

# JPMorgan Global Bond Fund

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Reference Guide (“Reference Guide”) dated 25 September 2017

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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)  
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### RESPONSIBLE ENTITY

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M: Level 18, 123 Pitt Street,  
Sydney, NSW, 2000  
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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 Bond 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 25 September 2017 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.

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. For investors investing via 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”) investors 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. 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 Withdrawal requests 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 to mFund, you may invest in the Fund using an approved ASX broker or through your financial adviser who uses a stock broking service on your behalf, enabling you to transact with the ASX's mFund Settlement Service ("CHESS").

Your ASX broker will process a completed application or withdrawal request for Units through CHESS. 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\*. 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.

*\*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.*

## 2. Features of the Fund

### 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. Significant Risks

As the Fund will be substantially invested in shares that correspond to the Underlying Sub-Fund, the following table within this section indicates the risks of investing in the Underlying Sub-Fund which may affect your investment and/or the value of your investment in the Fund. Please note that these risks are in addition to the significant risks disclosed in the PDS. Other risks of investing in the Fund or risks associated with the Underlying Sub-Fund may also apply.

#### Other Risks of the Underlying Sub-Fund

Type of risk	Description of risk
<b>Risks from a fall in value of the Underlying Sub-Fund's Investment</b>	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.
<b>Risks from Convertible Bonds</b>	Convertible bonds are subject to the credit, interest rate and market risks associated with both debt and equity securities, and to risks specific to convertible securities. Convertible bonds may also be subject to lower liquidity than the underlying equity securities.
<b>Risks from Derivatives</b>	The value of financial derivative instruments can be volatile. This is because a small movement in the value of the underlying asset can cause a large movement in the value of the financial derivative instrument and therefore, investment in such instruments may result in losses in excess of the amount invested by the Underlying Sub-Fund.
<b>Risks from currency exchange rates</b>	Movements in currency exchange rates can adversely affect the return of an investment in the Underlying Sub-Fund. The currency hedging used to minimise the effect of currency fluctuations may not always be successful.
<b>Risks from unrated debt securities</b>	The Underlying Sub-Fund may invest in unrated debt securities. The credit worthiness of unrated debt securities is not measured by reference to an independent credit rating agency.
<b>Risks from investment in Debt Securities</b>	<p>The value of debt securities may change significantly depending on economic and interest rate conditions as well as the credit worthiness of the issuer. Issuers of debt securities may fail to meet payment obligations or the credit rating of debt securities may be downgraded. These risks are typically increased for emerging market and below investment grade debt securities.</p> <p>The Underlying Sub-Fund investing in debt securities such as bonds may be affected by credit quality considerations and changes to prevailing interest rates. The issuer of a debt security (including, but not limited to, governments and their agencies, state and provincial governmental entities, supnationals and companies) may default on its obligations by failing to make payments due, or repay principal and interest in a timely manner which will affect the value of debt securities held by the Underlying Sub-Fund. Debt securities are particularly susceptible to interest rate changes and may experience significant price volatility. If interest rates increase, the value of the Underlying Sub-Fund's investments generally declines. In a historically low interest environment, risks associated with rising interest rates are heightened. On the other hand, if interest rates fall, the value of the investments generally increases. Securities with greater interest rate sensitivity and longer maturities tend to produce higher yields, but are subject to greater fluctuations in value.</p> <p>Debt securities can be rated investment grade or below investment grade. Such ratings are assigned by independent rating agencies (for example, Fitch, Moody's and/or Standard &amp; Poor's) on the basis of the creditworthiness of the issuer or the debt securities issue. Rating agencies review, from time to time, such assigned ratings and debt securities may therefore be downgraded in rating if economic circumstances impact the relevant debt securities issue. Below investment grade debt securities have a lower credit rating than investment grade debt securities and therefore will typically have a higher credit risk (i.e. risk of default, interest rate risk) and may also be subject to higher volatility and lower liquidity than investment grade debt securities. Changes to the financial condition of the issuer of the securities caused by economic, political or other reasons may adversely affect the value of debt securities and therefore the performance of the Underlying Sub-Fund. This may also affect a debt security's liquidity and make it difficult for the Underlying Sub-Fund to sell the debt security. It is possible that credit markets will experience a lack of liquidity during the term of the Underlying Sub-Fund which may result in higher default rates than anticipated on the bonds and other debt securities.</p>
<b>Risks from Investment in Government Debt securities</b>	The Underlying Sub-Fund may invest in debt securities (" <b>Sovereign Debt</b> ") issued or guaranteed by governments or their agencies (" <b>Governmental Entities</b> "). Governmental Entities may default on their Sovereign Debt. Holders of Sovereign Debt, including the Underlying Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to Governmental Entities. There is no bankruptcy proceeding by which the Sovereign Debt on which a Governmental Entity has defaulted may be

collected in whole or in part. There are increasing concerns regarding the ability of multiple sovereign states to continue to meet their debt obligations. This has led to the downgrading of the credit rating of certain European governments and the US government. Global economies are highly dependent on each other and the consequences of the default of any sovereign state may be severe and far-reaching and could result in substantial losses to the Underlying Sub-Fund and the investor.

**Risks from Investments in debt securities of Financial Institutions**

Certain financial institutions may be adversely affected by market events and could be forced into restructurings, mergers with other financial institutions, nationalised (whether in part or in full), be subject to government intervention or become bankrupt or insolvent. All of these events may have an adverse effect on the Underlying Sub-Fund and may result in the disruption or complete cancellation of payments to the Underlying Sub-Fund. Such events may also trigger a crisis in global credit markets and may have a significant effect on the Underlying Sub-Fund and its assets. Prospective investors should note that the Underlying Sub-Fund's investments may include bonds and other debt securities that constitute subordinated obligations of such institutions. Upon the occurrence of any of the events outlined above the claims of any holder of such subordinated securities shall rank behind in priority to the claims of senior creditors of such institution. No payments will be made to the Underlying Sub-Fund in respect of any holdings of such subordinated bonds or debt securities until the claims of the senior creditors have been satisfied or provided for in full.

**Risks from investments in High Yield Bonds**

The Underlying Sub-Fund may invest in high yield bonds. Investment in debt securities is subject to interest rate, sector, security and credit risks. Compared to investment grade bonds, high yield bonds are normally lower-rated securities and will usually offer higher yields to compensate for the reduced creditworthiness or increased risk of default that these securities carry.

**Risks from investments in Investment Grade Bonds**

The Underlying Sub-Fund may invest in investment grade bonds. Investment grade bonds are assigned ratings within the top rating categories by rating agencies (for example, Fitch, Moody's and/or Standard & Poor's) on the basis of the creditworthiness or risk of default of a bond issue. Rating agencies review, from time to time, such assigned ratings and bonds may therefore be downgraded in rating if economic circumstances impact the relevant bond issues.

**Risks from Unrated Bonds**

The Underlying Sub-Fund may invest in debt securities which do not have a rating issued by an independent rating agency. In such instances, the credit worthiness of such securities will be determined by the investment manager as at the time of investment.

Investment in an unrated debt security will be subject to those risks of a rated debt security of comparable quality. For example, an unrated debt security of comparable quality to a debt security rated below investment grade will be subject to the same risks as a below investment grade rated security.

**Risks from investments in Asset-Backed Securities ("ABS") and Mortgage-Backed Securities ("MBS")**

Asset-backed and mortgage-backed securities may be highly illiquid, subject to adverse changes to interest rates and to the risk that the payment obligations relating to the underlying asset are not met.

The Underlying Sub-Fund may have exposure to a wide range of asset backed securities (including asset pools in credit card loans, auto loans, residential and commercial mortgage loans, collateralized mortgage obligations and collateralised debt obligations), agency mortgage pass-through securities and covered bonds. The obligations associated with these securities may be subject to greater credit, liquidity and interest rate risk compared to other debt securities such as government issued bonds. ABS and MBS are securities that entitle the holders thereof to receive payments that are primarily dependent upon the cash flow arising from a specified pool of underlying assets such as residential or commercial mortgages, motor vehicle loans or credit cards. ABS and MBS are often exposed to extension and prepayment risks that may have a substantial impact on the timing and size of the cashflows 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.

**Risks from Futures and Options**

Under certain conditions, the Underlying Sub-Fund may use options and futures on securities, indices and interest rates, for the purpose of efficient portfolio management. Also, where appropriate, the Underlying Sub-Fund may, but is not obliged to, hedge market, currency and interest rate risks using futures, options or forward foreign exchange contracts. There is no guarantee that hedging techniques will achieve the desired result. In order to facilitate efficient portfolio management and to better replicate the performance of the Benchmark, the Underlying Sub-Fund may finally, for a purpose other than hedging, invest in derivative instruments.

Transactions in futures carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the investor. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

Transactions in options also carry a high degree of risk. Selling ("**writing**" or "**granting**") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "**covered**" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

**Risks of Trading Credit Default Swaps ("CDS")**

The price at which a CDS trades may differ from the price of the CDS' referenced security. In adverse market conditions, the basis (difference between the spread on bonds and the spread of CDS) can be significantly more volatile than the CDS' referenced securities.

**Risks from Structured Products**

Any investments in structured products may involve additional risks than those resulting from direct investments in underlying assets. Investing in structured products may mean exposure not only to movements in the value of the underlying asset including, which is not limited to currency (or basket of currencies), equity, bond, commodity index or any other eligible index, but also to the risk that the issuer of the structured product defaults or becomes bankrupt. The Underlying Sub-Fund may bear the risk of the loss of its principal investment and periodic payments expected to be received for the duration of its investment in the structured products. In addition, a liquid secondary market may not exist for the structured products, and there can be no assurance that one will develop. The lack of a liquid secondary market may make it difficult for the Underlying Sub-Fund to sell the structured products it holds. Structured products may also embed leverage which can cause their prices to be more volatile and their value to fall below the value of the underlying asset.

**Risks from Investing in Credit Linked Notes ("CLNs")**

A CLN is a structured product that provides credit exposure to a reference credit instrument (such as a bond). Therefore investing in CLNs may mean exposure to the risk of the referenced credit being downgraded or defaulting and also to the risk of the issuer defaulting which could result in the loss of the full market value of the note.

**Risks from investing in Emerging and Less Developed Markets**

In emerging and less developed markets, in which the Underlying Sub-Fund may invest, the legal, judicial and regulatory infrastructure is still developing but there is much legal uncertainty both for local market participants and their overseas counterparts. Some markets may carry higher risks for investors of the Underlying Sub-Fund who should therefore ensure that, before investing, they understand the risks involved and are satisfied that an investment is suitable as part of their portfolio. Investments in emerging and less developed markets should be made only by sophisticated investors or professionals who have independent knowledge of the relevant markets, are able to consider and weigh the various risks presented by such investments, and have the financial resources necessary to bear the substantial risk of loss of investment in such investments. Countries with emerging and less developed markets include, but are not limited to (1) countries that have an emerging stock market in a developing economy as defined by the International Finance Corporation, (2) countries that have low or middle income economies according to the World Bank, and (3) countries listed in World Bank publication as developing. The list of emerging and less developed markets is subject to continuous change. Broadly they include any country or region other than the United States of America, Canada, Japan, Australia, New Zealand and Western Europe. The other statements in this table are intended to illustrate the risks which in varying degrees are present when investing in emerging and less developed markets.

**Political and Economic Risks**

- The value of the Underlying Sub-Fund's assets 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 countries in emerging markets.
- Economic and/or political instability (including civil conflicts and war) could lead to legal, fiscal and regulatory changes or the reversal of legal/fiscal/regulatory/market reforms. Assets owned (directly or indirectly) by the Underlying Sub-Fund could be compulsorily reacquired without adequate compensation.
- Administrative risks may result in the imposition of restrictions on the free movement of capital.
- A country's external debt position could lead to sudden imposition of taxes or exchange controls.
- High interest and inflation rates can mean that businesses have difficulty in obtaining working capital.
- Local management may be inexperienced in operating companies in free market conditions.
- A country may be heavily dependent on its commodity and natural resource exports and is therefore vulnerable to weaknesses in world prices for these products.

- In adverse social and political circumstances, governments may enter into policies of expropriation and nationalisation.

#### **Legal Environment Risks**

- The interpretation and application of decrees and legislative acts can be often contradictory and uncertain particularly in respect of matters relating to taxation.
- Legislation could be imposed retrospectively or may be issued in the form of internal regulations not generally available to the public.
- Judicial independence and political neutrality cannot be guaranteed.
- State bodies and judges may not adhere to the requirements of the law and the relevant contract. There is no certainty that the Underlying Sub-Fund and/or its investors will be compensated in full or at all for any damage incurred.
- Recourse through the legal system may be lengthy and protracted.

#### **Accounting Practices Risks**

- The accounting, auditing and financial reporting system may not accord with international standards.
- 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.

#### **Market and Settlement Risks**

- The securities markets in some countries in which the Underlying Sub-Fund invests lack the liquidity, efficiency and regulatory and supervisory controls of more developed markets.
- Lack of liquidity may adversely affect the ease of disposal of assets in such markets. The absence of reliable pricing information in a particular security held by the Underlying Sub-Fund may make it difficult to assess reliably the market value of assets.
- The Share register in such markets may not be properly maintained and the ownership or interest may not be (or remain) fully protected.
- Certain emerging markets may not afford the same level of investor protection or investor disclosure as would apply in more developed jurisdictions.
- Registration of securities in such markets may be subject to delay and during the period of delay it may be difficult to prove beneficial ownership of the securities.
- The provision for custody in such markets may be less developed than in other more mature markets and thus may provide an additional level of risk for the Underlying Sub-Fund.
- Settlement procedures in such markets may be less developed and still be in physical as well as in dematerialised form. Investment may carry risks associated with failed or delayed settlement.

#### **Price Movement and Performance Risks**

- Factors affecting the value of securities in some markets in which the Underlying Sub-Fund invests cannot easily be determined.
- The Underlying Sub-Fund may invest in securities in some markets that carry a high degree of risk and the value of such investments may decline or be reduced to zero.

#### **Currency Risks**

- Conversion into foreign currency or transfer from some markets of proceeds received from the sale of securities by the Underlying Sub-Fund cannot be guaranteed.
- The Underlying Sub-Fund may invest in assets denominated in a currency other than AUD or USD. The reference currency of the Underlying Sub-Fund (USD) will be systematically hedged to the AUD denominated share class of the Underlying Sub-Fund. Movements in currency exchange rates can adversely affect the return of investments in the Underlying Sub-Fund and therefore the Fund.
- Exchange rate fluctuations that the Underlying Sub-Fund is subject to may also occur between the trade date for a transaction and the date on which the currency is acquired to meet settlement obligations.

#### **Taxation Risks**

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>Execution and Counterparty Risk</b>	<p>In some markets in which the Underlying Sub-Fund invests there may be no secure method of delivery against payment which would minimise the exposure to counterparty risk. It may be necessary to make payment on a purchase or delivery on a sale before receipt of the securities or, as the case may be, sale proceeds.</p> <p>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 that the ASX may suspend or revoke the admission of the Fund to the mFund settlement service, that the ASX's systems could fail, or that there could be errors in connection with the system. As a result investors may experience delays in processing applications or redemptions.</p>
<b>Collateral Risk</b>	<p>In order to mitigate the risk of counterparty default, counterparties to transactions may be required to provide collateral to cover their obligations however the amount of such collateral may not equal to credit exposure to such counterparty. Where the Underlying Sub-Fund is required to post collateral with a counterparty, there is a risk that the value of the collateral the Underlying Sub-Fund places with the counterparty is higher than the cash or investments received by the Underlying Sub-Fund. Collateral may be held by a custodian and there may be a risk of loss where such assets are held in custody resulting from events such as the insolvency or negligence of a custodian.</p>
<b>Risks from Contingent Convertible Securities</b>	<p>The Underlying Sub-Fund may invest in Contingent Convertible Securities, which are likely to be adversely impacted should specific trigger events occur (as specified in the contract terms of the issuing company). This may be as a result of the security converting to equities at a discounted share price, the value of the security being written down, temporarily or permanently, and/or coupon payments ceasing or being deferred.</p>
<b>Volcker Rule</b>	<p>JPMorgan Chase &amp; 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 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 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 after July 21, 2015.</p>

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## 4. How we invest your money

### 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 and other Fund information

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.

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 via 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*

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.jpmmorganam.com.au](http://www.jpmmorganam.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

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. Fees and Costs

### Management Costs

The management costs for the Fund (fees and costs incurred by you) are comprised of management fees at the Fund level, expense recoveries and other indirect costs.

#### **Management fees and expense recoveries**

Management costs include the management fees and expense recoveries\*. Our current intention is to charge up to 0.65% of the net asset value of the Fund each year.

The costs are inclusive of GST and net of any applicable input tax credits and reduced input tax credits.

*\*Please refer to “Expense Recoveries” below for further details.*

#### **Other Indirect costs\*\***

In addition to the management fees and expense recoveries of 0.65% of the NAV of the Fund, additional costs are incurred by the Fund in respect of over-the-counter (“**OTC**”) derivatives used by the Underlying Sub-Fund to gain economic exposure to assets. This cost is not capped. These other indirect costs are estimated to be 0.01% of the NAV of the Fund based on costs incurred during the financial year ending 30 June 2017.

*\*\*Please refer to “Other Indirect Costs” below for further details.*

### Management Fees

Under the Constitution, 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 acting as responsible entity of the Fund, we are entitled to receive an annual fee. The annual fee is payable monthly in arrears from 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, and forms part of the annual management fee we are entitled to receive and will not be a separate expense recovery under the Constitution. The total 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

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).

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-Funds.

Estimated expense recoveries likely to be incurred in the ordinary course of the Fund's and Underlying Sub-Fund's operations are included in the management costs in the fees and costs tables in the PDS. Unusual or extraordinary expenses not necessarily incurred in any given year are not included as a management cost in the fees and costs tables and are not subject to the cap.

Except in the case of extraordinary expense recoveries and other indirect costs associated with OTC derivatives, where actual expenses result in the management costs exceeding 0.65% of the net asset value of the Fund for the year, such expenses will not be paid out of the assets of the Fund or the Underlying Sub-Fund.

### Other Indirect costs

Indirect costs are any cost we know or may reasonably estimate will reduce, whether directly or indirectly, the return on the Fund through a reduction in the value of the Fund's assets or the assets of 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 estimated amount of indirect costs associated with the Underlying Sub-Fund in the nature of the expense recoveries is included under that component in the fees and costs tables in the PDS.

The amount of other indirect costs includes the costs of investing in derivatives that are not traded or listed on a recognised exchange and that are used for the purposes of achieving the Fund's or Underlying Sub-Fund's investment objectives.

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 Management Costs in the fees and costs tables are based on the costs for the financial year ended 30 June 2017.

### Transactional and Operational Costs

In managing the investments of the Fund, transactional and operational costs such as charges, disbursements, expenses, outgoing, 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 Fund and/or 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 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.

The buy/sell spread for the Fund is publicly available at the Manager's website at [www.jpmorganam.com.au](http://www.jpmorganam.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.

*\*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 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.

We estimate the Fund's and Underlying Sub-Fund's applicable transactional and operational costs to be approximately 0.23% of the net assets of the Fund. For example, the value of transactional and operational costs on an average account balance of \$50,000 in the Fund is \$115. This is an example and estimate only based on the costs incurred for the financial year ending 30 June 2017. 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. 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 via 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. Tax

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 ("HIRE") 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) and after 31 December 2018 on the gross proceeds of sales of (or receipt of principal repayments on) the assets giving rise to that US sourced income (for the Fund and the Underlying Sub-Fund, principally equity and debt securities issued 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 on 28 April 2014 ("Australia IGA"). Under Australia-enacted local legislation and local guidance to implement FATCA, due diligence is required to be conducted on investors in the Fund, and reporting is required to be made to the Australian Taxation Office ("ATO") with respect to the holdings in the Fund of, and payments made by the Fund to, certain investors. The ATO will transmit the reported information to US Internal Revenue Service ("IRS"). Investors reported on include certain US investors and certain non-US entities owned by US persons.

The Fund intends to comply with FATCA requirements as reflected in the Australia IGA and Australia local legislation and/or guidance and is unlikely 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 such FATCA requirements. 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 FATCA rules is subject to change.

### Automatic Exchange of Information ("AEOI") / Common Reporting Standard ("CRS")

The Organization for Economic Co-operation and Development (OECD) has developed the Standard for Automatic Exchange of Financial Account Information in Tax Matters whereby jurisdictions that have entered into bilateral or multilateral AEOI agreements will share information on investors resident in these jurisdictions. The scope and application of information reporting and exchange pursuant to AEOI / CRS may vary depending on each local jurisdiction's implementation of AEOI / CRS.

Over 85 countries have signed the multilateral agreement including Australia, British Virgin Islands, Cayman Islands, People's Republic of China, India, Japan, Korea and United Kingdom.

A prospective investor should seek advice on the effects with respect to the implementation of the AEOI / CRS from its own tax advisor based on its particular circumstances.

### How the Underlying Sub-Fund is taxed

The Underlying Sub-Fund is not subject to any taxes in Luxembourg on income 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 may be subject to non-recoverable withholding taxes at varying rates 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*.

No tax is payable in Luxembourg on realised or unrealised capital appreciation of the assets of the Underlying Sub-Fund. Although the Underlying Sub-Fund may be subject to taxes in other countries on realised capital gains.

### 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 will assess the merits of making the MIT Capital Election and if appropriate will make the MIT Capital Election. 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 investor may be subject to capital gains tax (“**CGT**”), depending on their particular circumstances 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 will elect 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.

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, 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.