

Aquasia Short Term Income Fund

Information Memorandum

1 July 2023

Restrictions on the distribution of this Information Memorandum

The offer set out in this IM is only available to investors in Australia and New Zealand and any other jurisdiction where the offer may lawfully be made. This IM does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to offer Units under this IM. The distribution of this IM in jurisdictions outside Australia and New Zealand may be restricted by law and any person into whose possession this IM comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions. It is the responsibility of any overseas applicant to ensure compliance with all laws of any country relevant to their application.

In particular, the securities offered under this IM may not be distributed, directly or indirectly, in or into the United States of America (**USA**) or to or for the account or benefit of any U.S. Person (as defined in Regulation S under the United States Securities Act of 1933, as amended).

The return of a duly completed Application Form is taken to constitute a representation and warranty by an investor that there has been no breach of any laws in the country relevant to their application and that (i) they are not a U.S. Person, (ii) they are not located in the USA, and (iii) they will not distribute the securities to any U.S. Person or within the USA.

This IM has been prepared in accordance with laws of the Commonwealth of Australia and the information contained in this IM may not be the same as that which would have been disclosed if this IM had been prepared in accordance with the laws and regulations of jurisdictions outside Australia.

Important Information – All Investors

This information memorandum (**Information Memorandum** or **IM**) dated 1 July 2023 has been issued by Aquasia Pty Ltd ABN 20 136 522 051 (**Aquasia, Trustee** or **Investment Manager**), AFSL 337872, as the Trustee and Investment Manager for the Aquasia Short Term Income Fund (the **Fund**) to offer units (**Units**) in the Fund. The Fund is a managed investment scheme which is not registered with the Australian Securities and Investment Commission (**ASIC**) and this IM has not been lodged with ASIC.

This IM is not required to be, and does not include all the information that would be required in, a product disclosure statement and an investor is not provided with the protections afforded to an investor in a managed investment scheme that has been registered with ASIC under the Corporations Act 2001 (Cth) (the **Corporations Act**).

The offer and/or invitation are set out entirely in this IM. Prospective investors should read this IM in its entirety prior to investing and where appropriate seek independent professional investment, taxation and legal advice before deciding to invest in the Fund. The IM should be read in conjunction with the Fund's constitution (**Constitution**) a copy of which is available from Aquasia on request.

The Fund is governed by its Constitution. To the extent of any inconsistency between this IM and the Constitution, the provisions of the Constitution will prevail.

Applications for Units will only be offered to persons receiving a copy of this IM (electronic or otherwise) in Australia, or other jurisdictions where it is lawful to do so, and who qualify as 'wholesale clients' for the purposes of Section 761G of the Corporations Act or 'wholesale investors' under New Zealand law (as set out in the following sections) (**Wholesale Clients**). To the fullest extent permitted by law neither Aquasia nor any related party, officer, director nor associate provides or accepts any representations or warranties in relation to this IM or the Fund.

The information contained in this IM has been furnished by Aquasia but no assurance is given by Aquasia or anyone else named in or associated with the issue of this IM as to the accuracy or completeness of this information.

Aquasia does not guarantee the performance of the Fund, the rate of income, the return of capital to the investors, any particular rate of return or any taxation consequences of any investment made in the Fund.

The information contained in this IM is general information only and does not take into account an investor's objectives, financial situation or needs. Before acting on the information contained in this IM, investors should consider the appropriateness of the information in this IM having regard to their objectives, financial situation and needs.

If information in this IM changes, and it is not a material change, we may update the information by posting the updated information on our website www.aquasia.com.au or an investor can also obtain this information by calling Aquasia on +61 2 8061 4888.

All references to A\$ are to Australian Dollars and NZ\$ are to New Zealand Dollars. Capitalised terms in this IM are defined terms and they are listed in the Glossary or defined elsewhere in the IM. Days are calendar days unless otherwise specified as Business Days and 'month' and 'quarter' are calendar month and calendar quarter respectively unless stated otherwise.

Important Information for New Zealand Investors

WARNING (please read the following important information): The offer of units in the **Aquasia Short Term Income Fund** (the **Fund**) is not being, and will not be, offered or sold in New Zealand to persons other than 'wholesale investors' within the meaning of:

- clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA Schedule 1**) which covers 'investment businesses', persons meeting the 'investment activity criteria', 'large' persons and 'government agencies' as defined in each case in FMCA Schedule 1 (**Institutional Wholesale Investor**);
- clauses 3(3)(a) and 41 of the FMCA Schedule 1 which covers 'eligible investors' (**Eligible Investor**); and
- clause 3(3)(b)(i) or (ii) of FMCA Schedule 1 which covers investors meeting the NZ\$750,000 minimum investment amount criteria (**Minimum Investment Exclusion**).

The information referred to on the pages that follow is restricted in New Zealand to persons in these 'wholesale investors' categories.

Applications or any requests for information from persons in New Zealand who do not meet the above criteria will not be accepted.

If you are a New Zealand investor, and apply for Units in the Fund, you warrant that you meet the above eligibility criteria and agree that you will not sell your interest in the Fund to any person who is not a 'wholesale investor' or to any person within 12 months after they are issued, in circumstances where disclosure would be required under Part 3 of the Financial Markets Conduct Act 2013 or in circumstances which may result in Aquasia or any of its directors or related bodies corporate incurring any liability whatsoever.

If you are an Institutional Wholesale Investor, you agree to provide a certificate to the issuer of the Fund in the form attached as **Appendix 1A of the Application Form** prior to investing in the Fund.

If you are an Eligible Investor you agree to provide a certificate to the issuer of the Fund (which includes details of your experience with financial products) in the form attached as **Appendix 1B of the Application Form** and arrange for confirmation of the certificate by a lawyer, qualified statutory accountant or financial adviser prior to investing in the Fund.

If you are investing in the Fund in reliance on the Minimum Investment Exclusion, the following warning statement is important in relation to your investment in the Fund:

WARNING

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision.

The usual rules do not apply to this offer because there is an exclusion for offers where the amount invested upfront by the investor (plus any other investments the investor has already made in the financial products) is NZ\$750,000 or more. As a result of this exclusion, you may not receive a complete and balanced set of information. You will also have fewer other legal protections for these investments.

Investments of this kind are not suitable for retail investors.

Ask questions, read all documents carefully, and seek independent financial advice.

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1 July 2023

Dear Investor

It is my great pleasure to invite you to become a Unitholder in the Aquasia Short Term Income Fund (**Fund**), an unregistered managed investment scheme launched in July 2023.

Aquasia Pty Ltd (**Aquasia**) has developed this Fund to provide Wholesale Clients with the opportunity to potentially earn returns above the prevailing cash rate on defensive assets while minimising any incremental liquidity and interest rate risk. Aquasia achieves this through actively managing the Fund with a focus on seeking to protect investor capital by investing in quality Investment Grade assets that are predominantly floating rate in nature.

The Fund invests in a variety of credit, fixed-income, cash and cash-equivalent assets. The Fund targets a return in excess of the RBA Cash Rate Target plus 1.50% p.a. and suits investors who are looking for regular income distributions with some potential for capital gains. The Fund is for Wholesale Clients only and is most suited to investors who have an investment horizon of 12 months.

Aquasia acts as the Trustee and Investment Manager for the Fund. The Aquasia team has extensive experience in the financial markets, and particularly in the credit and fixed-income markets which gives it a strong understanding of market dynamics and the changes taking place in the regulatory environment. Further, Aquasia's wide network of contacts within the financial community means it is able to identify quality fixed-income opportunities for the Fund.

I urge prospective investors in the Fund to read this Information Memorandum carefully before investing. Particular attention should be paid to page 12 of this Information Memorandum which outlines the risks associated with investing in the Fund.

I look forward to welcoming you as a Unitholder in the Aquasia Short Term Income Fund.

Yours sincerely

A handwritten signature in black ink, appearing to read "Col. McKeith".

Colin McKeith
Principal Partner/Director
Aquasia Pty Ltd

Summary of the Fund

The Investment	Units in Aquasia Short Term Income Fund, an open-ended unit trust.
Investor Class	Wholesale Clients only.
Unit Classes	<p>There are two classes of Units available under this IM, as follows:</p> <ul style="list-style-type: none"> • Ordinary Units, and • Institutional Units. <p>Both classes of Units will have exposure to the same underlying assets.</p> <p>Other unit classes may be made available subject to Aquasia's discretion.</p> <p>Full details on page 15.</p>
Minimum Initial Investment	<p>For the Ordinary Units: A\$10,000.</p> <p>For the Institutional Units: A\$10,000,000.</p> <p>Full details on page 15.</p>
Target Return	<p>RBA Cash Rate Target plus 1.50% p.a. (net of fees).</p> <p>The Target Return is not a forecast and is not guaranteed. Returns may vary over time according to market conditions and other risks relevant to the Fund.</p>
Investment Objective	To preserve capital and achieve returns over the short to medium term in excess of the Target Return.
Investment Strategy	Aquasia harnesses its deep experience, networks and expertise in fixed-income and credit markets to actively manage the Fund's portfolio. The portfolio will be constructed with an emphasis on protecting capital and providing liquidity while delivering risk-adjusted returns above the prevailing RBA Cash Rate Target through the market cycle.
Types of Investments	<p>100% of the Fund will be invested in Investment Grade assets.</p> <p>These assets may include:</p> <ul style="list-style-type: none"> • Residential Mortgage-Backed Securities (RMBS) • Asset-Backed Securities (ABS) • Commercial Mortgage-Backed Securities (CMBS) • Corporate debt securities • Government and semi-government securities • International Agency/Supranational Debt • Hybrid Securities • Inflation Linked Securities • Cash and Cash Equivalents <p>The Fund will invest predominantly in Australian Dollar denominated assets.</p> <p>More details are provided on pages 8-11.</p>
Investment Horizon	The recommended investment horizon is 12 months.

Trustee and Investment Manager	Aquasia Pty Ltd ABN 20 136 522 051, AFSL 337872.
Custodian	Certane CT Pty Ltd ACN 106 424 088, AFSL 258829.
Distributions	Distributions will be paid monthly to the extent income is available. Distributions may be made at other times at the Trustee's discretion. Full details on page 17.
Unit Pricing	Unit pricing will generally be available daily. Full details on page 15.
Applications	Valid applications received by 2.00pm Sydney time on a Business Day will generally be processed at the Issue Price calculated for that Business Day. Full details on page 16.
Redemptions	Valid redemption requests received by 2.00pm Sydney time on a Business Day will generally be processed at the Redemption Price calculated for that Business Day. Redemption proceeds will generally be paid within 5 Business Days. Full details on pages 17 and 22.
Management Fee	<p>In respect of Ordinary Units, 0.65% p.a. (excl GST) of the Net Asset Value referable to the Ordinary Units.</p> <p>In respect of Institutional Units, 0.55% p.a. (excl GST) of the Net Asset Value referable to the Institutional Units.</p> <p>Full details on page 18.</p>
Performance Fee	Nil.
Expense Recovery	Capped at 0.25% p.a. (excl GST) of the Net Asset Value of the Fund. Full details on page 18.
Buy/Sell Spread	0.10% Buy Spread/0.10% Sell Spread. Full details on page 18.
Risks	<p>An investment in the Fund will be subject to risks. The return of capital and performance of the Fund are not guaranteed by any person, including Aquasia. Therefore, investors should carefully consider the risks of investing and, where necessary, seek professional advice as to the suitability of investing in the Fund having regard to the investor's personal circumstances. Key risks of investing in the Fund are set out on page 12. Investors should consider these risks in detail prior to investing in the Fund.</p>

Overview of Aquasia, the Fund Team and the Fund Investment Committee

Aquasia

Established in 2009, Aquasia is an independent, licensed, financial services business. Aquasia's senior staff have a deep understanding of debt and equity markets, treasury and other financial risk and derivative products, together with a wide network of contacts within banks, institutional investors and corporates.

The Aquasia team has expertise in the establishment and management of wholesale funds and investing in a range of credit and fixed-income assets.

Further information on Aquasia can be found at www.aquasia.com.au.

The Aquasia Short Term Income Fund Team

The key Aquasia personnel who will be involved with the Fund are:

Patrick Hsiao – Portfolio Manager to the Fund

Patrick has worked in financial services since 2015, with experience covering asset management, structuring and debt and equity markets research.

Prior to joining Aquasia, Patrick worked at the Australian Office of Financial Management where he was responsible for the investment of funds in the \$15bn Structured Finance Support Fund and \$2bn Australian Business Securitisation Fund.

Patrick has also worked in Macquarie Bank where he held roles in the debt structuring, debt market research and equity research desks.

Patrick holds a Bachelor of Commerce (with distinction) from the University of New South Wales and a Graduate Diploma in Chartered Accounting.

James McNabb – Back Up Portfolio Manager to the Fund

James has over 30 years' experience in the financial markets as a trader and structurer of fixed-income products and has worked in Australia, London, New York and Singapore.

James previously worked at ABN AMRO Australia, most recently as an Executive Director of the firm's infrastructure team in Sydney. Before that he was the Global Head of credit derivative trading and Global Head of Structuring for interest rates and credit for ABN AMRO Bank NV in London.

Prior to joining ABN AMRO Bank NV, James was a senior trader of credit and interest rate derivatives for UBS AG in Singapore where he was Co-Head of structured credit trading for Asia. Before this he was Head of Swiss Banking Corporation's USD interest rate exotics trading in New York.

James has a Bachelor of Science (Physics) from Melbourne University and an MBA in finance from Columbia University. He is a graduate of the Australian Institute of Company Directors.

Colin McKeith – Principal Partner/Director, Aquasia and Senior Advisor to the Fund

Colin is a Principal Partner of Aquasia and is responsible for Aquasia's debt, derivatives markets and funds management businesses. He has been involved in the Australian financial markets since 1980. Colin has developed his career alongside the opening up and deregulation of the banking system. He has experience across a wide range of disciplines from product development through to trading and distribution roles.

Prior to Aquasia, Colin was Head of Global Markets at ABN AMRO Australia and New Zealand and was responsible for the debt, equity and balance sheet activities of the bank including the structured finance and specialised asset management areas. He was also the Chairman of the investments committee that approved all equity principal investments for the bank, including its investments in Australian infrastructure. He was also a Board Member of ABN AMRO Australia Holdings, the local banking branch of ABN AMRO Australia, and a member of its management team for 11 years.

Prior to joining ABN AMRO Australia, Colin spent 14 years at Citibank in Sydney and London. During Colin's time at Citibank he was in charge of the fixed-income activities in Australia, with his last role being the Head of Capital Markets overseeing all of the capital markets and loan activities for the bank in Australia.

Colin is also a past Non-Executive Director of Wizard Mortgage Corporation and Bluestone group.

Kelly Fraser – Risk Management, Compliance and Administration for the Fund

Kelly is Aquasia's Chief Operating Officer and has over 20 years' experience across a broad range of operational roles in financial markets.

Prior to joining Aquasia, Kelly's most recent position was Chief Operating Officer of Global Markets for ABN AMRO Australia.

Before this, she worked in ABN AMRO Bank NV's London office for four years with the latter half of her time there spent as Business Manager for the global G11 rates trading business.

Previously, Kelly spent nine years as a market risk specialist, working at ABN AMRO Australia in Sydney and London, and Bankers Trust in Sydney, in varying capacities. Kelly held risk manager positions for the equities, fixed-income, derivative, treasury/FX and proprietary trading activities at these banks.

Kelly has a Bachelor of Economics from Sydney University.

Stuart Richardson – Distribution and Asset Origination

Stuart has over 30 years' experience in the financial services industry covering banking, asset management and wealth management. Before joining Aquasia, Stuart was a Director at Credit Suisse AG in Sydney covering superannuation funds, asset managers and family offices with a focus on alternative investments.

Before moving to Sydney, Stuart worked in New Zealand for First NZ Capital Securities Limited where he managed investment portfolios for family offices and high net worth individuals. Prior to this he was Head of Corporate and Institutional Sales at ABN AMRO. During Stuart's career he was also Head of Sales in the Financial Markets division of the National Bank of New Zealand.

Stuart holds a Bachelor of Commerce degree in Economics from the University of Auckland and a New Zealand Stock Exchange Diploma.

Aquasia Short Term Income Fund Investment Committee

The Fund's investment committee (**Investment Committee**) oversees the activities of the Fund from an investment, operational and compliance perspective. Its charter requires it to establish and oversee the Fund's investment strategy. The Investment Committee meets monthly to monitor and review all aspects of the Fund's investments and operations.

The Investment Committee currently comprises the key Aquasia personnel listed above and the following three independent committee members.

Paul Bide – Lead Independent Investment Committee Member

Paul began his financial markets career as an economist at the Reserve Bank of Australia in 1983, moving to Bankers Trust in 1986 where he had various roles in trading, sales, research and structuring in foreign exchange, fixed income and derivative markets in both Sydney and New York. Paul moved into Macquarie Bank in 1999 where he headed up Macquarie's Debt Markets Division which comprised trading, sales, origination, research and structuring interest rate, credit, asset backed and debt securities, derivatives and instruments. Paul was an active member of the Australian Financial Markets Association from 2005-2009 including a term as Chairman of its Market Governance Committee, was a member of the Advisory Board for the Federal Treasury's Australian Office of Financial Management from 2013 to 2017 and a member of the Challenger Retirement and Investment Services Board from 2014-2018.

Post his financial markets career, Paul was active in the social sector in mentoring, advisory and board roles as an investment committee member of a Social Ventures Australia administered impact fund sponsored by the WA Government, chair of the School for Social Entrepreneurs from 2013-2017, as a member of the Youth Justice Advisory Board attached to the Department of Corrective Services Department in Western Australia from 2013-2016, and as a Director of Newpin SBB Pty Ltd, a trustee of a NSW Government social benefit bond from 2013-2018.

Neil Schafer – Independent Investment Committee Member

Neil has an extensive track record in banking and investment gained from over 25 years' experience in New York, London, Switzerland, Asia and Australia.

He has served as CEO at Wilson HTM Investment Group and Souls Funds Management, as an executive at Citibank, the Commonwealth Bank of Australia and UBS, and as an external director of Clime Investment Management, London City Equities, The Investor Group, Valad Core Plus Property Management Ltd and the ABN AMRO Social Infrastructure Fund.

Neil currently provides business and investment advisory services through Iconic Partners, and is a director of the Catholic Development Fund.

Mark Hopkinson – Independent Investment Committee Member

Mark has been the lead independent Investment Committee member of the Aquasia Enhanced Credit Fund since its inception in 2011, and an independent member of the Investment Committee of the Aquasia Private Investment Fund since its inception in 2018.

Mark worked for 20 years in the Schroder Group in London, Sydney and Asia, concluding with the role of Group Managing Director, Investment Banking in Asia between 1997 and 2000. His responsibilities at the Schroder Group were principally for trading, structuring and risk management.

Mark has an MA (Hons) in English and a Master of Studies in History from Oxford University.

Investment Approach

Objective

The Fund's investment objective is to preserve capital while producing returns in excess of the Target Return, being the RBA Cash Rate Target plus 1.50% over each 12 month period.

Strategy

The Fund will invest in credit, fixed-income, cash and cash-equivalent assets. All assets in the Fund will be rated by an external rating agency and will have an Investment Grade rating at the time of purchase. The Fund is designed for investors who wish to have exposure to such assets and are looking for regular income distributions in excess of the RBA Cash Rate Target. It is expected that the Fund's assets will generally be liquid and the Fund will be suitable for investors with an investment horizon of 12 months.

Aquasia harnesses its deep experience, networks and expertise in fixed-income and credit markets to actively manage the Fund's portfolio. The portfolio will be constructed with an emphasis on protecting capital and providing liquidity while delivering risk-adjusted returns above the prevailing RBA Cash Rate Target throughout the market cycle. Investments are sourced from Aquasia's wide network of contacts and will be added to the Fund's portfolio if, in Aquasia's view, they provide the appropriate risk/return profile for the Fund. The Fund may invest in other funds and investment opportunities offered by Aquasia, provided that the underlying investments meet the Fund's portfolio characteristics. If assets are sourced through Aquasia's advisory or origination businesses or are investments managed by Aquasia, the transactions will occur on an arm's-length basis and in accordance with Aquasia's conflicts of interest policy.

Summary of Portfolio Characteristics

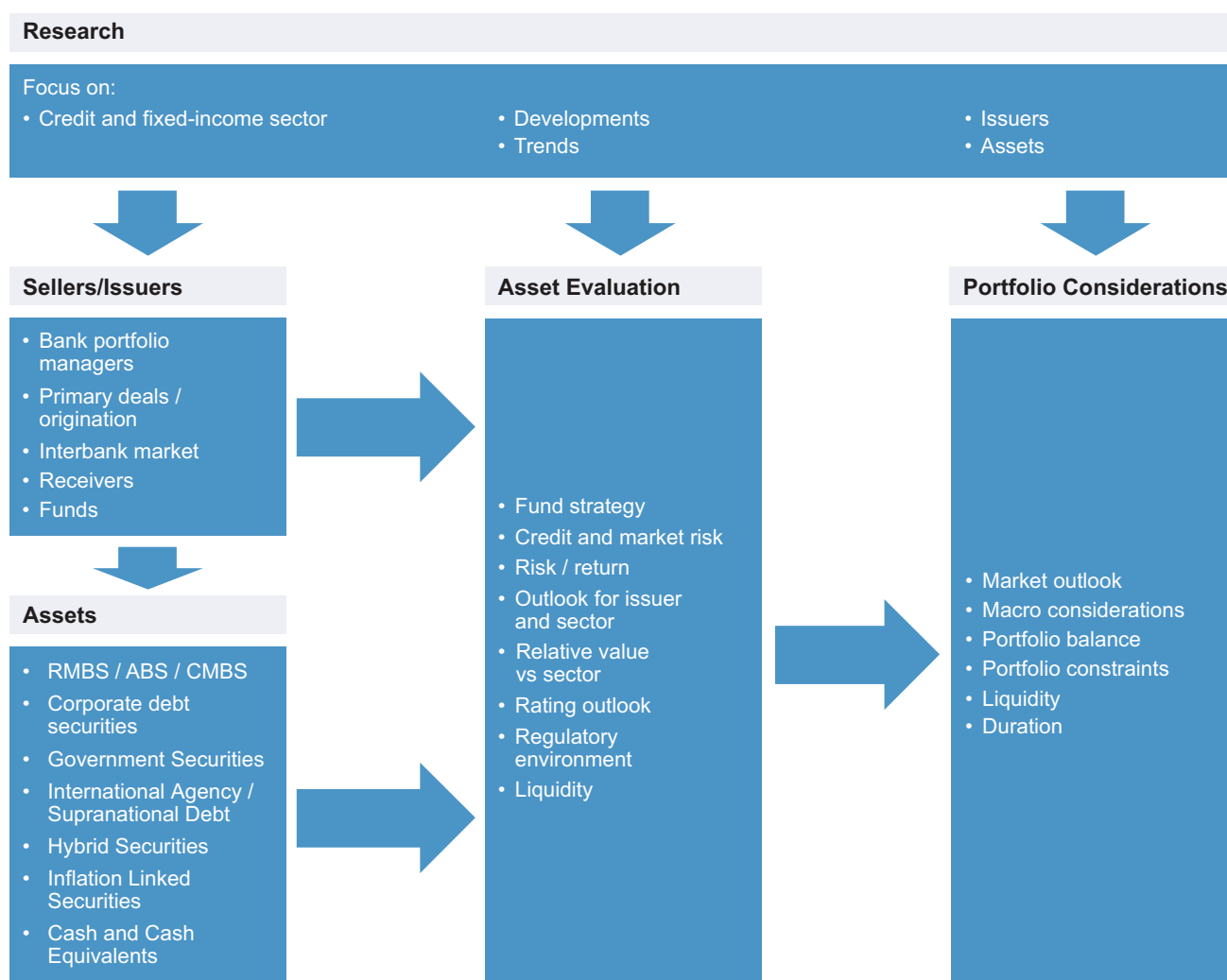
Aquasia intends that the Fund's portfolio will have the characteristics summarised in the following table.

For more information of the Fund's intended portfolio characteristics please see pages 10 and 11.

Characteristic	Fund Portfolio Constraints
Geographical	Focus on Australian opportunities with the ability to consider suitable international assets.
Credit rating	100% of the Fund's assets will be rated Investment Grade at the time of purchase.
Currency	At least 90% A\$ denominated assets (or hedged to A\$).
Interest rate	Predominantly floating rate assets. The Fund may invest up to 25% of NAV in unhedged fixed rate and zero coupon assets.
Leverage	Up to 20% of NAV, if required.
Liquidity	The majority of the assets will generally be expected to be liquid.
Asset Concentration	No single security may represent more than 10% of the Fund's NAV unless rated AA-/Aa3 or better. This may not be achieved until the NAV of the Fund reaches A\$100m.
Listed/Unlisted	Majority to be unlisted assets.

Investment Process

The Fund's investment process is summarised below:



Research

Aquasia researches financial markets to identify developments and trends in general, and in the credit and fixed-income sectors in particular. Aquasia also undertakes detailed research on suitable assets and their issuer(s). Aquasia's research informs and shapes the seller/asset identification, evaluation and portfolio consideration phases of the Fund's investment process.

Identifying Seller/Assets

Aquasia sources assets through its networks and specialist partners, with a particular view to finding sellers or issuers with funding requirements against assets that Aquasia believes will provide compelling risk-adjusted returns.

As part of this process Aquasia uses its deep knowledge of the markets and extensive contacts, together with an understanding of longer-term market dynamics and changes in the regulatory environment.

Evaluating Assets

Aquasia evaluates assets by examining the underlying credit quality, risk/return profile and the name, sector, liquidity, rating and regulatory outlook of each asset. This assessment is then considered against the Fund's strategy to ensure the features of the asset are appropriate for the Fund.

Portfolio Considerations

Aquasia examines assets in view of the broader portfolio, including current and prospective macro considerations and outlook, the portfolio mix, hedging, liquidity, rating, credit quality, duration and interest rates.

Review Process – Investment Committee and Audit

The Investment Committee meets monthly in order to fulfil its charter, as defined and allocated to it by the Trustee. Part of its responsibilities include, but are not limited to:

- Review the Fund's performance.
- Ensure that the Fund is operating within its constraints (see page 8).
- Review and ratify the daily valuations for the prior month.

The Investment Committee will be comprised of Aquasia personnel and at least one independent committee member. At the date of this IM, the Investment Committee comprises Patrick Hsiao, Colin McKeith, Kelly Fraser, James McNabb and Stuart Richardson (Aquasia) and Paul Bide, Neil Schafer and Mark Hopkinson (Independents).

In addition, at the end of each financial year, the valuation of the Fund's assets is reviewed by the Fund's auditor.

Portfolio Assets

All assets of the Fund must be externally rated Investment Grade at the time of purchase. Examples of assets the Fund may hold include but are not limited to the following classes of assets:

- Residential Mortgage-Backed Securities (**RMBS**).
- Asset-backed securities (**ABS**).
- Commercial mortgage-backed securities (**CMBS**).
- Corporate debt securities.
- Government and semi government securities.
- International Agency/Supranational Debt.
- Hybrid Securities.
- Inflation Linked Securities.
- Cash and Cash Equivalents.

Portfolio Characteristics

The Fund's portfolio will have the characteristics set out below.

Credit Rating

The Fund will ensure that 100% of its assets are externally rated Investment Grade at the time that the assets are acquired. Cash and Cash Equivalents will be counted towards this target.

Market movement, downgrades, maturities or other reasons may result in the Fund having less than 100% Investment Grade assets. Aquasia will seek to rebalance the portfolio to maintain the 100% target within a reasonable period of time, having regard to the best interests of investors and its ability to realise or acquire assets at a fair value.

For the avoidance or doubt, instruments or counterparties used for currency or interest rate hedging are not required to be rated.

Currency

The Fund invests predominantly in Australian Dollar denominated assets. However, the Fund may from time to time invest in assets denominated in currencies other than Australian Dollars.

Currency Hedging Strategy

If the combined value of non-Australian dollar assets exceeds 10% of the NAV then Aquasia will seek to hedge the excess exposure back to Australian Dollars.

Instruments used for currency hedging may include foreign exchange forwards, futures and options.

Interest Rate

While it is intended that the Fund will predominantly invest in floating rate assets, the Fund may also invest in fixed rate assets, including zero coupon assets.

Interest Rate Hedging Strategy

As the Fund's Target Return is based on a floating rate the Fund's investment strategy is not focused on trading interest rate risk, it is anticipated that not more than 25% of the NAV will be in unhedged fixed-rate instruments with maturities longer than 15 months. If the value of fixed-rate assets with maturities longer than 15 months exceeds 25% of the NAV then Aquasia will seek to hedge the interest rate exposure in excess of that threshold.

Interest rate hedges available to the Fund may include swaps, options and futures.

Leverage

While the Fund is not expected to be an active user of leverage, it has the ability to borrow up to 20% of the NAV from time to time to take advantage of market opportunities and meet short-term liquidity needs. This may be done through direct borrowings or repurchase agreements.

Liquidity

The Fund mainly invests in assets that are generally expected to be liquid. The Fund may invest in illiquid assets where the Investment Manager believes there is an adequate return for the risk and the illiquidity of the assets. Care will be taken to match the expected liquidity of the assets in the portfolio to the Fund's own liquidity objectives.

Asset Concentration

The Fund aims to have no exposure greater than 10% of its NAV to any single security except for Cash or Cash Equivalents and securities rated AA-/Aa3 or better.

This may not be achieved until the NAV of the Fund reaches A\$100 million.

Listed/Unlisted

The Fund's assets may be listed or unlisted. It is anticipated that the majority of the Fund's assets will be unlisted.

Risks

It is important to understand the risks associated with investing in the Fund. The nature of investment markets is such that the returns on investment markets, as well as individual investments, can vary significantly and future returns are unpredictable. In the event that any of the risks described on the following pages eventuate then they may impact upon the value of the Fund's assets, Unit prices and the extent to which the Fund is able to make distributions and permit redemptions. Different types of investments perform differently at different times and have different risk characteristics and volatility. The Target Return is not a forecast and is not guaranteed.

The risks and therefore returns on the Fund's investments are influenced by various factors, including many outside the control of Aquasia, such as domestic and international markets, economic conditions, regulatory changes, political policies and climates, interest rates, currencies and inflation. The significant risks that may affect the performance or value of an investor's investment include those set out below. The higher the concentration of the Fund to these risk factors, the greater the impact on the Fund's value if a particular risk event were to occur.

Aquasia does not guarantee repayment of capital, any rate of return or the Fund's investment performance. Investors may lose money by investing in the Fund and an investment in the Fund might not meet an investor's objectives.

Investors should consider their investment objectives, intended investment timeframe and risk tolerance before investing in the Fund. Aquasia recommends that investors obtain appropriate professional investment, taxation and legal advice having regard to their individual circumstances prior to investing in the Fund.

Investment Strategy Risk

The Fund's success and profitability is reliant upon the ability of Aquasia to devise and maintain a portfolio that achieves the investment objective and meets the investment strategy of the Fund. There is no guarantee that the investment strategy will be managed successfully or that the Fund will meet its investment objective. Failure to do so could negatively impact the performance of the Fund.

Liquidity Risk

While the majority of the Fund's assets will be invested in assets which are liquid, assets which are liquid in normal markets may become illiquid under adverse market conditions. The liquidity of an asset may also affect its value, especially in a situation where the Fund is forced to sell assets at a time when it is not advantageous to do so.

The Investment Manager expects the Fund will be liquid and able to process redemption requests in the ordinary course as described on page 17. However, there may be circumstances where the ability to sell assets and make redemption payments to investors within a reasonable period may be impacted.

Market Risk

The market value of the Fund's assets could decrease. The market risk in relation to the assets that the Fund invests in is broadly affected by factors including, but not limited to, interest rate movements, property values, changes in ratings, political policies, legislation, technology, infrastructure, investor sentiment, employment levels, currencies, pandemics, broader economic conditions and changes in the perceived or actual creditworthiness of the borrower, issuer or any underlying security.

Credit Risk

Credit risk is the risk that a counterparty is unable to repay its financial obligations when due or otherwise meet its obligations to the Fund. While Aquasia will exercise due diligence, skill and expertise in selecting investments, there may still be credit losses in the Fund's portfolio. Aquasia actively monitors the portfolio and, where possible, will attempt to trade out of positions which appear to be deteriorating, though this cannot be guaranteed.

Counterparty Risk

There is a risk that the Fund's counterparties may become insolvent or are otherwise not able to meet their obligations to the Fund. There is also a risk that parties involved in transaction structures fail to meet their contractual obligations, potentially leading to operational losses.

Asset Backed Securities Risk

The value of RMBS, ABS and CMBS may be affected by a number of factors including: changes in the market's perception of the underlying assets backing the security, changes in the perceived adequacy of credit support in the securities, changes in the perceived creditworthiness of the third parties to a transaction (including the originator, swap providers, etc) and changes in the payment behaviour of the underlying borrowers (such as failure to pay or early repayment).

During times of heightened market volatility, the valuation of these securities may fluctuate considerably and may not reflect the value at which the securities would be realised through a sale. The valuation of the Fund will be regularly updated as per page 16. Falls in market price will generally result in a corresponding fall in the Fund's NAV and Unit price.

ABS that are not backed by mortgages present certain risks that are not presented by mortgage-backed securities (or RMBS). Primarily, these securities may not have the benefit of the same security interest in the related collateral or may be unsecured. Therefore, there is a possibility that recoveries on defaulted collateral may not, in some cases, be available to support payments on these securities. However, all ABS have other investor protections which may not be present in RMBS and which make investing in an ABS with the same credit rating a comparable risk to investing in RMBS.

Interest Rate Risk

Aquasia manages the Fund's portfolio against a floating rate Target Return. The Fund will predominantly invest in floating rate assets, and the returns, risk, liquidity and attractiveness of these assets may change as the underlying base rate changes. The underlying base rate of these assets may also not match the floating rate Target Return of the Fund though they are generally expected to be correlated.

The Fund may also hold fixed rate or zero coupon assets. Aquasia aims to hedge interest rate risk as set out in the 'Interest Rate Hedging Strategy' sub section on page 11 of this IM.

However, there can be no assurance that Aquasia will be able to hedge all such assets and there may be residual interest rate risk arising from imperfect hedging and general market conditions associated with changes in interest rates.

Derivatives Risk

Derivatives instruments may be used to manage interest rate or currency risk. The value of a derivative may fail to move in line with the value of the underlying asset or rate. As a consequence, the derivative may not perfectly hedge the underlying risk. Further risks include the potential illiquidity of the derivative and exposure to the credit-worthiness of the derivative counterparty. The Fund may also have to hold sufficient Cash or Cash Equivalent assets to meet any potential losses from a derivative instrument. This could impact the overall value of the Fund.

Leverage Risk

The Fund may leverage up to 20% of the Fund's NAV, either by direct borrowings or repurchase agreements. In addition, some of the Fund's assets may be internally leveraged via embedded credit derivatives or subordination. Leverage may magnify the impact of asset price movements on the overall investment portfolio. The leverage risk of the Fund's borrowing and in relation to assets the Fund may invest in are impacted by those factors identified in the 'Market Risk' sub section above.

Personnel Risk

Personnel risk is the risk that key people who are significant to the management of the Fund become unable or unavailable to perform their role. The Fund team may change, which may affect the Fund's future performance.

Currency Risk

While most of the Fund's assets are expected to be Australian Dollar denominated, the Fund may from time to time buy assets in other currencies, subject to their compliance with the broader Fund strategy. Aquasia aims to hedge currency risk as set out in the 'Currency Hedging Strategy' sub section on page 10 of this IM.

However, there can be no assurance that Aquasia will be able to do so and there may be residual currency risk arising from imperfect hedging and general market conditions associated with changes in currency values.

Fund Risk

There are certain inherent risks in any collective investment such as a managed fund. Investing in the Fund may result in a different outcome to investing directly because of the application of tax laws, income or capital gains accrued in the Fund, fees and expenses, the impact of investments into and redemptions from the Fund by other investors and the possibility that the Fund may be terminated or become illiquid. Further, the costs associated with an investor's investment may increase through an increase in fees and expenses.

Tax Risk

The tax treatment and tax risk of an investment in the Fund is discussed in the 'Taxation' sections on pages 25 to 31 of this IM. Tax laws are subject to continuous change, which can operate retroactively.

Conflict of interest risk

There is nothing to prohibit Aquasia or its associates from engaging in any other existing or future business or providing services to other clients. Aquasia and its associates (including funds managed by Aquasia) may co-invest with the Fund. Officers and staff of Aquasia (and their related entities and associates) may be Unitholders in the Fund. This may give rise to actual or potential conflicts of interest with Aquasia's role in the Fund. In the event that an actual or potential conflict of interest arises, Aquasia will attempt to minimise or resolve such conflict, to the extent possible in accordance with its conflicts of interest and other governance policies, and its obligations under its Australian Financial Services Licence. Any services provided by Aquasia to the Fund will be on arms length terms.

Investing in the Fund

Minimum Investment

The minimum initial investment in the Fund (and the minimum holding) is A\$10,000 for Ordinary Units and A\$10,000,000 for Institutional Units and the minimum for further investments for both Unit classes is A\$10,000. Aquasia may, in its absolute discretion, vary the minimum initial investment, the minimum holding or the minimum amount for further investments in the Fund.

Wholesale Clients Only

Investors wishing to invest with amounts of less than A\$500,000 (or NZ\$750,000 for New Zealand investors) must demonstrate, to the satisfaction of Aquasia, that they are Wholesale Clients.

The qualification requirements for an Australian Wholesale Client are outlined in Section 761G of the Corporations Act and set out on the Application Form.

The requirements for a New Zealand Wholesale Client are set out in Schedule 1 of the Financial Markets Conduct Act 2013 (NZ) as summarised in the Application Form.

Unit Classes

Initially there will be two classes of Units:

- Ordinary Units: Available to all Wholesale Clients.
- Institutional Units: Available to Wholesale Clients who invest at least A\$10,000,000.

Both classes of Units will have exposure to the same underlying assets.

The Trustee may, at its discretion, nominate a minimum holding for Institutional Units. The amount is currently A\$10,000,000 (**Minimum Institutional Holding**). If at any time a holder of Institutional Units holds less than this amount, then the Trustee may, at its discretion, without reference to the investor, convert the Institutional Units to Ordinary Units of the same value. The Trustee may also change the Minimum Institutional Holding at any time, at its discretion. However, if the Trustee increases the Minimum Institutional Holding, it will not convert the Institutional Units of any investor provided they continue to comply with the Minimum Institutional Holding that was applicable immediately prior to the increase.

The Trustee may create new classes of Units at its discretion.

Unit Pricing

Valuation of the Fund's assets and determination of the Issue Price and Redemption Price for each class of Units will generally be determined each Business Day (or such other times as Aquasia may determine in its discretion).

The price at which Units are issued to investors is calculated as NAV per Unit, after allowing for the accrued fees and expenses which are referable to that class (**Issue Price**). As such, the Issue Price for a Unit in a class is calculated by determining the NAV referable to that class of Units for the relevant Business Day, deducting the accrued fees and expenses referable to that class and dividing this amount by the number of Units of that class on issue on that day, plus the Buy Spread (currently 0.10% of the NAV per Unit of that class).

The price at which Units are redeemed by investors is also calculated as NAV per Unit, after allowing for the accrued fees and expenses which are referable to that class (**Redemption Price**). As such, the Redemption Price for a Unit in a class is calculated by determining the NAV referable to that class of Units for the relevant Business Day, deducting the accrued fees and expenses referable to that class and dividing this amount by the number of Units of that class on issue on that day, minus the Sell Spread (currently 0.10% of the NAV per Unit of that class).

The NAV will be determined having regard to the value of assets and liabilities at the time of calculating the NAV. Where actual valuations or authenticated figures are not available and the Trustee considers there will be no significant detriment to any Unitholder, then the Trustee will use estimates of value at its discretion (provided such estimates are reasonably current and are consistent with ordinary commercial practices for valuing assets of the relevant kind). If it is not possible for Aquasia to determine the NAV of the relevant class of Units for any Business Day the applicable Issue Price/ Redemption Price will be calculated on the next Business Day on which the NAV of that class of Units can be determined.

Applying for Units

All applications for Units must be made using the Application Form accompanying this IM (**Application Form**). Additional copies of the IM are available from Aquasia. Applications received by facsimile will not be accepted without prior agreement by Aquasia.

To make an application, investors must send a completed Application Form and supporting documentation together with cleared application monies to Aquasia, as per the instructions in the Application Form.

Valid applications received by 2:00pm Sydney time on a Business Day will generally be processed using the Issue Price determined for that day.

Valid applications received after 2:00pm Sydney time or on a non-Business Day, will generally be processed using the applicable Issue Price determined for the next Business Day.

All applications by new investors must provide supporting identification documents as part of the requirements of the Anti-Money Laundering and Counter Terrorism Financing regime (**AML/CTF Law**). These identification and verification requirements are outlined in the checklists which are included in the Application Form.

Validity of applications

Applications will only be accepted as valid if application moneys have been received and Aquasia is satisfied with all information provided in the Application Form and associated client identification and verification requirements and Wholesale Client checks have been satisfied.

Aquasia may refuse to accept any application (in whole or part) in its absolute discretion.

Valuation

The Net Asset Value of the Fund is calculated in accordance with the Constitution. The NAV will generally be determined for the close of the market on each Business Day, or such other times and dates as Aquasia may determine in its discretion. The NAV of the Fund is calculated as the value of the assets in the Fund less the value of any liabilities. The NAV referable to each class of Units will also be calculated at the same time. The NAV of each class of Units may vary given the different Management Fees that apply to the classes of Units.

The NAV per Unit is calculated by dividing the NAV of the relevant class of Units by the number of Units on issue in that class on the relevant calculation date, or such other times and dates as Aquasia may determine in its discretion.

The Fund is likely to invest in a diverse range of assets for which differing valuation methodologies will be employed based on relevant market practice. Assets will generally be valued at market value determined by Aquasia with reference to independent pricing sources where possible. Assets whose values are not directly quoted are valued by reference to comparable assets and similar transactions in the market. If Aquasia considers that the value determined by reference to independent pricing sources is not reflective of where an asset could be sold on the market, the asset will be valued at Aquasia's assessment of its value, which may include use of model-based pricing. Some investments may be valued "at par". However, Aquasia will seek external valuations where needed.

The daily valuations will be reviewed monthly by the Investment Committee (or more frequently as required) and on an annual basis by the Fund's auditors.

Distributions

Distributions may comprise income and/or capital. Investors will receive any distributions in respect of their Units, based on their proportionate holding of Units at the end of each distribution period, to the extent income is available.

Distributions will generally be made at the end of each month or at such other times as Aquasia may determine in its absolute discretion. Where a distribution is payable, it will ordinarily be paid within 30 days after the end of the relevant distribution period.

Distributions will be reinvested in the Units in the Fund unless investors elect to have their distributions paid in cash.

Redemptions of Units

Aquasia will generally allow investors to redeem Units on each Business Day or such other times and dates as Aquasia may determine in its discretion on receipt of a valid redemption request (**Redemption Date**).

Valid redemption requests received by 2:00pm Sydney time on a Business Day will generally be processed using the Redemption Price determined for that day.

Valid redemption requests received after 2:00pm Sydney time on a Business Day or on a non-Business Day will generally be processed using the Redemption Price determined for the next Business Day.

Payment of redemption proceeds will generally be made within 5 Business Days of the Redemption Date but if Aquasia considers it to be appropriate it may delay payment for up to 21 days (or such longer period as permitted under the Constitution).

Redemption proceeds may consist of an amount representing the capital value of the Units plus an amount representing distributable income.

Aquasia may refuse, scale back or suspend redemptions at its discretion. Redemptions will only be possible if the Fund has sufficient liquidity to meet redemption requests at the relevant time, or Aquasia is able to liquidate investments in circumstances where the position of the remaining Fund investors will not be disadvantaged. Partial redemptions may be made on a pro-rata basis. More details on page 22.

Incomplete or invalid documentation

Incomplete or invalid application or redemption requests will not be processed until Aquasia is satisfied with the documentation and any additional information required, and will be processed using the Issue Price or Redemption Price applicable at that time.

Reporting

Investors in the Fund will receive regular reports, including:

- Confirmation of their initial investment, subsequent investments and redemptions.
- Distribution statements.
- Annual tax statements providing details of their share of the Fund's net income and identifying the taxation components of their distributions as required to complete Australian taxation returns.
- Investor updates.

Unitholders and potential investors may obtain copies of audited financial statements and/or details of the underlying investments or current Unit prices for the Fund by contacting Aquasia.

In-Specie Transactions

Aquasia does not currently intend to permit in-specie applications and redemptions but may in its absolute discretion accept an in-specie application for Units and satisfy redemption requests by in-specie transfer of Fund assets.

Fees and Expenses

Management Fee

Aquasia as Trustee and Investment Manager charges a management fee for overseeing the operations of the Fund and providing access to the Fund's underlying investments (**Management Fee**).

The Management Fee is as follows:

- (a) In respect of Ordinary Units, 0.65% per annum (excl GST) of the NAV referable to the Ordinary Units, and
- (b) In respect of Institutional Units, 0.55% per annum (excl GST) of the NAV referable to the Institutional Units.

The Management Fee is accrued and calculated daily and at other times if considered appropriate by Aquasia. Management Fees are based on the NAV referable to each Class before the recovery of expenses and is payable within 10 Business Days of the end of each calendar month. The Management Fee is payable out of the assets of the Fund, referable to the respective class of Units. Aquasia may at its discretion pay from its Management Fee a rebate of part of the fee to certain Unitholders.

Fund Expenses

Aquasia is entitled to be reimbursed for administering the Fund and for out-of-pocket expenses it incurs (or reasonably anticipates it will incur) in managing and administering the Fund (together **Fund Expenses**). Fund Expenses include third party fees for audit, legal, fund accounting, unit registry, communication expenses with respect to investor services (eg. printing and postage and preparation of tax returns) and the amortisation of Fund establishment costs, including the legal costs of producing this IM and the Fund's Constitution.

Aquasia's reimbursement for Fund Expenses (**Expense Recovery**) is currently capped at 0.25% p.a. (excl GST) of the NAV of the Fund. Expense Recovery is payable out of the assets of the Fund. However, Aquasia has the right to vary or remove the cap on Expense Recovery but will give Unitholders 30 days' notice of such change.

Abnormal Expenses

Aquasia may recover from the assets of the Fund abnormal expenses such as costs of Unitholder meetings, changes to the Constitution, defending or pursuing legal proceedings and other costs to the Fund which are not included in Fund Expenses (**Abnormal Expenses**). Abnormal Expenses are not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any given year. Abnormal Expenses are not subject to the Expense Recovery cap.

The Fund Expenses outlined above do not include any Abnormal Expenses. Aquasia may, in its sole discretion, decide to recover these Abnormal Expenses from the Fund.

Transaction Costs and Buy/Sell Spread

Transaction Costs are incurred when assets are bought or sold and when investors join or leave the Fund as the Fund is required to purchase or sell assets to satisfy application or redemption requests. In order to ensure that other Fund investors are not adversely affected, investors must pay a spread charge on joining or leaving the Fund. An applicant for Units must pay a buy spread charge (**Buy Spread**) and a Unitholder redeeming Units must pay a sell spread charge (**Sell Spread**).

The Buy Spread is currently 0.10% of the NAV per Unit and is incorporated into the Issue Price of a Unit. The Sell Spread is currently 0.10% of the NAV per Unit and is deducted from the redemption proceeds of a Unit. See the section on Unit Pricing on page 15 for further detail.

The Buy Spread paid on acquisition of Units and Sell Spread in respect of redemption of Units is not subject to GST. The Buy Spread and Sell Spread amounts are not paid to Aquasia. The amounts are retained as part of the assets of the Fund to protect ongoing investors from the Transaction Costs on transaction activity driven by applications and redemptions.

The size of the Buy Spread and Sell Spread may, subject to law, be varied from time to time without notice, to ensure that non-transacting investors are not adversely impacted by applications for Units or redemptions of Units by other investors. For example, a different percentage may apply when Transaction Costs such as brokerage costs or the difference between the bid and offer prices for assets change. In stressed and dislocated market conditions, Transaction Costs may increase significantly. In addition, Aquasia may at its discretion reduce or increase the Buy Spread and Sell Spread in certain situations if it considers that the actual Transaction Costs incurred will be less or more than 0.10%.

Examples of such situations include where there is a simultaneous purchase and redemption of Units of equivalent value by different investors, or in the event of in-specie applications or redemptions.

Reinvested distributions will not incur a Buy Spread.

There are also Transaction Costs associated with the buying and selling of assets for the Fund for the purposes of complying with the investment strategy rather than in response to application or redemption requests. These Transaction Costs include brokerage, clearing costs, due diligence and legal fees, buy/sell spreads in underlying investments, government taxes, duties and levies incurred when acquiring or disposing of part or all of the Fund's underlying investments. These Transaction Costs are incurred and paid out from Fund assets and are uncapped.

Adviser Fees

Investors may agree to pay a commission to their financial advisers who have referred them to invest in the Fund. Such adviser fees are charged by the financial adviser and are separate and additional to the fees charged by the Fund. Aquasia is not liable for the failure of an investor to pay such adviser fees.

Commissions

The Fund does not currently pay any commission or other similar payments to financial advisers. However, it reserves the right to do so in the future.

Differential fees

Aquasia may negotiate different fee arrangements with certain Unitholders. Aquasia is under no obligation to offer such terms to other investors.

Investment fees earned by the Fund

Issuers or sellers of securities may pay fees to Aquasia where the Fund makes an investment in a security. All such fees will form part of the assets of the Fund and are not retained by the Investment Manager.

Goods and services tax

Amounts stipulated in the IM (including all fees) are exclusive of GST, unless otherwise stated. Where required, GST will be added to the amount payable.

Additional Fund Information

Legal Relationship with Investors

The Corporations Act, general law and the Constitution set out the rights and interests of investors in the Fund as Unitholders and also set out the rights, duties and obligations of Aquasia as the Trustee of the Fund.

Constitution

The Fund is governed by its Constitution. The main provisions of the Constitution are summarised below. The Constitution is legally binding between Aquasia and each Unitholder. To the extent of any inconsistency between this IM and the Constitution, the provisions of the Constitution will prevail. Subject to the terms of the Constitution, Aquasia, as Trustee of the Fund, may amend the Constitution. A copy of the Constitution is available for inspection free of charge at the offices of Aquasia during normal business hours.

Classes of Units

At any time Aquasia may consolidate, divide or issue Units or convert Units in one class into Units of another class and create and issue units of different classes. The terms of these classes may differ, including in respect of fees, rate of return, liquidity and ranking.

Rights and Liabilities of Investors as Unitholders

Each Unit carries with it an equal beneficial interest in the Fund as a whole but not in any particular asset of the Fund. Fund income is only distributed to registered investors entitled to a distribution as at the last Business Day of the distribution period. Investors may not interfere with Aquasia's powers or exercise any rights in respect of any investment of the Fund. Under the Constitution, investors may:

- Requisition, attend and vote at meetings of the Fund.
- Share in the income and capital distributions of the Fund.
- Participate in the winding up of the Fund.

Generally, the Constitution limits an investor's liability to Aquasia as the Trustee of the Fund to the value of that investor's investment in the Fund.

However, no absolute assurance can be given due to the fact that this has not been tested in superior courts.

Liability of Aquasia as the Trustee

Except in the case of its own actual fraud, gross negligence, or wilful default, Aquasia is not liable to any Unitholder for any loss or damage suffered in any way relating to the Fund and is in fact indemnified out of the Fund.

Retirement and Removal of Aquasia as Trustee

Aquasia may be removed from the Fund by Unitholder's passing an Extraordinary Resolution. Aquasia may also voluntarily retire as Trustee and appoint a replacement trustee.

Termination of the Fund

Aquasia may terminate the Fund at any time by giving notice to Unitholders. The Fund also terminates where otherwise required by operation of law. Where the Fund is terminated, Aquasia must sell all the assets of the Fund and distribute the net proceeds (after fees and winding up costs) to Unitholders in proportion to the number of Units held.

Changing Fees, Expense Recovery and Buy Spread/Sell Spread

In accordance with the Constitution, Aquasia may change the amount of the Management Fee and Expense Recovery in this IM or introduce certain new fees (including increasing current fees and the Expense Recovery cap up to the maximums set out in the Constitution (if any)) without the consent of investors on 30 days' advance notice.

In accordance with the Constitution and subject to law, Aquasia may vary the amount of recovery of Abnormal Expenses and Buy Spread and Sell Spread at any time without investor consent or notice.

Administration of the Fund

Aquasia has engaged external service providers to undertake certain administrative functions for the Fund. The registry function for the Fund will be undertaken by One Registry Services Pty Limited (ACN 141 757 360) (**ORS**). Unity Fund Services Pty Limited (ACN 146 747 122) (**Unity**) will undertake accounting and record keeping services including determining the value of Fund assets, calculating fees and preparation of financial reports.

Each of ORS and Unity have consented to be named in this IM as service providers for the Fund in the form and context in which they are named and have not withdrawn their consent as at the date of this IM. Neither of ORS or Unity makes, or purports to make, any statement that is included in this IM and there is no statement in this IM which is based on any statement by ORS or Unity. To the maximum extent permitted by law, each of ORS and Unity expressly disclaims and takes no responsibility for any part of this IM other than the references to its name. Neither of ORS or Unity guarantees the repayment of capital or any particular rate of capital or income return.

Custodianship of the Fund

The Trustee has appointed an independent custodian to hold the assets of the Fund.

Certane CT Pty Ltd (**Certane Corporate Trust**)
ACN 106 424 088
AFSL 258829

Level 6
80 Clarence Street
Sydney, NSW 2000

The Trustee has appointed Certane Corporate Trust as Custodian of the Fund under a custodian agreement.

Certane Corporate Trust is a wholly owned subsidiary of Certane Group, which provides custodian, trustee and financial technology solutions to financial institutions and fund managers across Australia and New Zealand.
www.certane.com

The Custodian's role is to hold Fund assets in its name and act on the direction of the Trustee to effect cash and investment transactions.

Certane Corporate Trust has no supervisory role in relation to the operation of the Fund and has no liability or responsibility to a Unitholder for any act done or omission made in accordance with the custodian agreement.

Certane Corporate Trust's role as Custodian is limited to holding the assets of the Fund.

Disclaimer: Certane Corporate Trust has not withdrawn its consent to be named in this IM as Custodian of the Fund in the form and context in which it is named. Certane Corporate Trust does not make, or purport to make, any statement that is included in this IM and there is no statement in this IM which is based on any statement by Certane Corporate Trust. To the maximum extent permitted by law, Certane Corporate Trust expressly disclaims and takes no responsibility for any part of this IM other than the references to its name. Certane Corporate Trust does not guarantee the repayment of capital or any particular rate of capital or income return.

Aquasia from time to time may use other custodians for some of the Fund's assets and has the right, in its absolute discretion, to appoint other custodians. Engaging a custodian is subject to an onboarding process which includes a review of the legal documentation and operational considerations and is subject to periodic review by the Investment Committee.

Application Monies held in a Trust Account

The money paid to acquire Units in the Fund may be held by Aquasia or its Custodian in a trust account for the benefit of the prospective investor until Aquasia issues Units to the prospective investor. Any income attributable to that application money will form part of Fund assets and will not be payable to any prospective investor.

Cooling-Off Period

No cooling-off period applies with respect to investments in the Fund.

Suspension of the Calculation of the Net Asset Value of the Fund

Aquasia may declare a temporary suspension of the determination of the NAV of the Fund on any calculation date in certain circumstances, including, without limitation, where:

- Any market or platform (including clearing or settlement facilities) used by the Fund to trade or transacts is closed, suspended or restricted.
- The price of a significant part of the Fund's assets cannot be reasonably, promptly or accurately ascertained.
- Aquasia considers it to be in the best interest of investors to do so.

Rejection of Applications

In accordance with the Constitution, or obligations under any AML/CTF Law, or for any other reason, Aquasia may reject applications for Units in its absolute discretion, including where Aquasia considers it to be in the best interest of investors to do so, or where it is impossible or impractical to calculate the current NAV of the Fund or otherwise as required by law.

Redemption proceeds

The Constitution permits redemptions subject to the Trustee's absolute discretion. It should be noted that, in accordance with the Constitution, or obligations under any AML/CTF Law obligations, Aquasia may determine or be legally required to withhold payment of redemption proceeds to an investor.

Suspension or variation of Redemptions

In certain circumstances, Aquasia may vary the terms and conditions applicable to redemptions by:

- Varying the time by which a redemption request may be satisfied;
- Determining not to give effect to a redemption request;
- Scaling back redemptions or staggering payment of redemption proceeds; or
- Suspending redemptions for a period of time.

These circumstances include, but are not limited to, where, in the opinion of Aquasia:

- The processing of all redemption requests would compromise the operation of the Fund;
- Sufficient assets of the Fund cannot be realised at an appropriate price or on adequate terms or otherwise due to a circumstance outside the control of Aquasia;
- It is impracticable or impossible for Aquasia to calculate the Fund's NAV or the Redemption Price (including, without limitation, due to adverse market conditions, the unavailability or unreliability of independent pricing sources or to access information required due to its physical location being inaccessible or technological outage);
- It would prejudice the Fund's or Aquasia's ability to comply with applicable laws;
- Aquasia otherwise determines it to be in the best interests of all investors; or
- The law otherwise permits or requires.

Redemption requests received after the commencement of a period of suspension will not be accepted.

Any valid but unsatisfied redemption request received by Aquasia prior to commencement of a period of suspension will be rolled over until the first Business Day (and any subsequent Business Days) on which Aquasia determines (in its discretion) that redemption requests can be satisfied (in whole or in part), unless the redemption request is withdrawn by the Unitholder by notice in writing.

Other than during a period of suspension, any part of a valid redemption request that is not satisfied (in whole or in part) will be rolled over to subsequent Business Days until satisfied in full, unless the request is withdrawn by the Unitholder by notice in writing.

Partial redemptions will be scaled back on a pro-rata basis. The unsatisfied amount of any redemption request which is able to be redeemed on one or more subsequent Business Days will receive the Redemption Prices determined for each of those subsequent Business Days.

Compulsory Redemptions

If an investor's investment balance falls below the minimum holding amount for Ordinary Units (or would fall below that amount following redemption of Units), Aquasia may in its absolute discretion close the investor's account and redeem all the investor's Units without receiving a redemption request from the investor.

The Constitution also provides that Aquasia may also compulsorily redeem an investor's Units in its discretion. This could include, for example, if at any time the investor ceases to be a Wholesale Client or if the investor is otherwise prohibited by applicable law from holding Units.

In-Specie Transactions

The Fund does not currently intend to permit in-specie applications or redemptions however Aquasia reserves the right to accept in-specie transfers for applications or in satisfaction of redemptions in its absolute discretion and will determine the value of the assets being transferred in its absolute discretion.

If in-specie transfers are permitted, Aquasia may determine that some or all costs associated with the in-specie transfer will be paid by the investor.

Transfers

Investors may only transfer their Units with the consent of Aquasia. Aquasia reserves the right to refuse any request to transfer any Units for any reason. Without limitation, it will not approve proposed transferees who are not Wholesale Clients or who have not satisfied all applicable AML/CTF checks.

Conflicts of interest

Aquasia, and its directors and officers, may from time to time act as directors, managers, investment managers, trustees, advisers, or otherwise be involved in business activities other than as the Trustee and Investment Manager. The Fund may invest in assets in which Aquasia, and its directors and officers, may be involved in through its advisory or origination businesses. Aquasia and its directors and officers may also hold Units in the Fund. Accordingly, it is possible that there may be the potential for conflicts of interest to arise.

Aquasia will endeavour to manage and resolve any such conflicts fairly and efficiently, enter into any transactions on an arm's-length basis and in accordance with its conflicts of interest policy.

Dealing with Complaints

Aquasia has procedures in place for dealing with complaints. We will seek to acknowledge receipt of an investor's complaint in writing as soon as reasonably practicable and in any event within 14 days from receipt and address the investor's complaint within 30 days. Investors with enquiries should contact Aquasia. Notification of any complaint should be made in writing and addressed to:

The Compliance Officer
Aquasia Pty Ltd
Level 5, 7 Macquarie Place
Sydney NSW 2000

Privacy

Aquasia must comply with Australian privacy laws which regulate the collection, storage, quality, use and disclosure of personal information. Aquasia may collect personal information from investors to provide its products and services. In accordance with Aquasia's privacy policy (which is available free of charge by contacting us on 02 8061 4888 or enquiries@aquasia.com.au), in most cases investors have rights to access their personal information. With regard to the Fund, Aquasia can use an investor's personal information to assess an investor's application for investment in the Fund and, if the application is accepted, to manage the Fund.

Aquasia may disclose information to related entities, and anyone acting on Aquasia's behalf such as external service suppliers who supply administrative, financial or other services to assist Aquasia in providing financial services for the Fund, anyone the investor has authorised, or government departments or agencies, tax or revenue authorities (including the ATO which may pass this information onto foreign tax authorities, such as the US Internal Revenue Service). If we are not able to collect all the personal information we require, we may not be able to assess the investor's application or manage the investor's investment in the Fund.

We may transfer your personal information outside of Australia to other countries or disclose it to persons (including regulators) located outside of Australia. Further details are included in Aquasia's privacy policy. Please note that if an investor provides personal information to Aquasia about another person, the investor warrants that the investor is authorised by that person to do so and that the investor has informed that person of the information in this 'Privacy' sub-section.

Enquiries regarding access to personal information must be in writing and addressed to:

The Compliance Officer
Aquasia Pty Ltd
Level 5, 7 Macquarie Place
Sydney NSW 2000

If you have any queries regarding our treatment of your privacy, please contact us on +61 2 8061 4888 or enquiries@aquasia.com.au.

FATCA

The Foreign Account Tax Compliance Act (**FATCA**) was enacted by the US Congress in March 2010 as an attempt to capture income earned by US citizens in foreign jurisdictions. It imposes due diligence and reporting obligations on foreign financial institutions including the obligation to report to the ATO where Aquasia clients have a connection with the US. As part of the Application Form, applicants will be required to self-certify their FATCA status. Failure to do so may require us to reject an application or withhold moneys from distributions.

Common Reporting Standard

The OECD Common Reporting Standard (**CRS**) requires Australian banks and financial institutions to collect and report to the ATO various account relation information of investors who are foreign tax residents. In the Application Form, you will be required to advise your country of residence for tax purposes and, if applicable, your tax identification number. Additional information may also be required before we can process your application.

Further information required from Unitholders

If requested by the Trustee, Unitholders must provide updated or additional information required by the Trustee (or its Custodian) in order to comply with any applicable law, including AML/CTF Laws and United States Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standards (CRS). Unitholders must notify the Trustee within 30 days of any changes to the information provided in the Application Form.

Up-to-date Information in IM

Certain information in this IM may change from time to time. This includes but is not limited to potential changes which we have identified. Where we indicate to the investor that we will give notice of such changes, or where the updated information includes no materially adverse information, we will notify Unitholders or publish the updated information on our website www.aquasia.com.au. A copy of the updated information will be available free of charge upon request by contacting Aquasia.

Contacting Aquasia

Attention: Stuart Richardson

Aquasia Pty Ltd
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Australian Taxation Summary

The following provides a summary of the general tax implications for an investment by an Australian resident individual Unitholders who holds their Units on capital account. Each Unitholder's taxation position will depend on their individual circumstances and accordingly this summary is necessarily general in nature.

This summary is based on the taxation laws applicable in Australia as at the date of this Information Memorandum (**IM**). Investing in an unregistered managed investment scheme (**MIS**) is likely to have tax consequences. However, it is noted that taxation laws can change at any time, which may have adverse taxation consequences for Unitholders concerned.

Each Unitholder must take full and sole responsibility for the associated taxation implications arising from an investment in the Fund including any change in the taxation implications arising during the term of their investment. It is recommended that potential investors obtain their own professional and independent taxation advice before investing in the Fund.

Income Tax Provisions

Provisions that apply

The Trustee is considering making an election to apply the Attribution Managed Investment Trust (**AMIT**) provisions. The following section therefore provides a summary of the income tax treatment where the AMIT provisions apply to the Fund and to Unitholders. The Trustee believes that the outcomes would be similar where the Fund does not elect to be an AMIT.

Capital account election for managed investment trusts

Where the Fund qualifies as a Managed Investment Trust (**MIT**) for income tax purposes, the Trustee will seek to make an election to treat the disposal of covered assets (shares, units and real property) on capital account.

Income tax treatment of the Fund

Where the AMIT provisions apply to the Fund, the Fund will effectively be treated as a flow-through vehicle for income tax purposes irrespective of whether income or capital is distributed to Unitholders. The Trustee should not be liable to pay Australian income tax on the taxable income derived by the Fund. This is on the condition that the Fund will not be taxed as a company under the public trading trust provisions (discussed below).

Income tax treatment of Unitholders

The AMIT provisions require the taxable income of the Fund to be attributed to Unitholders on a fair and reasonable basis, having regard to their income and capital entitlements in accordance with the constituent documents. The Trustee will seek to allocate taxable income having regard to the Units held by Unitholders, entitlements to income and capital, as well as cash distributions made to such Unitholders during the relevant period. Under the AMIT provisions, a Unitholder may be taxable on their share of the Fund's taxable income prior to receiving distributions from the Fund.

Tax deferred distributions

Under the AMIT provisions, a Unitholder's cost base in their Units held is increased where taxable income is allocated to them (inclusive of any tax-free component of a discount capital gain). The cost base is decreased where cash distribution entitlements are made to the Unitholders in respect of their Units, irrespective of whether the amounts distributed are classified as income or capital. Additional reductions are made for certain tax offsets (such as the franking credit tax offset and foreign income tax offset). The net annual tax cost base adjustment amount will be detailed in an AMMA tax statement, which will be sent annually to Unitholders after year-end.

Public trading trust provisions

It is noted that a Unit Trust that is a public trust can be taxed as a company where it carries on (or controls another entity that carries on) trading activities other than eligible investment business activities (**the public trading trust provisions**). The Trustee intends to limit the activities of the Fund to eligible investment business activities so that the public trading trust provisions do not apply to the Fund. Furthermore, the Trustee will seek to ensure it does not control entities that carry on trading activities.

While the Trustee does not believe that the public trading trust provisions should apply to the Fund, there is no guarantee that the ATO may not take an alternative view. To the extent that the public trading trust provisions apply, the Fund will be required to pay tax at the corporate taxation rate (currently 25% for certain small business entities and 30% for all other entities) on taxable income and would seek to pay a franked dividend to the Unitholders. The exempt component of a discount capital gain or capital allowance deduction may be treated as an unfranked dividend.

Additional Income Tax Items

Accruals taxation

It is possible that the Fund may derive assessable income prior to those amounts being received by the Fund or distributed to Unitholders. Accordingly, Unitholders may be required to include amounts in their taxable income prior to receiving a distribution of those amounts from the Fund.

Foreign income

A Foreign Income Tax Offset (**FITO**) may arise where the Fund derives foreign sourced income and pays foreign tax on such income. The Fund may allocate FITOs to Unitholders based on the distribution of income to such Unitholders. Unitholders may be able to claim a tax offset against their Australian income tax liability for FITOs allocated to them by the Fund. FITO's that are not utilised cannot be carried forward to a future income year.

Tax losses

Where the Fund incurs a tax loss, these do not flow-through the Fund to Unitholders. However, provided that the requirements of the trust loss provisions are satisfied, the Fund may be able to carry forward those tax losses to offset them against assessable income derived in a future income year.

Dividends and similar distributions

Unitholders in the Fund may receive, as part of their distribution, franking credits attached to franked distributions received by the Fund. Franking credits received will not represent part of your cash distribution but must be included as assessable income in your tax return.

You may be eligible for a tax offset for franking credits received, which can reduce your tax liability. The extent to which you will receive franking credits will be subject to relevant franking credit integrity provisions, such as the 45-day holding rule.

Thin capitalisation

The Australian thin capitalisation provisions can apply to limit the amount of deductible borrowings to the Fund. Broadly speaking, the thin capitalisation provisions can apply where the Fund is a foreign controlled Australian trust and the Fund does not satisfy certain de minimis safe harbour exceptions. To the extent that the thin capitalisation provisions apply, interest (and similar expenses) may be non-deductible to the Fund on any excess debt funding over and above the limits prescribed by the thin capitalisation provisions.

Distribution reinvestment

Where Unitholders reinvest their distributions as additional units in the Fund, the Unitholder may still be assessed on the amount of the distribution applied to the reinvestment.

Change in class status of units

The Trustee may convert units held in one class (the **original class**) to units held in another class (the **conversion class**). For example, Ordinary Units may be converted to Institutional Units (and vice versa) in certain circumstances.

Where this occurs, the Trustee will calculate the NAV of the original class and determine the equal number of units that would need to be held in the conversion class based on the NAV of the conversion class. The units held by the Investor in the original class will then either be 'split' or 'consolidated', with the rights attaching to their units being varied to equal the rights in the conversion class. At the end of this process, the investor will hold units in the conversion class of equal value.

The process of changing the class status of a Unit will merely involve a change and variation to an existing capital gains tax (**CGT**) asset held by the Investor. Accordingly, the Trustee does not believe that a conversion of units in this manner should give rise to a CGT event to investors. However, each investor should seek their own independent tax advice on this issue before Investing in the Fund.

Disposal of Units

To the extent that a Unitholder disposes of their Units (e.g. by way of a transfer or withdrawal) a gain or loss may arise. A Unitholder that holds their Units on capital account may derive a capital gain or incur a capital loss, calculated with reference to the difference between the proceeds received on disposal of the Units and the tax cost base in the Units. In ascertaining the tax cost base, tax adjustments from tax-deferred distributions will need to be taken into account. A Unitholder may be eligible for the discount capital gains tax concession if the Units are held for 12 months or more and the Unitholder is an individual, trustee or complying superannuation fund.

Non-resident Investors

The taxation implications of Unitholders that are not Australian resident for tax purposes (**non-resident investors**) are not considered in this section of the IM. However, this section provides a general outline of the Australian income tax requirements of the Fund to withhold on distributions made to non-resident investors by the Fund and the consequences of a non-resident investor disposing of their Units in the Fund. Where withholding tax is paid by the Trustee in relation to a Unitholder and it is not a final tax, non-resident investors may be required to lodge an Australian income tax return.

Capital gains on non-taxable Australian property assets

Certain capital gains (e.g. capital gains related to non-taxable Australian property assets such as portfolio share interests or hybrid securities that are treated as equity) may not be subject to Australian withholding tax. No withholding should be payable in respect to distributions of such income.

Interest

To the extent that the interest income is derived by the Fund from an Australian source (either directly or indirectly), the Trustee will generally be liable to withhold 10% as a final Australian withholding tax.

Dividends

To the extent that franked distribution income is derived from an Australian source by the Fund, the distribution should not be subject to Australian withholding tax. To the extent that an unfranked distribution is derived from an Australian source, the Trustee should generally be liable to withhold 30% as a final Australian withholding tax. Under certain Double Tax Agreements, the withholding rate may be reduced.

Foreign income

To the extent that a distribution to a non-resident investor consists of foreign sourced income, the distribution should not be subject to Australian withholding tax.

All other income

The Fund may derive other items of income. This can include foreign currency gains and gains on the disposal of securities such as bonds or other revenue assets. Where the Fund is not a MIT, or the distribution is not a MIT fund payment, the distribution of other income by the Fund can be taxable to the Unitholder and subject to a non-final withholding tax at the Unitholder's tax rate (e.g. marginal tax rates for an individual).

MIT fund payments

A MIT fund payment typically refers to Australian sourced income that is distributed by a MIT that is not otherwise subject to specific withholding rules (e.g., foreign currency gains and gains on the disposal of securities such as bonds or other revenue assets).

Where the Fund distributes a MIT fund payment to Unitholders (being either income derived directly by the Fund or MIT fund payments it has received from other trusts), the Fund may qualify to apply a final reduced withholding tax rate. This reduced rate may be either 15% (for Unitholders in exchange of information (**EOI**) countries) or 30% (for non-EOI countries). There are certain items of income that are excluded from a reduced concessional rate (referred to as non-concessional MIT income). These items will be subject to a final withholding rate of 30%.

Disposal of units

Capital gains realised upon the (direct or indirect) disposal or redemption of Units owned by non-resident investors will be subject to Australian capital gains tax if the Units are taxable Australian property. This will generally be the case where the relevant non-resident investor has a non-portfolio interest in the Fund (i.e. a greater than 10% interest) and more than 50% of the market value of the Fund's assets are attributable to Australian real property. Based on the assets to be held by the Fund, the Trustee does not believe that the Units will constitute taxable Australian property.

Annual Reporting

The Fund will be required to provide distribution information (including tax components) to the ATO on annual basis by lodging the Annual Investment Income Report (**AIIR**). Where the Fund is an AMIT, the Fund will provide an Attribution Managed Investment Trust Member Annual (**AMMA**) tax distribution statement to Unitholders in the form that complies with the ATO guidelines. The AMMA will reconcile the cash distribution with the taxable distribution for the income year. The AMMA will also provide details on the net tax cost base adjustment for the income year.

Tax File Number (TFN) and Australian Business Number (ABN)

As the Fund will be an investment body for income tax purposes, the Fund will be required to obtain a Tax File Number (**TFN**) or Australian Business Number (**ABN**) in certain cases from its Unitholders. It is not compulsory for a Unitholder to quote a TFN, claim a valid exemption for providing a TFN, or (in certain circumstances) provide an ABN. However, failure to obtain an appropriate TFN or ABN from Unitholders will result in the Fund being required to withhold at the top marginal rate (currently 47%) with respect to distributions to the Unitholder (which may be creditable in their tax return).

Goods and Services Tax (GST)

The acquisition and disposal of units in the Fund by the Fund's Unitholders will not be subject to GST. However, GST may apply if fees are charged to the Fund by the Trustee or the Investment Manager. In such a case, the Fund may be eligible to claim a Reduced Input Taxed Credit of either 75 per cent or 55 per cent of the GST paid on some of the fees charged to the Fund, depending on the type of fee.

Stamp Duty

The issue, redemption, transfer or any other arrangement involving a change in the unitholding of the unit trust may result in Stamp Duty consequences. Unitholders should confirm the duty consequences of their dealings in Units with their taxation advisers.

Definitions

Unless indicated otherwise, terms defined in this Australian Tax Summary have the meaning set out in the Tax Act.

New Zealand Taxation Summary

Important advice: Potential investors should obtain specific taxation advice referable to their own circumstances prior to making any investment decision.

The following information is a general tax summary of the key New Zealand income tax, stamp duty, and GST implications of investing in the Fund. Its scope is limited to investors dealing at arm's length, who are solely New Zealand resident taxpayers (and not transitional residents), who acquire investments of less than 10% in the Fund. It is not anticipated that the Fund will be under the control of New Zealand residents. It is assumed the investors do not hedge their investment into NZ\$. The Fund invests predominately in A\$ securities and does not hedge its investments into NZ\$. Different rules may apply where these requirements are not met.

The information in this summary is general in nature. It does not constitute legal or tax advice and does not seek to address all of the tax issues that may be relevant to a prospective investor. Taxation issues, especially those relating to the taxation of foreign investments, are complex and tax laws, their interpretation and associated administrative practices, may change over the term of an investment. As tax treatment varies according to individual circumstances, prospective investors need to seek their own independent tax advice in respect of their proposed investment in the Fund. The application of the general anti-avoidance rules is capable of broad application and should be carefully considered in relation to any investment decision.

All tax liabilities are, and will remain, the responsibility of each Unitholder. Aquasia is not responsible for any taxation or penalties incurred by Unitholders in any circumstance. Aquasia does not take into account the individual taxation position of Unitholders in the Fund and is not responsible for any taxation or penalties incurred by Unitholders in any circumstances.

All references in this tax summary to legislative provisions are to provisions of the Income Tax Act 2007 (NZ) (the **NZ Tax Act**), unless otherwise stated.

The taxation summary is based on the New Zealand taxation laws in force and the administrative practices of the Inland Revenue Department (the **IRD**) generally accepted as at the date of this IM. Any of these may change in the future without notice and legislation introduced to give effect to announcements may contain provisions that are currently not contemplated and may have retroactive effect.

Status of Investments in the Fund

The Fund is a unit trust which is treated as an Australian resident for Australian tax purposes. The Fund will be investing in passive income in predominately Australian debt securities and will not conduct an active business nor have a significant New Zealand business. Aquasia intends to limit the investment activities of the Fund to ensure that it is treated as a 'flow through' entity for the purposes of Australian tax. The Fund will not be listed on an Australian stock exchange.

For New Zealand tax purposes, an investment in an Australian unit trust is treated as an investment in a foreign company. As a result, Units in the Fund held by New Zealand resident taxpayers will be subject to the foreign investment fund (**FIF**) rules. These rules are discussed in further detail below.

Tax Treatment of Unitholders – FIF Rules

Attribution

Subject to certain exclusions, a person's interest in a FIF gives rise to the attribution of FIF income or, in limited cases, a FIF loss for an income year.

FIF income will be taxable income to an investor and will need to be included in their New Zealand income tax return. FIF losses will generally not arise for investors who hold less than 10% interest in an Australian unit trust (unless the FIF interest is a non-ordinary share as defined in the NZ Tax Act).

One exclusion to the FIF rules is units held in Australian resident unit trusts which satisfies either the 25% minimum turnover test or the 70% minimum distribution test and which utilise a resident withholding tax proxy. In the present case it is not anticipated that this exclusion will apply.

Nor is it anticipated that the other exclusions from the attribution of FIF income will apply to non-individual Unitholders covered by the scope of this IM on the basis that a Unitholder's interest in the Fund will not exceed the 10% thresholds, and units in the Fund will not be listed in Australia. Based on the minimum amount of investment required by New Zealand investors, the exemptions available to Unitholders who are individuals will not apply.

Independent advice will need to be sought by Unitholders with interests in the Fund exceeding the 10% threshold.

Calculation methods

Where income is attributed under the FIF rules, the FIF income may be calculated under one of several calculation methods, the most relevant being:

- the fair dividend rate method (**FDR**);
- the cost method;
- the comparative value method (**CV**); and
- the deemed rate of return method

These methods are exclusive codes for the calculation of FIF income. This means any income distributed to a New Zealand Unitholder (for example, dividends derived and gain on disposal) are not separately subject to tax in addition to the FIF income calculated. In addition, distributions received on the redemption of Units will also not be subject to tax separately.

We note, under the CV method, dividends, gains, and redemptions are included in the calculation of the FIF income (we discuss this further below).

However, a tax credit may still be allowed for withholding taxes deducted on the distributions of income by the Fund.

The tax credit will be limited to the New Zealand tax payable on the FIF income arising. The amount is based on a formula to determine the amount of New Zealand income tax on a segment of foreign-sourced income. Any tax credits unable to be utilised in an income year will not be refundable and will be forfeited.

Currency conversion rules also apply. There is an accompanying prohibition on the deduction of amounts incurred in acquiring the attributing interest (that is, the cost of the actual Units purchased) unless the calculation method itself expressly provides for a deduction of the cost (for example, the CV method).

A common calculation method must be applied if the investor has more than one attributing interest in the same FIF unless the interests are different classes, or application of the common method is specifically restricted.

Generally, a calculation method, once adopted, must continue to be applied in later income years.

FDR Method

The FDR method is the default method for the calculation of FIF income.

Under this method, the FIF income is 5% of the market value of the interest at the start of the income year. There are special provisions for quick gains from purchases and sales made during the year. There are also periodic rules for investors who make investments for the benefit of other investors.

Adoption of this method is subject to being able to ascertain market value of the FIF without an independent valuation. If this information is not available, the cost method may be used.

This method cannot be used for interests in a FIF that are "non-ordinary shares" as defined in the NZ Tax Act, which is not anticipated to be the case.

Cost Method

As discussed above, where the opening market value can be determined only by an independent valuation, the cost method may be used. Under this method, the FIF income is basically 5% of the cost of the investment with the cost being uplifted by 5% each year to allow for investment growth.

This method cannot be used for interests in a FIF that are 'non-ordinary shares' as defined in the NZ Tax Act, which is not anticipated to be the case.

CV Method

The CV method calculates the FIF income using a prescribed formula which essentially calculates FIF income by comparing the closing market value of the interests with their opening market value, adjusted for purchases and dividends. The result reflects the performance of the investment and foreign currency fluctuations. No FIF loss arises under this method (unless the FIF interest is a non-ordinary share).

This method is required to be used for FIF interests which are 'non-ordinary shares'. The ability to use this method is subject to being able to ascertain market value information of the FIF without an independent valuation. If the market value cannot be ascertained, the deemed rate of return method is required to be used for FIF interests which are 'non-ordinary shares'.

Individuals and certain NZ trusts may also elect to use the CV method depending on their personal circumstances. In which case independent advice will need to be sought to confirm this.

Deemed Rate of Return Method

The deemed rate of return method calculates the FIF income based on the opening market value of the investment using a deemed rate prescribed by regulation each year. This is currently set at 6.01% for the 2021-22 income year and will be subject to change.

As discussed above, this rate will be required to be used by FIF interests which are 'non-ordinary shares' where the CV method cannot be used.

Disclosure Requirements

Unitholders may be required to file a FIF disclosure as part of their annual tax return filing. The specific disclosure form depends on the method used to return attributable FIF income and the NZ Unitholder. Independent advice should be obtained to confirm your disclosure requirements.

NZ Unitholders will be required to provide the Trustee with their IRD number to ensure withholding tax is not deducted at the top marginal rate by the Fund (see Tax File Number (**TFN**) and Australian Business Number (**ABN**) in the Australian Taxation Summary on page 28). Unitholder information is required to be provided by the Trustee to the ATO on an annual basis. This information will be provided by ATO to IRD as part of the automatic exchange of information between the two jurisdictions.

Stamp Duty

New Zealand stamp duty will not apply.

GST

New Zealand GST will not apply to the issue or redemption of Units or any distribution received by New Zealand Unitholders.

Please Note:

The Trustee is required to deduct Australian withholding tax from distributions to New Zealand resident Unitholders. Please see "Non-Resident Investors" in the Australian Taxation Summary section on page 27.

Glossary

Abnormal Expenses	Out-of-pocket expenses incurred by Aquasia in managing and administering the Fund which are not generally incurred during day-to-day operation of the Fund in any given year and which are not included in Fund Expenses. Further details on page 18.
ABS	Asset-backed securities: a type of debt security backed by a pool of underlying assets.
ADI	Authorised Deposit-Taking Institution under the Banking Act 1959 (Cth).
AML/CTF Law	Anti-money laundering and counter-terrorism financing.
Application Form	An application form accompanying this IM or otherwise provided by Aquasia.
Aquasia	Aquasia Pty Ltd ABN 20 136 522 051 AFSL 337872
ASIC	Australian Securities and Investments Commission or if it ceases to exist, any regulatory body or authority which serves substantially the same objects.
ATO	Australian Taxation Office.
A\$ or AUD	Australian Dollars.
Business Day	A day, that is not a Saturday, Sunday or public holiday, on which banks are open for business generally in Sydney.
Buy Spread	The charge incurred by investors making applications into the Fund to cover the Transaction Costs associated with the buying and selling of assets for the Fund. The Buy Spread is currently 0.10% of the Net Asset Value per Unit. Further details on page 18.
Cash Equivalents	Includes at call and term deposits with Australian ADIs, negotiable certificates of deposit and bank accepted bills.
CMBS	Commercial Mortgage Backed Securities: a type of asset-backed security where the underlying assets are commercial mortgages.
Constitution	The constitution of the Fund, being the trust deed dated 16 May 2023 as amended or replaced from time to time.
Corporations Act	Corporations Act 2001 (Cth), as amended from time to time.
Custodian	Certane CT Pty Ltd or such other custodian of the Fund as Aquasia may appoint from time to time. Further details on page 21.
Expense Recovery	Aquasia's reimbursement for Fund Expenses as described on page 18.
Fund	Aquasia Short Term Income Fund.
Fund Expenses	Has the same meaning as defined on page 18.
GST	Goods and Services Tax. GST has the meaning given in the GST Law.

GST Law	Has the meaning given in A New Tax System (Goods and Services Tax) Act 1999 (Cth).
Hybrid Securities	Securities which combine debt and equity characteristics.
IM	This information memorandum dated 1 July 2023.
Inflation Linked Securities	Debt securities that offer their holders protection against fluctuations in the rate of inflation as measured by the consumer price index (CPI). The yields of these securities adjust monthly with respect to the current rate of inflation.
Institutional Units	Units issued by Aquasia in the Class known as Institutional Units which have and are subject to all of the rights, obligations and restrictions set out in the terms of issue for the Institutional Units.
Investment Committee	The investment committee for the Fund who are responsible for overseeing the activities of the Fund from an investment, operation and compliance perspective and who will set the Fund's ongoing strategy. The current members of the investment committee are set out on pages 5-7.
Investment Grade	Credit rating of at least BBB- by Standard & Poor's, Baa3 by Moody's, or BBB- by Fitch.
Investment Manager	Aquasia Pty Ltd.
Issue Price	The price at which Units are issued to investors and calculated as described on page 15.
International Agency/Supranational Debt	Debt instruments issued by international government or quasi-government organisation such as the United Nations and the International Monetary Fund.
Management Fee	Has the same meaning as defined on page 18.
Minimum Institutional Holding	A\$10,000,000 or such other amount nominated by the Trustee in its discretion. Further details on page 15.
Net Asset Value (or NAV)	Net asset value of the Fund as determined in accordance with the Constitution. Further details on pages 15 and 16.
Net Asset Value per Unit (or NAV per Unit)	The net asset value per unit, as determined in accordance with the Constitution. Further details on pages 15 and 16.
NZ\$	New Zealand Dollars.
New Zealand Law or NZ Law	Financial Markets Conduct Act 2013 (NZ).
Ordinary Units	Units issued by Aquasia in the Class known as Ordinary Units which have and are subject to all of the rights, obligations and restrictions set out in the Constitution.
Redemption Date	Has the meaning as defined on page 17.
Redemption Price	The price at which Units are redeemed by investors and calculated as described on page 17.

RBA Cash Rate Target	The cash rate target as set by the Reserve Bank of Australia and published on www.rba.gov.au .
RITC	RITC Reduced Input Tax Credit as defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cth) as amended from time to time.
RMBS	Residential Mortgage Backed Securities: a type of asset-backed security where the underlying assets are residential mortgages.
Sell Spread	The charge incurred by Unitholders upon the redemption of Units to cover the Transaction Costs associated with the buying and selling of assets for the Fund. The Sell Spread is currently 0.10% of the Net Asset Value per Unit. Further details on page 18.
Target Return	The RBA Cash Rate Target plus 1.50% p.a. (net of fees).
Tax Act	Together, the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997, unless otherwise stated.
TFN	Tax File Number.
Transaction Costs	Costs associated with the buying and selling of assets for the Fund as described on pages 18-19.
Trustee	Aquasia Pty Ltd.
Unit	A Unit of the Fund of any class including Ordinary Units or Institutional Units.
Unitholder	The person(s) named in the Fund register of unitholders as holder of a Unit.
Wholesale Clients	Persons who qualify as 'wholesale clients' for the purposes of Section 761G of the Corporations Act 2001 (Cth) or as 'wholesale investors' under Schedule 1 of the Financial Markets Conduct Act 2013 (NZ).

Notes

Directory

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