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Dear Investor

Winton Global Alpha Fund ARSN 124 282 971 (Fund) – Changes to the Fund constitution approved

We refer to the letter dated 27 August 2020 regarding the proposal to make changes to the Fund's fee structure (**Fee Update**), as set out in the notice of meeting and Explanatory Notes attached to that letter. In order to implement the Fee Update, changes to the Fund's constitution were required to be approved at a meeting of unitholders in the Fund (**Resolution**), which took place at 3pm (Sydney time) on Thursday 24 September 2020.

We can now confirm that the Resolution was approved by the required majority of unitholders in the Fund. As a result, effective from 1 October 2020, the changes to the Fund set out in the notice of meeting and the Explanatory Notes to the letter of 27 August 2020 will be made. For ease of reference, we have attached a summary of those changes in this letter.

More information

The changes to the Fund are reflected in a Supplementary Product Disclosure Statement dated 29 September 2020 (**Supplementary PDS**), which supplements and amends the Product Disclosure Statement (**PDS**) for the Fund dated 1 July 2020. The Supplementary PDS is available at macquarie.com.au/pds or by contacting us. The PDS and the Supplementary PDS should be read together before you make any investment decision in relation to the Fund.

Please contact Macquarie Investment Management Client Service on 1800 814 523 (8.30am to 5.30pm Sydney time, Monday to Friday), or email mim.clientservice@macquarie.com, if you have any questions about the changes or would like more information about the Fund.

Yours sincerely



Graham Maiden

Head of Client Service

Macquarie Investment Management

CHANGES TO THE WINTON GLOBAL ALPHA FUND

About the Fund

The Fund aims to generate long-term total returns by investing in exchange-traded futures contracts and exchange-traded forward contracts providing exposure to underlying investments such as share indices, bonds, interest rates, currencies and commodities. The Fund is able to hold both long and short positions in exchange-traded futures and exchange-traded forwards (both 'futures'). The Fund may also hold cash and cash equivalents.

Winton's investment strategy is largely systematic and uses statistical techniques to find patterns and relationships in data to identify investment opportunities. Some examples of the patterns and relationships found may include signals such as trend following and other empirical effects, such as seasonality in weather patterns.

The Fund uses these patterns and relationships found in data sets to take long and short positions in futures markets. Winton seeks to generate returns from trading the Fund's portfolio, which can be expected to trade in approximately 100 individual futures markets worldwide and may be entitled to a performance fee for this trading.

We are currently considering adding additional assets or investment instruments to the Fund's investment universe in order to access more of Winton's latest research and related investment ideas, with the aim of increasing the potential for additional sources of return and greater diversification benefits.

Changes to the Fund

The changes to the fee structure of the Fund (**Fee Update**), listed below, forms part of a broader strategic review of the Fund aimed at increasing the investment opportunity set for the Fund and allowing the Fund to access more of Winton's latest research and investment ideas in an efficient and effective manner.

From 1 October 2020 (**Effective Date**), the following changes, which we believe are in the best interests of Fund investors, will be made to the Fund:

1. The definition of performance fee in the constitution of the Fund will be expanded to capture net profit generated by all trading in the Fund (excluding net interest on cash held directly by the Fund), rather than simply profits from futures trading.

This will ensure that Winton Capital Management Limited (**Winton**), the investment manager of the Fund, remains appropriately incentivised to generate returns from all the trading that it does on behalf of the Fund, in particular any additional assets or investment instruments traded by the Fund not covered by the current performance fee. If we do decide to expand the Fund's investment universe, we will provide investors with notice prior to the implementation of the change as required by the Corporations Act.

2. The management and performance fees will be reduced.

The fees below are inclusive of GST, net of reduced input tax credits.

Current	Effective from 1 October 2020
Management fee	
1.78% pa of the net asset value of the Fund.	1.48% pa of the net asset value of the Fund.
The management fee accrues daily and is payable monthly. It is deducted from the Fund's assets and reflected in the Fund's unit price.	
Performance fee	
16.4% of the dollar value of the net profit (if any) <i>from futures trading</i> , provided that any carried forward losses from futures trading have been made up.	10.25% of the dollar value of the net profit (if any) <i>from all trading (excluding net interest earned on cash held directly by the Fund)</i> , provided that any carried forward losses from such trading have been made up.
The performance fee accrues daily and is payable quarterly. It is deducted from the Fund's assets and reflected on an accrued basis in the Fund's unit price.	

How is the performance fee currently calculated?

Winton is currently entitled to a performance fee equal to 16.4% of the dollar value of the net profit (if any) *from futures trading* during a quarter, disregarding any interest earned on the Fund's cash holdings, provided that any carried forward losses from futures trading have been made up. The net profit from futures trading is calculated on a cash flow neutral basis by:

- taking the change in the balance of the Fund's futures account during the quarter
- adjusting for any cashflows into or out of the futures account, and
- deducting any interest earned on the futures account over the quarter.

Carried forward losses occur when the futures trading profits of the Fund for a quarter are negative. In such a situation, the loss is carried forward to the next quarter and deducted from any performance fee that would otherwise be payable to Winton for the quarter. For example, if the Fund has generated a futures trading loss of \$1 million for a quarter, it must generate futures trading profits of at least \$1 million before further performance fees become payable. If, at the end of the next quarter, the account is still in a loss position, these losses are carried forward to the next quarter. There is no time limit on how long losses can be carried forward.

Carried forward losses can be adjusted if the Fund is experiencing 'net outflows'. That is, if the total value of redemptions from the Fund in any particular month exceeds the total value of new applications in that month. The performance fee is not calculated by reference to the overall net asset value of the Fund, your unit price, the managed futures index, or any other hurdle rate or benchmark. A performance fee is payable on the dollar value of futures trading profits, even where the performance of the Fund is below the managed futures index.

How will the performance fee be calculated?

From the Effective Date, the performance fee will be determined by reference to the dollar value of net profits from all trading by the Fund during a quarter, not simply profits from futures trading. The performance fee rate will also be reduced.

The performance fee will be calculated using the formula below:

$$10.25\% \times (\text{trading profits less any adjusted carried forward losses}).$$

Trading profits will be calculated by:

- taking the change in the value of the Fund's assets during the quarter (net of accrued management fees and trading costs but before performance fees and all other costs)
- adjusting for any cashflows into or out of the Fund, except for cashflows in relation to the investment activity of the Fund, and
- deducting net interest earned on cash held directly by the Fund during the quarter.¹

The calculation of carried forward losses will remain the same, except that it will be based on the trading profits of the Fund from all trading (excluding net interest earned on cash held directly by the Fund) and not simply on profits from futures trading.

Further, the performance fee will continue to not be calculated by reference to the overall net asset value of the Fund (but instead, the adjusted figure above), your unit price, the managed futures index, or any other hurdle rate or benchmark, and a performance fee will still be payable on the dollar value of trading profits, even where the performance of the Fund is below the managed futures index.

Are there costs associated with the changes?

Any costs that were incurred, as a result of holding the unitholder meeting and amending the Fund constitution, were paid by us and not out of the assets of the Fund.

¹ If the Fund's investment universe is expanded to permit the Fund to borrow and the Fund borrows to acquire assets in lieu of using cash to acquire those assets, the interest earned on the cash that would have otherwise been used to acquire the assets will be excluded from the interest amount deducted from the value of the Fund to arrive at trading profits. This would be done to ensure that only the *net* borrowing costs are deducted from trading profits (that is, the borrowing costs less the interest earned on the cash that would have otherwise been used to acquire the assets). Please note that the Fund currently cannot borrow and we would provide investors with prior notice if this were to change.