the investment manager, the Administrative Agent, Custodian and the depositary have been entered into at arm's length terms.

Potential investors and unit holders should carefully review the following, which describes potential and actual conflicts of interest that the JPMorgan Chase Group entities can face in their operations.

**Acting for multiple clients.** In general, the JPMorgan Chase Group faces conflicts of interest when it renders investment advisory services to several clients and, from time to time, provides dissimilar investment advice to different clients. In addition, a conflict could arise when one or more funds or accounts managed by the JPMorgan Chase Group Entities ("Other Accounts") invest in different instruments or classes of securities of the same issuer than those in which the Fund indirectly invests through the Underlying Sub-Fund.

In certain circumstances, Other Accounts have different investment objectives or could pursue or enforce rights with respect to a particular issuer in which the Underlying Sub-Fund has also invested and these activities could have an adverse effect on the Underlying Sub-Fund, which in turn may have an adverse effect on the Fund. It is possible that in connection with an insolvency, bankruptcy, reorganisation, or similar proceeding, the Underlying Sub-Fund and consequently the Fund will be limited (by applicable law, courts or otherwise) in the positions or actions it will be permitted to take due to other interests held or actions or positions taken by the JPMorgan Chase Group or Other Accounts.

**Affiliated transactions.** The Fund does not enter into transactions with the JPMorgan Chase Group directly. However, to the extent permitted by law, the Underlying Sub-Funds can enter into transactions in which the JPMorgan Chase Group acts as principal on its own behalf (principal transactions), or the JPMorgan Chase Group acts as broker for, and receives a commission from, the Underlying Sub-Funds (agency transactions). Agency transactions create the opportunity for the JPMorgan Chase Group to engage in self-dealing. The JPMorgan Chase Group entities face a conflict of interest when it engages in an agency transaction on behalf of the Underlying Sub-Fund, because such transactions result in additional compensation to the JPMorgan Chase Group. The JPMorgan Chase Group faces a potentially conflicting division of loyalties and responsibilities to the parties in these transactions.

**Allocation and aggregation.** Potential conflicts of interest also arise with both the aggregation of trade orders and allocation of securities transactions or investment opportunities. Allocations of aggregated trades, particularly trade orders that were only partially filled due to limited availability, and allocation of investment opportunities raise a potential conflict of interest because the JPMorgan Chase Group has an incentive to allocate trades or investment opportunities to Other Accounts. The JPMorgan Chase Group may face certain potential conflicts of interest when allocating the assets of a fund-of-funds among its Other Accounts.

**Overall position limits.** Potential conflicts of interest also exist when the JPMorgan Chase Group maintains certain overall investment limitations on positions in securities or other financial instruments due to, among other things, investment restrictions imposed upon the JPMorgan Chase Group by law, regulation, contract or internal policies. Investment restrictions may also be imposed upon the Fund indirectly through the Underlying Sub-Fund by regulation because of registration in certain jurisdictions. These limitations have precluded and, in the future could preclude, the Underlying Sub-Fund from purchasing particular securities or

financial instruments, even if the securities or financial instruments would otherwise meet the Underlying Sub-Fund's objectives.

**Redemptions.** The JPMorgan Chase Group, as an investor, and Other Accounts may have significant ownership in the Underlying Sub-Fund. The JPMorgan Chase Group faces conflicts of interest when considering the effect of redemptions on the Underlying Sub-Fund and on other shareholders in deciding whether and when to redeem its shares. A large redemption of shares by the JPMorgan Chase Group or Other Accounts could result in the Underlying Sub-Fund selling securities when it otherwise would not have done so, accelerating the realisation of capital gains or losses, increasing transaction costs and potentially affecting the viability of the Underlying Sub-Fund. A large redemption could significantly reduce the assets of the Underlying Sub-Fund, causing decreased liquidity and, depending on any applicable expense caps, a higher expense ratio.

**Investing in UCITS, UCIs and other investment vehicles.** Whilst the Fund will invest substantially all its assets in the Underlying Sub-Fund, the Underlying Sub-Fund may invest, from time to time, in UCITS, UCIs and other investment vehicles managed by the JPMorgan Chase Group. It is therefore possible that any of them may, in the due course of their business, have potential conflicts of interest with the Fund or the Underlying Sub-Fund. When undertaking any investments where conflicts of interest may arise, each will respectively endeavour to ensure that such conflicts are resolved fairly.

**Personal trading.** The JPMorgan Chase Group and any of its directors, officers, agents or employees, face conflicts of interest when transacting in securities for their own accounts because they could benefit by trading in the same securities as the Underlying Sub-Fund, which could have an adverse effect on the Underlying Sub-Fund. The JPMorgan Chase Group may make different investment decisions and take other actions with respect to their own proprietary accounts than those made for client accounts, including the timing or nature of such investment decisions or actions.

**Information access.** As a result of the JPMorgan Chase Group's various other businesses, affiliates, from time to time, come into possession of information about certain markets and investments which, if known to the investment managers, could cause them to seek to dispose of, retain or increase interests in investments held by the Underlying Sub-Fund or acquire certain positions on behalf of the Underlying Sub-Fund. However, the JPMorgan Chase Group's internal information barriers restrict the Underlying Sub-Fund's investment manager's ability to access such information even when it would be relevant to its management of the Underlying Sub-Fund. Such affiliates can trade differently from the investment manager for the Underlying Sub-Fund potentially based on information not available to the investment manager. If the investment manager of the Underlying Sub-Fund acquires, or is deemed to acquire, material non-public information regarding an issuer, it will be restricted from purchasing or selling securities of that issuer for its clients, including the Underlying Sub-Fund, until the information has been publicly disclosed or is no longer deemed material.

**Commission sharing arrangements.** The JPMorgan Chase Group pays certain broker-dealers with "soft commission" generated by client brokerage transactions in exchange for access to statistical information and other research services. The JPMorgan Chase Group faces conflicts of interest because the statistical information and other research services may benefit certain other clients of the JPMorgan Chase Group more than the Underlying Sub-Fund and can be used in connection with the management of accounts other than the accounts whose trades generated the commissions.

Additionally, when the JPMorgan Chase Group uses client brokerage commissions to obtain statistical information and other research services, the JPMorgan Chase Group receives a benefit because it does not have to produce or pay for the information or other research services itself. As a result, the JPMorgan Chase Group may have an incentive to select a particular broker-dealer in order to obtain such information and other research services from that broker-dealer, rather than to obtain the lowest price for execution.

The Responsible Entity will not enter into commission sharing arrangements with respect to the Fund.

**Lending.** Although the Fund does not engage in any borrowing or overdraft facility from the JPMorgan Chase Group, the Underlying Sub-Fund may engage in securities lending transactions. The Management Company faces a conflict of interest when an affiliate operates as a service provider in the securities lending transaction or otherwise receives compensation as part of the securities lending activities.

**Proxy voting.** Potential conflicts of interest can arise when the Management Company votes proxies for securities held by the Underlying Sub-Fund. A conflict is deemed to exist when the proxy is for the Underlying Sub-Fund, or when the proxy administrator has actual knowledge indicating that the JPMorgan Chase Group is an investment banker or rendered a fairness opinion with respect to the matter that is the subject of the proxy vote. Potential conflicts of interest can arise when the investment manager invests the Underlying Sub-Fund's assets in securities of companies that are also clients of the JPMorgan Chase Group or that have material business relationships with the JPMorgan Chase Group.

**Restriction to sell to a US person**

The Fund has not been registered under the United States ("US") Securities Act, as amended ("**US Securities Act**") or under any similar or analogous provision of law enacted by any jurisdiction in the US. The Units may not be offered or sold within the US or sold to any US person unless we and the Manager, at our absolute discretion, grant an exception. For this purpose, a US person is one falling under the definition of US person under the US Securities Act, under the guidelines set forth by the US Commodities Futures Trading Commission in its Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations, as amended, or under US Internal Revenue Code ("**IRC**") as specified below or under the US federal income tax law (as described below under paragraphs 1 through 4), or a non-US entity with certain US owners (as described below under paragraph 5):

1. An individual who is a citizen of the US or a resident alien for US federal income tax purposes. In general, the term "resident alien" is defined for this purpose to include any individual who (i) holds a US Permanent Resident Card (a "green card") issued by the US Citizenship and Immigration Services or (ii) meets a "substantial presence" test. The "substantial presence" test is generally met with respect to any calendar year if (a) the individual was present in the US on at least 31 days during such year and (b) the sum of the number of days in which such individual was present in the US during such year, 1/3 of the number of such days during the first preceding year, and 1/6 of the number of such days during the second preceding year, equals or exceeds 183 days;
2. A corporation, an entity taxable as a corporation or a partnership created or organized in or under the laws of the US or any state or political subdivision thereof or therein, including the District of Columbia (other than a partnership that is not treated as a US person under US Treasury Regulations);

3. An estate the income of which is subject to US federal income tax regardless of the source thereof;
4. A trust with respect to which a court within the US is able to exercise primary supervision over its administration and one or more US persons have the authority to control all of its substantial decisions, or certain electing trusts that were in existence on 20 August 1996 and were treated as domestic trusts on 19 August 1996; or
5. A Passive Non-Financial Foreign Entity ("**Passive NFFE**") with one or more "Controlling Persons" (within the meaning of any Intergovernmental Agreement relating to the Foreign Account Tax Compliance Act (as set forth in Sections 1471 through 1474 of the IRC) that may be entered into by the US and any other jurisdiction ("**IGA**")) that is a US Person (as described above under paragraph 1). A Passive NFFE is generally a non-US and non-financial institution entity that is neither a "publicly traded corporation" nor an "active NFFE" (within the meaning of the applicable IGA).

In addition, investors are required to notify us immediately in the event that they are or become US persons (or certain Passive NFFEs described above under paragraph 5) or hold Units for the account or benefit of US persons (or such Passive NFFEs) or hold Units in breach of any law or regulation or otherwise in circumstances having, or which may have, adverse regulatory, tax or fiscal consequences for the Fund or its investors or otherwise be detrimental to the interests of the Fund. If in our opinion an investor is holding Units in breach of any law or regulation or otherwise in circumstances having, or which may have, adverse regulatory, tax or fiscal consequences for the Fund or its investors or otherwise be detrimental to the interests of the Fund, or the investor has become or is a US person (or a Passive NFFE described above under paragraph 5), we may, in our sole discretion, redeem the Units of the investor in accordance with the provisions of the Constitution. Should an investor become a US person (or a Passive NFFE described above under paragraph 5), he or she may be subject to tax reporting.

**5. Additional information about fees and costs**

This should be read in conjunction with section 6 'Fees and costs' of the PDS.

The following section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole.

Taxes are set out in section 7 'How managed investment schemes are taxed' of the PDS and section 6 of this Reference Guide.

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

**JPMorgan Global Research Enhanced Index Equity Fund**

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the Fund</b>		
<b>Establishment fee</b> The fee to open your investment	Nil	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment	Nil	Not applicable



Type of fee or cost	Amount	How and when paid
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Exit fee</b> The fee to close your investment	Nil	Not applicable

#### Management costs<sup>1</sup> - The fees and costs for managing your investment

<b>Management costs</b> comprise of:	0.35% p.a. of the NAV of the Fund <sup>2,3</sup>	
<ul style="list-style-type: none"> <li><b>Management fee</b> Fee payable to the Responsible Entity for managing the Fund</li> </ul>	0.20% p.a. of the NAV of the Fund	Calculated and accrued on a daily basis and payable monthly in arrears out of the assets of the Fund.
<ul style="list-style-type: none"> <li><b>Expense recoveries (estimated)</b> Expenses incurred in the administration, management and operation</li> </ul>	0.05% p.a. of the NAV of the Fund <sup>4</sup>	Paid out of the assets of the Fund as and when incurred and reflected daily in the Unit price.
<ul style="list-style-type: none"> <li><b>Indirect costs (estimated)</b></li> </ul>	0.10% p.a. of the NAV of the Fund <sup>5</sup>	Calculated based on the Responsible Entity's reasonable estimate of such costs/expenses with reference to the relevant costs incurred in the financial year ending 30 June 2019.  Paid directly out of the assets of the Fund or indirectly out of the assets of an interposed vehicle <sup>6</sup> , as and when incurred and reflected daily in the Unit price.

#### Service fees

The fee for changing investment options	Nil	Not applicable
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<sup>1</sup> You may incur a buy/sell spread when your money moves in or out of the Fund. For more detail refer to "Transactional and operational costs" in the section "Additional explanation of fees and costs" below. As at the date of this Reference Guide, the buy/sell spread is nil.

<sup>2</sup> The fees and costs shown are inclusive of GST and net of any applicable input tax credits and reduced input tax credits. For further information refer to "Management costs" in the section "Additional explanation of fees and costs" below.

<sup>3</sup> What it costs you will depend on the fees you negotiate with your financial adviser or your Service operator (as applicable). For further information refer to "Differential fees" and "Additional fees and costs" in the PDS.

<sup>4</sup> The figures in the above table are based on expense recoveries incurred by the Fund for the financial year ending 30 June 2019, including the Responsible Entity's reasonable estimates where information was not available as at the date of the PDS and this Reference Guide.

<sup>5</sup> For more information on the meaning and calculation of indirect costs, see "Indirect costs" under the heading "Additional explanation of fees and costs". The figures in the above table are based on the indirect costs incurred by the Fund in the financial year ending 30 June 2019, including the Responsible Entity's reasonable estimates where information was not available as at the date of the PDS and this Reference Guide. As these indirect costs are calculated on the basis of indirect costs paid in the financial year ended 30 June 2019, the actual cost may differ from the amount set out above. A portion of the indirect costs are costs incurred in respect of over-the-counter ("OTC") derivatives used by the Underlying Sub-Fund and this cost is not capped. Indirect costs are deducted from the Underlying Sub-Fund's assets. They are reflected in the Unit price of the Fund and are not an additional cost to you. Details of any future changes to indirect costs will be provided on the Manager's website at [www.jpmorganam.com.au](http://www.jpmorganam.com.au) where they are not materially adverse to investors.

<sup>6</sup> For more information on the meaning of interposed vehicles, see "Indirect costs" under the heading "Additional explanation of fees and costs".

#### Additional explanation of fees and costs

##### Management costs

The management costs for the Fund (fees and costs incurred by you) are comprised of:

- a management fee payable to the Responsible Entity (including any fee payable to the Manager out of the management fee) for managing the Fund,
- expense recoveries of the Fund, such as costs associated with transfer agency services, custody and administration of the Fund, and the provision of audit, legal and tax services and
- indirect costs of the Fund.

The management fee, the expense recoveries incurred in the ordinary course of operations and a portion of the indirect costs (being those indirect costs that reflect the management fee and expense recoveries of the Underlying Sub-Fund) are capped at 0.35% p.a. of the NAV of the Fund, as further detailed below.

##### Management fee

For acting as Responsible Entity of the Fund, we are entitled to receive an annual management fee. The annual management fee is payable monthly in arrears from the Fund.

The Constitution sets out the maximum fees that can be charged by the Responsible Entity for an investment in the Fund. We are entitled to receive an annual management fee of up to 3% p.a. of the gross value of the assets of the Fund. For providing the services under an investment management agreement, the Manager is also entitled to receive a fee. This amount is paid by us to the Manager out of the annual management fee we are entitled to receive and will not be a separate expense recovery under the Constitution. The annual management fee is calculated and accrued on a daily basis and payable in arrears on a monthly basis, within generally 10 days of the end of each month.

##### Expense recoveries

Under the Constitution, we are also entitled to be reimbursed from the Fund in respect of expenses reasonably and properly incurred in the administration, management and operation of the Fund, and other incidental expenses. These include a range of costs and expenses which include, but are not limited to, costs associated with preparation of marketing material and disclosure documents,

transfer agency services, custody and administration of the Fund and the provision of audit, legal and tax services. To the extent any of these expenses are incurred by the Manager, the Manager is entitled to be reimbursed for these expenses by us (and we will, in turn, be entitled to be reimbursed this amount from the Fund).

Estimated expense recoveries likely to be incurred in the ordinary course of the Fund's operations are included in the management costs in the fees and costs table above and in the PDS. The estimated expense recoveries disclosed in the management costs in the fees and costs table are based on expenses incurred by the Fund for the financial year ended 30 June 2019, including the Responsible Entity's reasonable estimates where information was not available as at the date of the PDS and this Reference Guide.

Unusual or extraordinary expenses not necessarily incurred in any given year such as the costs of calling and holding unitholder meetings are also included in the management costs in the fees and costs table above and in the PDS but are not subject to the cap of 0.35% p.a. of the NAV of the Fund. As at the date of the PDS and this Reference Guide, the unusual or extraordinary expenses incurred by the Fund for the financial year ended 30 June 2019 were nil.

We are entitled to be indemnified out of the Fund for all expenses, losses and liabilities reasonably and properly incurred. This entitlement does not exist in relation to an expense, loss or liability attributable to a failure to properly perform the duties of a responsible entity.

Similar expenses may be incurred by the Underlying Sub-Fund, and where applicable, will be included in the indirect costs of the Fund.

#### **Indirect costs**

Indirect costs are any cost we know, or reasonably ought to know or, where this is not the case, may reasonably estimate has reduced or will reduce (as applicable), whether directly or indirectly, the return on the Fund, or the amount or value of the income of, or property attributable to the Fund, or an interposed vehicle. Broadly, an interposed vehicle is a body, trust, or partnership through which the Fund invests and includes the Underlying Sub-Fund.

The amount of indirect costs includes the costs of investing in derivatives that are not traded or listed on a recognised exchange and that are used by the Underlying Sub-Fund for the purposes of achieving its investment objectives, and also include any management fees and expense recoveries incurred in respect of the Underlying Sub-Fund.

Indirect costs are included in the management costs of the Fund and will be borne indirectly by the Fund and its investors. The indirect costs disclosed in the fees and costs tables are based on the indirect costs incurred by the Fund for the financial year ended 30 June 2019, including the Responsible Entity's reasonable estimates where information was not available as at the date of the PDS and this Reference Guide.

#### **Cap on certain management costs**

The management fee, the expense recoveries incurred in the ordinary course of operations and a portion of the indirect costs (being those indirect costs that reflect the management fee and expense recoveries of the Underlying Sub-Fund) (**Capped Management Costs**) are capped at 0.35% p.a. of the NAV of the Fund. Where the actual Capped Management Costs incurred by the Fund exceed 0.35% p.a. of the NAV of the Fund, the amount by which the Capped Management Costs exceeds the cap will not be paid out of the assets of the Fund.

Any extraordinary or unusual expense recoveries and/or indirect costs associated with OTC derivatives are not subject to the cap.

#### **Transactional and operational costs**

In managing the investments of the Fund, transactional and operational costs such as charges, disbursements, expenses, outgoings, fees, taxes, commissions, brokerage, settlement costs, clearing costs and government charges may be incurred by changes in the Fund's investment portfolio, or when the Fund experiences cash flows in or out of it ("**Transaction Costs**"). The costs of the Underlying Sub-Fund acquiring derivatives that are not traded or listed on a recognised exchange for hedging purposes may also constitute Transaction Costs. Transaction Costs may also include certain transaction costs that are included in the price of an asset and which will be reflected in the difference between the amounts paid for an asset and the value of the asset at the time of purchase based on its selling price.

When the Fund incurs Transaction Costs from changing its investment portfolio, they are paid out of the Fund's assets and reflected in its Unit price and are an additional cost for investors. This is also the case for Transaction Costs incurred by the Underlying Sub-Fund.

#### **Buy/sell spread**

Transaction Costs that are incurred because investors buy or sell Units are also paid from the Fund's assets, but they are offset by the transaction cost allowances that are included in the calculation of the Fund's application and/or withdrawal Unit prices, which are commonly known as "buy/sell spreads".

Transaction Costs are estimated and allocated accordingly when an investor buys or sells Units by incorporating a buy/sell spread between the Fund's application or withdrawal Unit prices, where appropriate. This aims to ensure that other investors are not impacted by the Transaction Costs associated with a particular investor buying or selling Units. We have the discretion to waive the buy/sell spread on applications or withdrawals.

The spread is based on our estimates of the average Transaction Costs incurred by the Fund. However, it is not a fee paid to us or the Manager and is retained in the Fund to cover the actual Transaction Costs as they are incurred.

The buy/sell spread is an additional cost to you and will impact the return on your investment. As it is built into the Fund's Unit prices, it will not be recorded separately on investor statements.

As at the date of this Reference Guide, there is no buy or sell spread and accordingly the costs resulting from issues and withdrawals are borne by all unitholders.

The buy/sell spread for the Fund is publicly available at the Manager's website at [www.jpmmorganam.com.au](http://www.jpmmorganam.com.au) or may be obtained free of charge by contacting the Manager.

GST is not applicable to any buy/sell spread when you buy or sell Units.

The Fund will also incur transactional and operational costs when dealing with the assets of the Fund through day to day trading other than in connection with ordinary applications and redemptions, including transactional brokerage, clearing costs, stamp duty, the buy/sell spreads of any underlying funds and/or derivatives. Transactional and operational costs associated with dealing with assets of the Fund may be recovered by us or the Manager and paid out of the Fund's assets. Such costs will also be incurred by the Underlying Sub-Fund.

The Fund's total transactional and operational costs for the financial year ended 30 June 2019 were -0.09% of the net assets of the Fund, including the Responsible Entity's reasonable estimates where information was unavailable at the date of the PDS and this Reference Guide. For example, the value of

transactional and operational costs on an average account balance of \$50,000 in the Fund was -\$45. Actual costs may differ and will vary based on a number of factors including the volume of transactions undertaken and market conditions generally.

#### **Alternative payments**

We do not pay any commission or soft dollars to financial advisers or advisory firms. Your adviser may, however, charge you an advice fee for your investment into the Fund.

#### **mFund warning**

Additional fees may be payable to approved ASX brokers (or your financial adviser who uses a stockbroking service on your behalf) for accessing the Fund through mFund while the Fund is an mFund product. You should consider the Financial Services Guide provided by your ASX broker or your adviser before accessing the Fund through mFund.

#### **Indirect investors**

If you are investing through a Service, additional fees may be charged by your financial adviser or Service operator (as applicable) for investing in the Fund as set out in their offer document.

#### **In-Specie Transfers**

On investing in the Fund, any costs associated with an 'in-specie' transfer will be paid by you.

Where a withdrawal is satisfied by an 'in-specie' transfer, you will bear all costs, including any applicable stamp duty, payable as a result of the transfer.

We reserve the right to accept 'in-specie' transfers for applications or in satisfaction of withdrawals in our absolute discretion.

## **6. Additional information about how managed investment schemes are taxed**

The summary below is general in nature and is intended as a guide only. As the tax rules in Australia are complex and are continuously changing, it is strongly recommended that investors obtain specific tax advice pertaining to their own circumstances prior to investing in the Fund.

#### **Reporting relating to the Foreign Account Tax Compliance Act ("FATCA")**

Under the FATCA provisions of the US Hiring Incentives to Restore Employment Act, 30% US withholding may be levied on certain US sourced income (for the Fund and the Underlying Sub-Fund, principally dividends and interest paid by US corporations and institutions including the US Government) unless the Fund and the Underlying Sub-Fund are considered FATCA-compliant. The Fund is resident in Australia, which signed an Intergovernmental Agreement with the US FATCA. Under Australia-enacted local legislation and local guidance to implement FATCA (together with FATCA, "**Australian FATCA Rules**"), the Fund is an Australian Financial Institution and intends to comply with Australian FATCA Rules. Under the Australian FATCA Rules applicable to the Fund, due diligence would be conducted on investors in the Fund, and investors with reportable accounts under such rules would be reported to the Australian Taxation Office ("**ATO**"). Compliance with relevant requirements under the Australian FATCA Rules is expected to be undertaken by the Responsible Entity. Investors to be reported on include certain US investors and certain non-US entities owned by US persons. Information to be reported to the ATO includes their identifying information, their holdings in the Fund, and payments made by the Fund to them. The ATO will transmit the reported information to US Internal Revenue Service ("**IRS**").

The Fund intends to comply with FATCA Rules and is not expected to be subject to a 30% FATCA withholding tax on US sourced income or other above-described amounts paid to the Fund. However, this cannot be assured given the complexity of the Australian FATCA Rules. The Responsible Entity, the Fund and/or their appointed parties, may request that investors and prospective investors provide certain information in order to comply with the requirements.

Prospective investors should consult their own advisors regarding the possible implications of FATCA on the Fund and the Underlying Sub-Fund, on their investment in the Fund based on their particular circumstances and on the information that may be required to be provided and disclosed to the Fund, the Responsible Entity, the Manager and distributors prior to, or after, a completed application or withdrawal request. The application of the Australian FATCA Rules to the Fund, and the application of Luxembourg's legislation and guidance implementing FATCA to the Underlying Sub-Fund, are subject to change.

#### **Common Reporting Standard ("CRS")**

The Common Reporting Standard as implemented under Australian law and guidance (such implementation, "**CRS**") generally requires financial institutions in Australia to collect information relating to their account holders' tax residence jurisdictions and report such information to the ATO, to enable the ATO to exchange such information with governmental authorities in other jurisdictions. Generally, under CRS, information is required to be collected (and other CRS due diligence performed) to seek to identify, and reporting to the ATO would be performed on, non-Australian tax residence jurisdictions of an Australian financial institution's account holders. This is the case even with respect to account holders that are tax residents of, among others, jurisdictions that do not have a competent authority agreement in place with Australia to exchange Common Reporting Standard information. Australia has signed the Multilateral Competent Authority Agreement to exchange information, along with a significant number of other jurisdictions.

The Fund is an Australian Financial Institution and intends to comply with CRS. Under CRS rules, due diligence would be conducted on investors in the Fund to identify whether they have reportable accounts for CRS purposes, and investors with reportable accounts would be reported to the ATO. Compliance with CRS requirements is expected to be undertaken by the Responsible Entity. The Responsible Entity, the Fund and/or their appointed parties may request that investors and prospective investors provide certain information in order to comply with CRS requirements. Investors to be reported on under CRS include certain investors that have one or more non-Australian tax residence jurisdictions and certain entities owned by persons with one or more non-Australian tax residence jurisdictions. Information to be reported to the ATO under CRS includes their identifying information, their tax residence jurisdictions and associated taxpayer identification numbers, their holdings in the Fund, and payments made by the Fund to them. The ATO will transmit the reported information to the governmental authorities of certain jurisdictions in which investors (or persons controlling certain entity investors) are tax resident.

The Common Reporting Standard as implemented by Luxembourg legislation and guidance applies to the Underlying Sub-Fund.

By investing in the Fund and/or continuing to invest in the Fund, investors acknowledge that they may be required to provide information to the Fund, the Responsible Entity and/or their appointed parties, in order for the Fund to be treated as compliant with CRS and Australian FATCA Rules. The investors' information (and information on beneficial owners, beneficiaries, direct or

indirect shareholders or other persons associated with certain entity investors) may be communicated by the ATO to governmental authorities in other jurisdictions.

Prospective investors should consult their own tax advisors regarding the possible implications of the Common Reporting Standard on the Fund and the Underlying Sub-Fund, on their investment in the Fund based on their particular circumstances, and on the information that may be required to be provided and disclosed to the Fund, the Responsible Entity, the Manager and distributors prior to, or after, a completed application or withdrawal request. The application of Common Reporting Standard rules is subject to change.

#### **How the Underlying Sub-Fund is taxed**

The Underlying Sub-Fund is not subject to any taxes in Luxembourg on its income, profits or capital gains. The only tax to which the Underlying Sub-Fund in Luxembourg is subject is the subscription tax, ("taxe d'abonnement") up to a rate of 0.05% per annum based on the net asset value attributed to each share class of the Underlying Sub-Fund at the end of the relevant quarter, calculated and paid quarterly. No stamp duty or other tax is payable in Luxembourg on the issue of shares in the Underlying Sub-Fund except a tax, payable once only, which was paid upon incorporation of the Underlying Sub-Fund.

Interest income, dividend income and capital gains received by the Underlying Sub-Fund in respect of some of its securities and cash deposits, including certain derivatives may be subject to non-recoverable withholding taxes at varying rates in the countries of origin. The Underlying Sub-Fund may further be subject to tax on the realised and unrealised capital appreciation of its assets in the countries of origin. A reduced tax rate of 0.01% per annum of the net assets will be applicable to share classes which are only sold to and held by Institutional Investors as defined under Luxembourg law. The 0.01% and 0.05% rates described above, as appropriate, are not applicable for the portion of the assets of the Underlying Sub-Fund invested in other Luxembourg collective investment undertakings which are themselves subject to the *taxe d'abonnement*.

#### **How the Fund is taxed**

The Fund is a trust that is an Australian resident for income tax purposes. On the basis that investors will be made presently entitled to the income of the Fund for each financial year, the Fund should not be subject to income tax and, in essence, should be treated as a "flow through" entity.

Tax losses incurred by the Fund remain within the Fund and cannot be distributed to investors. Provided the Fund satisfies the relevant loss testing requirements, it may be able to offset its carry forward tax losses against the assessable income it derives in a future income year.

Where the Fund satisfies the requirements of a Managed Investment Trust ("**MIT**"), the Fund can make an irrevocable election ("**MIT Capital Election**") to apply a deemed "capital" treatment for gains and losses on "covered assets" such as shares. The Responsible Entity has made the MIT Capital Election in respect of the Fund. The Fund is unlikely to make capital gains from its investments in the Underlying Sub-Fund. Where this election is made and the Fund redeems its shares in the Underlying Sub-Fund, any resulting capital loss will not be available for set-off against any other income including "dividends" made from the redemption of shares in the Underlying Sub-Fund. The Fund can only offset such capital losses against capital gains.

#### **How investors are taxed**

##### ***Australian resident investors***

As the Fund is a flow through entity, the taxable income distributed by the Fund should retain its character in the hands of the investors.

Australian resident investors will need to include their share of the Fund's taxable income in their assessable income for the relevant income year regardless of whether the investor receives the distribution following the end of the income year or the distribution is reinvested.

In the event the Fund pays foreign tax, the distribution from the Fund may include a foreign income tax offset ("**FITO**"), which investors need to take into account in determining their taxable income. Furthermore, investors may be able to utilise the FITOs to reduce their tax liability. Any excess or unused FITOs, for a particular income year cannot be carried forward by investors and will be lost.

The Fund is unlikely to make capital gains from its investments in the Underlying Sub-Fund and therefore is unlikely to distribute capital gains.

If the Fund redeems its investment in the Underlying Sub-Fund to meet net outflows in the Fund or uses the redemption proceeds to acquire other investments, the redemption of the investment in the Underlying Sub-Fund may result in the Fund realising assessable income in the form of foreign dividends. On the basis that these dividends would be included in the Fund's taxable income, this amount would be distributed to investors.

Where an investor has disposed of their Units in the Fund, the tax treatment will depend on whether the investor holds their Units on capital account or revenue account.

If the investor holds their Units on revenue account, the gain or loss on disposal or redemption will be a revenue gain or loss and included in the investor's assessable income accordingly.

Where the investor holds their Units on capital account, the investor will be subject to capital gains tax ("**CGT**") and consequently, the investor may realise a capital gain or a capital loss. Where investors realise a capital gain on Units that have been held for at least 12 months, certain investors may be able to apply the relevant CGT discount (after reducing the gross capital gains by realised capital losses including carry forward capital losses) to such gains. The applicable CGT discount is 50% for resident individuals and qualifying trusts and 33.33% for complying superannuation funds and pooled superannuation trusts.

Where the Fund has made a return of capital or has distributed a tax deferred amount, generally, these amounts are not included in the investor's assessable income. However, these amounts will reduce the cost base and reduced cost base of the Units in the Fund and consequently the investor may realise a higher capital gain or a lower capital loss on the subsequent disposal of their Units. Where the cost base has been reduced to nil, the investor may realise an immediate capital gain.

##### ***Non-resident investors***

Distributions to non-resident investors may be subject to withholding tax. The rate of withholding tax will depend on the income distributed by the Fund and the country in which the investor is a resident. As a general rule, distribution of foreign income to non-resident investors is not subject to tax in Australia. Also, unless the non-resident investor meets certain conditions, the non-resident investor should not be subject to tax on the disposal of their Units in the Fund.

### *U.S. investors*

The Fund is a passive foreign investment company (“PFIC”) within the meaning of §1291 through §1298 of the US Internal Revenue Code (“IRC”). The US tax treatment to US investors (directly or indirectly through their custodian or financial intermediary) under the PFIC provisions of the IRC can be disadvantageous. US investors will be unlikely to meet the requirements to either elect to mark-to-market treatment of their investment in the Fund under IRC §1296 or elect to treat the Fund as a Qualified Electing Fund under IRC §1293.

### **AMIT election**

With effect from the 2017/18 income year, the Fund has elected to apply the new Attribution Managed Investment Trust (AMIT) regime. Under the AMIT rules, qualifying funds that elect to be taxed under the regime are able to segment their income into components - for example, into certain types of income, gains, exempt amounts, offsets and credits - and allocate particular components to particular investors, provided the basis of allocation is fair and reasonable and in accordance with the fund constituent documents. The amounts so allocated will retain their tax character when passing through the trust.

This attribution basis of taxation replaced the previous entitlement basis of taxation for MITs. Where taxable income attributed is either less than or greater than the cash distributed, this leads to decreases or increases (respectively) in the cost base of an investor's units in the Fund.

The AMIT regime also clarifies and amends the interaction between the tax liability on distributions payable to investors, and the tax liability on disposal of fund units. The AMIT rules alleviate double taxation that may otherwise arise where an amount has been taxed to an investor but not received by the time units in the fund are sold, by increasing the cost base of the fund units to reflect the taxed but undistributed amount. Other key features of the AMIT regime include deemed fixed trust status and the ability to make adjustments in respect of prior year errors in the year in which the errors are discovered. If the Responsible Entity elects the Fund to be an AMIT and the amount of taxable income estimated for the Fund at year end is different to the amount that is finally calculated, the difference (under or over) will generally be carried forward and adjusted in the year in which the variation is discovered except in exceptional circumstances. Notwithstanding these changes, investors should expect to be taxed on broadly the same basis as before the Fund entered the AMIT regime.

## **7. How to apply**

There is no additional information in this section. Refer to section 8 'How to apply' of the PDS.