

# FRAME FUTURES FUND

2 April 2019

## INFORMATION MEMORANDUM FOR WHOLESALE INVESTORS

**This Information Memorandum replaces the Information Memorandum issued on 18 April 2018.**

### Contact Details

---

To request a free printed copy of this Information Memorandum or updated Fund performance, contact Frame Funds at:

**P.** 02 8668 4877  
**E.** [admin@framefunds.com.au](mailto:admin@framefunds.com.au)  
**I.** [www.framefunds.com.au](http://www.framefunds.com.au)

Suite 25, Level 6  
58 Pitt Street  
Sydney, NSW 2000  
Australia

## IMPORTANT NOTICE

This Information Memorandum dated 2 April 2019 replaces the Information Memorandum dated 18 April 2018 and is issued by Primary Securities Ltd ACN 089 812 635 (**Primary**) (Australian Financial Services Licence No. 224107) as Trustee (**Trustee**) of the Frame Futures Fund (**Fund**). Frame Funds Management Pty Ltd ACN 608 862 442 (Corporate Authorised Representative No. 123 9068) of Primary (AFSL 224107) has been appointed as the investment manager of the Fund (**Investment Manager**).

This Information Memorandum does not contain taxation, legal or investment advice. An investment in the Fund may not be appropriate for all persons.

The information in this Information Memorandum is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Prior to applying for Units in the Fund, you should seek advice from your financial and other professional advisers and should conduct your own independent investigations and analysis regarding any information in this Information Memorandum.

The offer of Units in the Fund (**Offer**) contained in this Information Memorandum is an offer which does not need disclosure for the purposes of Part 7.9 of the Corporations Act 2001 (Cth) (**Act**). The Fund is not, nor is it required to be, registered as a managed investment scheme under the Act. The Trustee will accept applications only from investors who apply for units as “wholesale clients” for the purposes of Part 7.9 of the Act, specifically, in section 761G and 761GA of the Act. You should seek independent legal and/or financial advice if you are unsure of your status as a retail or wholesale client.

You represent, by accepting this Information Memorandum, that you are a “wholesale client” and do not require to be given a product disclosure statement of the type specified under Division 2 of Part 7.9 of the Act and that you accept this Information Memorandum on the basis set out in this Important Notice.

No particular rate of return or the future performance of Units in the Fund or return on investment is

guaranteed. An investment in the Fund is speculative and is subject to investment risk and may result in the loss of some or all of the principal amount invested.

The Trustee strongly recommends recipients review and satisfy themselves in respect of the risks associated with an investment in the Fund. The general and specific risks of an investment in the Fund are referred to in Section 6.

This Information Memorandum contains a summary and description of certain features of the Fund.

Any information provided in this Information Memorandum is subject to the Trust Deed of the Fund which is referred to in Section 8 of this Information Memorandum and copies of which will be made available on request.

The Information Memorandum does not constitute and may not be used for the purpose of an offer or solicitation in any jurisdiction outside of Australia or in circumstances in which such offer or solicitation is not authorised.

No person is authorised to give any information or to make any representation in connection with the offer of Units in the Fund, which is not contained in this Information Memorandum. Any information or representation that is not in this Information Memorandum may not be relied on as having been authorised by the Trustee in connection with the offer of Units in the Fund.

The Trustee is not under any obligation to correct, update or revise this Information Memorandum or to provide any written or oral communications to a recipient in the course of its evaluation of an offer of Units.

**THIS INFORMATION MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE INFORMATION OF THE PERSON TO WHOM IT HAS BEEN DELIVERED BY OR ON BEHALF OF THE TRUSTEE, AND MAY NOT BE REPRODUCED IN WHOLE OR IN PART OR USED FOR ANY OTHER PURPOSE.**

# TABLE OF CONTENTS

---

1.	Investment Summary	4
2.	Corporate Directory	5
3.	Frame Futures Fund	6
4.	Investment Strategy	8
5.	Investing in the Fund	11
6.	Risks	13
7.	Fees	16
8.	Additional Information	17
9.	Taxation Considerations	19
10.	Definitions	21



# 1. Investment Summary

Key Features															
Investment Manager	Frame Funds Management Pty Ltd ACN 608 862 442														
Trustee	Primary Securities Ltd ACN 089 812 635														
Fund Type	Open ended														
Fund Structure	Wholesale unregistered unit trust														
Base Currency	Australian Dollars														
Fund Objective	The investment objective of the Frame Futures Fund is to deliver capital growth over the long-term by seeking out higher reward/risk ratio opportunities throughout all market cycles.														
Investment Strategy	The Fund's investment strategy is to invest in globally listed equities, listed index futures, listed commodity futures, exchange traded options, foreign currencies and cash products, with the aim of delivering strong capital growth over the long term. Allocations within these assets will be adjusted depending on the market stage and cycle. The investment approach is to maximise reward/risk ratio trades when the market is both rising and falling.														
Eligible Investors	Wholesale Clients as defined by the Corporations Act 2001. Please see section 5 for further details.														
Investment Manager Fees	<p><b>Management Fee:</b> 2.0% per annum plus GST of Net Asset Value (NAV) calculated and paid monthly in arrears.</p> <p><b>Performance Fee:</b> Payable quarterly at 25% plus GST of the Fund's net outperformance of a Hurdle Rate. The Hurdle Rate is 3% p.a. above the target cash rate published by the Reserve Bank of Australia. Payment of the Performance Fee is subject to a High Water Mark.</p> <p>Other fees and expenses in respect of the Fund will be payable. Please see section 7 for further details.</p>														
Trustee Fee	<p><b>Trustee Fee:</b> The Trustee Fee is calculated based on the following rates.</p> <table border="1"> <thead> <tr> <th>Net Asset Value</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>\$0 - \$25 million</td> <td>0.25%</td> </tr> <tr> <td>\$25 - \$50 million</td> <td>0.20%</td> </tr> <tr> <td>\$50 - \$75 million</td> <td>0.15%</td> </tr> <tr> <td>\$75 - \$100 million</td> <td>0.10%</td> </tr> <tr> <td>\$100 - \$150 million</td> <td>0.08%</td> </tr> <tr> <td>\$150m and above</td> <td>0.05%</td> </tr> </tbody> </table> <p>There is a minimum Trustee Fee of \$24,000 (plus GST) per year. The Trustee Fee is paid quarterly in arrears (plus GST) out of the assets of the Fund.</p>	Net Asset Value	Rate	\$0 - \$25 million	0.25%	\$25 - \$50 million	0.20%	\$50 - \$75 million	0.15%	\$75 - \$100 million	0.10%	\$100 - \$150 million	0.08%	\$150m and above	0.05%
Net Asset Value	Rate														
\$0 - \$25 million	0.25%														
\$25 - \$50 million	0.20%														
\$50 - \$75 million	0.15%														
\$75 - \$100 million	0.10%														
\$100 - \$150 million	0.08%														
\$150m and above	0.05%														

Initial Minimum Investment	\$50,000 subject to the Trustee's discretion
Minimum Additional Investment	\$25,000 subject to the Trustee's discretion
Applications / Redemptions	Monthly
Distributions	The Fund's net income will be distributed semi-annually, within 30 days after 30 June and 31 December each year. Unit holders may elect to reinvest their distributions into the Fund or receive a cash distribution.

## 2. Corporate Directory



### Investment Manager

Frame Funds Management Pty Ltd  
Suite 25, Level 6, 58 Pitt Street  
Sydney, NSW 2000

Ph: +61 2 8668 4877

Email: [admin@framefunds.com.au](mailto:admin@framefunds.com.au)



### Trustee and Administrator

Primary Securities Ltd  
3 Shuffrey Street  
Fremantle WA 6160

Ph: +61 8 9430 5262

Email: [registry@primarysecurities.com.au](mailto:registry@primarysecurities.com.au)



### Legal Advisors

PMC Legal Australia  
11 Cairo Street  
South Coogee  
Sydney, NSW 2034

Ph: +61 2 8556 7560



### 3. Frame Futures Fund

The Frame Futures Fund is an Australian unregistered open-ended wholesale unit trust. The governing rules of the Fund are outlined in the Fund's Trust Deed which is available from the Trustee upon request. The issuer and Trustee of the Fund is Primary Securities Ltd ACN 089 812 635 which holds Australian Financial Services Licence (No. 224107).

#### Investment Manager

Frame Funds Management Pty Ltd ACN 608 862 442 is the Investment Manager of the Fund and is a Corporate Authorised Representative (No. 123 9068) of the Trustee.

The Investment Manager's policy is to ensure that its interests as your investment manager are aligned. Its internal policy is that its Directors should be significant investors in the Fund. This ensures that interests of the Directors of the Investment Manager and their related and controlled entities are aligned with investors.

#### Hue Frame Managing Director, Fund Manager

Hue Frame holds a B.Com, from the University of Canterbury, Majoring in Management and is qualified to provide advice on derivatives, deposit products, managed investment schemes, and Australian equities.

Hue has over 10 years of finance and investment management experience working for Westpac Banking Corporation as a risk analyst between 2006 and 2008 and at Atlantic Pacific Securities as Senior Advisor between 2010 and 2014 and as Chief Executive Officer between 2014 and 2015. He has been a portfolio manager for 10 years, and specialises in global economic positioning, risk management, and momentum based trading opportunities.

#### Trustee and Administrator

Primary Securities Ltd ACN 089 812 635 (**Primary**) is the Trustee and Administrator of the Fund. Primary is a licensed responsible entity holding AFSL No. 224107.

Primary was formed in 1999 and has operated both registered and unregistered schemes throughout Australia, including investment trusts, property trusts, and forestry and other agricultural schemes that have been taken over to protect investors.

Primary's focus is to look after the interests of Investors using the qualities, capabilities and experience of its team. Primary has three executive directors, professional and administrative employees plus lawyers, accountants, analysts, and scheme specific consultants who have years of practical and professional experience.

As Trustee, Primary has the primary responsibility to operate the Fund and to perform functions conferred on it by the Trust Deed. Further information regarding Primary is available by looking at its website [www.primarysecurities.com.au](http://www.primarysecurities.com.au).

As Administrator, Primary is responsible for providing administrative services required in connection with the Fund's operations, including maintaining the Fund's records, ensuring the prompt determination of the unit price, determining the application price and redemption price, providing registrar and transfer agent services in connection with the issue, transfer and redemption of units and arranging the issue, allotment, redemption and repurchases of units as well as conducting know your client anti-money laundering checks on investors on behalf of the Trustee.

#### Directors of the Trustee

##### David Butterfield, ACA, FTI

##### Chairman of Primary Securities Ltd

David Butterfield is a Chartered Accountant and Management Consultant with significant professional experience. His professional career commenced in 1969 when he worked for Touché Ross & Co and then Price Waterhouse & Co. He commenced his own accounting practice in 1977.

Since then David has been involved in pooled investments. Around 50% of his clients were film and/or television producers. David structured and helped fund numerous Australian productions over a thirty-year period. He has also been instrumental in structuring and funding live productions.

Since 2003 he has been the Managing Director of two funds management businesses in properties, securities and derivatives, CFO and COO of an institutional funds management business investing in securities and derivatives and also acts as a Responsible Manager on other AFSLs mainly with a property focus. His specialties include AFSL advice, strategic advice, project and transaction management, business valuations, taxation and general business advice.

**Robert Garton-Smith, LLB, B Com, GDip Fin  
Planning (Sec Inst), F Fin**

**Managing Director of Primary Securities Ltd**

Robert Garton-Smith is the Managing Director and owner of Primary Securities Ltd and has been its responsible manager in relation to managed investments since inception. He has degrees in law, commerce and financial planning and is a legal practitioner as well as being a Fellow of the Financial Services Institute of Australia.

He is a member of the Law Society of Western Australia and the Australian Compliance Institute. Robert has worked in the area of managed investments since preparing Australia's first feature film prospectus in 1981. He has prepared and overseen dozens of managed investment schemes relating to film, forestry, viticulture, horticulture, manufacturing, mortgages, equities and real estate, and also prepared share, debenture stock and unsecured notes issues.

Robert has practiced law since 1970 and is admitted as a practitioner in Australia, England and Wales. He remains the principal of the corporate and commercial law practice Garton Smith & Co, which now has a small practice advising in relation to managed investments, corporate, real estate and intellectual property.

**Natasha Olsen, LLB**

**Director/Company Secretary of Primary Securities Ltd**

Natasha has a Bachelor of Laws Degree from Notre Dame University and was admitted to practice law by the Supreme Court of Western Australia in November 2015. Natasha is a member of The Law Society of Western Australia.

With the exception of two years in London Natasha has been employed by Primary since its formation and has considerable experience of all aspects of the business. Natasha is in charge of operations.

## 4. Investment Strategy

### Investment Objective

The investment objective of the Fund is to deliver capital growth over the long-term by seeking to maximise reward/risk ratio opportunities throughout all market cycles.

### Investment Philosophy and Approach

The Investment Manager's investment strategy is to invest in globally listed equities, listed index futures, listed commodity futures, exchange traded options, foreign currencies, cash products, OTC metals and other listed investments with the aim of delivering material capital growth over the long-term. Allocations within these assets will be adjusted depending on the market stage.

The Investment Manager's investment approach is to maximise reward/risk ratio trades when the market is rising and falling. The Investment Manager's investment parameters allow the Investment Manager to take advantage of material momentum based movements within the market, either in falling or rising markets, to go long or short, with the added flexibility to be investing in cash.

The Investment Manager has specific leverage capacity limits enabling it to remain nimble and versatile while protecting its ability to continue to achieve the Fund's performance objectives.

### Investment Strategy and Process

The Investment Manager employs a top-down macro-economic approach to portfolio positioning, and a bottom up asset allocation approach before utilising a comprehensive range of technical indicators to identify the time to be investing.

Continuous macro-economic analysis of the global economy will continue to impact the Fund's net equity exposure. This top-down macro-economic approach allows our portfolio managers to invest directly where they feel there is the greatest opportunity to capture alpha growth, rather than being forced to adhere to the weightings of a particular index. The investment

strategy seeks to produce returns in the following ways:

- Adopting a flexible investment style that moves in line with the current economic cycle;
- Actively adjusting net market exposure;
- Allowing portfolio managers to allocate capital actively and without needing to adhere to an index or benchmark;
- Identifying major themes within the market using a top-down approach and making decisions in a timely manner.

The Investment Manager employs a rigid investment process to enhance consistency within the investment process. The Investment Manager is not attempting to pick turning points in the market. The investment process is designed to identify trading opportunities which attempt to deliver material capital growth over the long term.

The investment process comprises of 4 key measures;

#### 1. Top down macro-economic analysis

Analysis and identification of global macro-economic themes is the immediate focus of the investment process. Analysis of economic data such as GDP figures, CPI, unemployment, building permit approvals, consumer sentiment, and monetary and fiscal policy among others are the initial focus. By analysing this data extensively, the Investment Manager can identify global economic themes, which in turn reflects in the Fund's portfolio positioning.

#### 2. Bottom up sector and asset selection

Once the Investment Manager has identified a global macro-economic trend for portfolio positioning, it will then break down that theme into which sector and asset the Fund is to trade to take advantage of this trend. For example, if Japan does a significant (better than expected by Bloomberg market analysts) Quantitative Easing programme, the Fund could take a long position on the Nikkei.

#### 3. Technical analysis to capitalise on short to medium term momentum based trading opportunities

Upon identification of the macro-economic theme, the specific sector and asset and then the



product,, the Investment Manager would then break down the theme further. The Investment Manager utilises technical analysis to identify when is the best time to allocate capital into this sector/asset and product.

Some of the methods of technical analysis utilized are mean reversion, exponential moving averages, psychological resistance and support levels, moving averages, break ups and break downs, false break ups and false break downs and momentum based trading methods among others.

#### 4. Risk management before and during trade

As leverage is inherent within the purchase and disposal of trading futures contracts, risk management before and during a trade is of the most importance. See section 6 below for more information about the Fund's risk management systems.

### Leverage

Leverage occurs when the Fund has exposure to the underlying assets, the value of which is greater than the amount invested, or when the Fund borrows money to invest. Leverage is inherent when trading equity index futures, energy futures, and commodity futures. The Fund uses leverage associated with these instruments as a tool to set the desired risk level within the Fund, and to keep the Fund diversified across multiple asset classes. The use of leverage allows the Fund greater investment exposure, which in turn is expected to generate greater profits, but in turn also has the capacity to provide the potential for greater losses. The NAV of the Fund as a result of this leverage can be more volatile and sensitive to market movements. To reduce this volatility, the Investment Manager has in place a number of important risk management systems. Refer to 'Risk management systems' in section 6 to find out in more detail about these systems.

Total leverage within the Fund varies depending on the market situation. If the market is experiencing material fluctuations on a daily basis without a set direction, the Investment Manager will utilise lower levels of leverage, leading to lower levels of risk. If the market is trading in a consistent pattern, the levels of

leverage may increase.

The criteria generally used for measuring leverage risk is focussed on the margin to equity ratio, or the amount of initial margin required to be posted to support trading positions divided by the net assets in the Fund. For the Fund, this number will be 20% of NAV. Meaning, the amount of initial margin required to take a derivative will not exceed 20% of the Fund NAV.

This will assist with liquidity within the Fund to meet any margin requirements.

The anticipated typical level of leverage (being the total of the Fund's long positions, plus its short positions, divided by the NAV) of the Fund is expected to be 4 times gross notional exposure (ie. 4 times the NAV of the Fund). The Investment Manager monitors the Fund's gross leverage on a daily basis to ensure that the Fund's leverage is generally below 4 times NAV.

If leverage goes above this, the Investment Manager will decide whether to temporarily or permanently allow the deviation or immediately close positions to reduce the notional exposure amount.

An example of the negative and positive effects of leverage are shown on the next page:

Example: You invest \$100,000 into the Frame Futures Fund	
Assets bought by the Fund	3 equity index futures contracts on the ASX SPI Dec'15 (\$25 multiplier), purchased at 4900 points
Your Investment	\$100,000
Exposure (measured as if the Fund has invested directly in the Index)	\$367,500 (4900 x \$25 x 3 contracts)
Gross leverage (Exposure / Portfolio value)	= \$367,500 / \$100,000 = 3.675 time exposure

Negative effect of leverage - The ASX SPI Dec'15 declines by 1% to 4851 pts	
Change in gross value	<b>\$363,825</b> (4851 x \$25 x 3 contracts) - <b>\$367,500</b> (4900 x \$25 x 3 contracts) = - \$3,675
Change in your Investment	\$100,000 - \$3,675 = \$96,325
% Change in your Investment	<b>- 3.675%</b>

Positive effect of leverage – The SPI Dec'15 increases by 1% to 4949 pts	
Change in gross value	<b>\$371,175</b> (4949 x \$25 x 3 contracts) - <b>\$367,500</b> (4900 x \$25 x 3 contracts) = + \$3,675
Change in your Investment	\$100,000 + \$3,675 = \$103,675
% Change in your Investment	<b>+ 3.675%</b>

## Risk Management Systems

The risk management system is the most important component of the investment process of the Fund and is discussed in detail in section 6.

## Ongoing Review

The Investment Manager focuses energy and resources into the development and maintenance of the current trading strategies, to ensure that the present strategies are relevant and effective in the prevailing market conditions. The current or existing strategies within the Fund are constantly adjusted

and replaced when necessary if there is a slump in performance. The purpose of this is to ensure that the Fund is evolving as the markets evolve.

New strategies will be developed and Beta tested for a minimum period of 6 months, before implementation.

The risks identified in section 6 may result in the Fund not achieving its investment objective to produce consistent positive annual returns or may result in the Fund incurring net losses. Any prospective financial information contained in this document is predictive in character, may be affected by inaccurate assumptions or by known or unknown risks and uncertainties and may differ materially from the results ultimately achieved.

## 5. Investing in the Fund

### Who Can Invest in the Fund?

The Fund is only open to investors who qualify as a Wholesale Client as defined in the Corporations Act 2001.

An investor will generally be regarded as a Wholesale Client if:

- the investment into the Fund is at least \$500,000
- a qualified Accountant certifies that the person has net assets of at least \$2.5 million, or
- a qualified Accountant certifies that the person has a gross income for each of the last two financial years of at least \$250,000, or
- the client is a Professional investor, or
- the client is a Sophisticated Investor.

Investment applications may be accepted or rejected at the absolute discretion of the Trustee.

At the discretion of the Trustee, there may also be limited opportunities for retail clients to invest in the Fund, subject to the requirements of the Corporations Act.

### Minimum Investment

The minimum investment into the Fund is \$50,000 subject to the Trustee's discretion to accept a lower amount. Subsequent investments must be greater than \$25,000.

### When to Invest in the Fund

Units will be issued on the last Business Day of each Calendar Month (Dealing Day). Written applications for Units in the Fund and cleared funds must be received by the Trustee before the 25th day of the month in which the Dealing Day falls.

Units in the Fund will be issued at the price applicable as at the close of business on that Dealing Day.

### Unit Pricing

The Unit Price of a Unit is calculated by dividing the NAV of the Fund by the number of units on issue at that time, with such adjustments as are necessary to reflect estimated Performance Fees. Unit Price is calculated on each Dealing Day.

The NAV of the Fund includes the value of income accumulated by the Fund since the previous distribution date less the expenses and liabilities of the Fund.

Some examples of income and expenses included in the Fund unit price calculation are as follows:

- Costs of establishing the Fund
- Realised gains or losses
- Unrealised gains or losses
- Dividends, distributions and interest income
- Accrued Management Fees
- Estimated Performance Fees
- Trustee Fees
- Fees accrued to other service providers
- Taxes and government charges
- Other expenses reasonably and properly incurred by the Trustee in connection with the Fund

### How to Make a Redemption From the Fund

Unitholders wishing to redeem Units must give a written redemption request to the Administrator before the 25th day of the month in which the Dealing Day falls. A redemption request must specify the number of Units to be redeemed or the value of the proceeds of redemption to be received. The minimum requirement for a redemption is \$25,000 unless otherwise permitted by the Trustee.

A minimum holding of \$50,000 must be held in the Fund and as such, if a redemption request would cause the investor to have an interest of less than the minimum holding, the Trustee may refuse the request or treat the request as relating to the Investor's entire unit holding.

The Trustee may suspend redemptions on the

occurrence of certain market events (such as the closing of a securities exchange, an emergency or other state of affairs which would make it impracticable for the Trustee to calculate the Unit Price or acquire or dispose of assets) or where the Trustee reasonably considers it is in the interests of investors.

Units will be redeemed after close of business on a Dealing Day at the Unit Price applicable as at the close of business on that Dealing Day. Redemption proceeds will be available as soon as practicable after the Dealing Day but no later than 5 days after the Administrator strikes the Unit Price on that Dealing Day.

Redemption proceeds will be settled in Australian dollars and are remitted by direct debit to an account designated by the Investor, after receipt of duly completed documents including the original executed redemption notice. All transaction costs associated with the redemption (including the costs of selling, disposing of or realising any assets to fund the redemption, bank charges or other costs reasonably incurred by the Trustee) will be borne by the redeeming Investor.

## Distributions

The Fund will distribute all its net taxable income (gross assessable income net of deductible expenses) 6 monthly.

Investors may elect to either receive cash distributions (only paid to Australian resident bank accounts) or to reinvest in additional units in the Fund. Investors who elect to receive distributions via direct credit will receive their distribution within one month after the end of the relevant distribution period.

Distributions will automatically be reinvested in Units in the Fund if the Trustee does not receive instructions from an Investor to pay out such distributions.

The Trustee may at its absolute discretion distribute the capital of the Fund to the Investors.

## Communication and Reporting

Investors will be provided with the following reports from either the Administrator or the Investment Manager.

- Application and redemption confirmation statements;
- Investor monthly statements upon request;
- Fund monthly report highlighting performance, attribution & risk metrics;
- Unaudited annual accounts; and
- Annual income distribution and tax statements.

## 6. Risks

### Investment Risks

All investments involve a varying degree of risk. An investment in the Fund will be subject to a number of risks. Whilst the Investment Manager adopts strong risk management procedures, prospective investors should consider the following risks in determining whether an investment in the Fund is a suitable investment.

### Investment Manager Risk

The success of the Fund will depend upon the Investment Manager's ability to execute and maintain the investment strategy to produce positive returns over time. The Investment Manager's ability to deliver returns is dependent on investment trading strategies and risk management strategies. There is no guarantee that these strategies will be successful. Poor trading execution and poor investment decisions by the Investment Manager will mean that the assets held by the Fund will not produce the desired returns and this could have an adverse impact on the Fund's financial performance.

The Investment Manager is engaged by the Trustee under an Investment Management Agreement. If the Investment Management Agreement is terminated, the Investment Manager would no longer be able to manage the Fund and, unless alternative arrangements could be made, it may be necessary to wind up the Fund.

### Trustee Risk

The Investment Manager is an authorised representative of the Trustee. The ability of the Investment Manager to manage the Fund in accordance with this Information Memorandum and the Corporations Act is dependent on the maintenance of the Trustee's AFSL and the Trustee's continued solvency. Maintenance of the AFSL depends, among other things, on the Trustee continuing to comply with ASIC's imposed licence conditions and the Corporations Act. The AFSL is therefore also dependent on the retention of key personnel within the Trustee with responsibility for

ensuring compliance with ASIC's imposed licence conditions and the Corporations Act. If the Trustee was no longer able to act as Trustee, the Investment Manager may be able to identify another entity to act as trustee. Unless alternative arrangements could be made, it may be necessary to wind up the Fund.

### Leverage Risk

As part of the Fund's principal investment strategy, the Fund will make investments into futures contracts and other derivative instruments to gain long and short exposure across equity index futures, commodity futures, energy futures and equities. The futures contracts and other derivatives, provide the economic effect of financial leverage by creating additional investment exposure, as well as the potential for greater loss. If the Fund uses leverage, the Fund has the risk of magnified capital losses. The net asset value of the Fund employing leverage will be more volatile and sensitive to market movements. Leverage may involve the creation of a liability that requires the Fund to pay interest.

### Currency & Interest Rate Risk

Due to the fact that the majority of futures markets are based overseas and are traded in different currencies, changes in these currencies will affect the value of investments and can at times present a risk. One of the primary causes of these swings in currency markets can be the changes in interest rates. For example, if interest rates increase, generally we would see an appreciation in the value of that currency. These changes can have both positive and negative impacts on the investment return of the Fund.

### Commodities Risk

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

## Market Risk

Market risk represents the risk of adverse movements in markets (including asset prices, volatility, changes in yield curve, changes in interest rates or other market variables) impacting instruments held by the Fund. Market risk is best assessed in the context of the total portfolio, where the measure of this risk is the combined effective market exposure of both long and short derivative contracts and their impact to market movements. As derivatives generally have the ability to provide greater levels of exposure (this level may exceed the value of the Fund), if there are changes in these market risks, either positively or negatively, it could provide accentuated movements to the derivatives held by the Fund, thus increasing or decreasing the Fund NAV. Please refer to Section 6, Leverage Risk for more information.

## Withdrawal Risk

Under certain circumstances, there is a risk that the timeframe for meeting withdrawal requests may not be able to be met. In this case, withdrawals may take significantly longer than the generally applicable timeframe. The timeframe is set out in the Trust Deed of the Fund.

## Liquidity Risk

If the Fund takes large illiquid positions, this could potentially make it difficult for the Fund to close or exit that particular position. This lack of market illiquidity can potentially cause losses to the Fund and the halt of processing withdrawals. In futures markets, generally the liquidity is a lot higher, but may exist if there is some form of government intervention, and trading halts could potentially occur. In certain circumstances where the Trustee considers it is in the interests of investors, the Trustee may suspend redemptions in the Fund.

## Performance Fee

The Investment Manager's entitlement to a performance fee in relation to out-performance may create an incentive to the Investment Manager to make riskier or more speculative investments than would be the case absent such performance fee.

## GENERAL RISKS

There are a number of risks of a general nature which may affect the future operation and financial performance of the Fund, and the value of an investment in the Fund.

If any of the risks associated with the Fund occur, the Fund's financial condition and prospects could be materially and adversely affected, which could result in the loss of all or part of your investment in the Fund.

Some of these risks can be mitigated by the use of appropriate risk management practices and controls but many are outside the control of the Trustee or the Investment Manager.

Investors should be aware that the value of Units may rise and fall depending on a range of factors including local, regional and global economic conditions.

The Units issued under this Information Memorandum carry no guarantee with respect to profitability, payment and distributions, return of capital or the price at which the Units may be sold. Neither the Trustee nor Investment Manager nor any member of their respective groups provide any guarantee or warranty that your capital is protected. Before making decisions to apply for Units, prospective investors should carefully consider the key risks that affect boutique funds management businesses, as well as the other information contained in this Information Memorandum. An investment in the Fund should be considered as speculative.

General risks include:

- changes in legislation, including taxation laws that may affect the profitability or viability of the Fund;
- changes in fiscal, monetary and regulatory policies;
- changes in domestic and global interest rates;
- movements in domestic and international stock markets;
- movements in foreign exchange rates;
- investor sentiment;
- prevailing economic and political conditions in Australia and internationally; and
- increased regulation in the industry or sector.



This list is by no means exhaustive. Investors should consider whether Units in the Fund are appropriate for their own financial and investment circumstances and objectives. Potential investors are urged to seek independent professional advice and to read the Information Memorandum in its entirety prior to investment.

## Risk Management System

The risk management system is the most important component of the investment process of the Fund. All open positions within the Fund are continuously monitored. The Investment Manager monitors and manages open positions on a 24 hour basis.

The Fund adopts both a quantitative and qualitative approach to market and portfolio risk management. On a daily basis, the Investment Manager completes a number of quantitative risk checks on the portfolio and each individual position held within the portfolio. These checks assess such matters as: Margin to equity ratio, position of stop losses, trailing stop losses, guaranteed stop losses, maximum notional exposure, the maximum drawdowns allowed of each position, average true range analysis on each position, exit and entry points and reward to risk analysis on each individual position among others.

Also on a daily basis, the Investment Manager completes a number of qualitative risk checks on the Fund portfolio and each individual position held within the Fund. These checks assess upcoming macro-economic data points, the impact of these announcements on positions held, monetary policy changes, fiscal policy changes, changes in individual position risk (eg beta) and changes in average true range and psychological support and resistance assessment among other checks.

The general composition of the Fund will vary depending on the momentum based trading opportunities which exist within the market at that point in time. The maximum drawdown of cash to meet margin requirements for any single position within the Fund is 1% of NAV. If the position fluctuates due to adverse market movements such that greater than 1% of NAV is required to meet margin requirements, the Investment Manager will decide whether to temporarily or permanently allow the deviation or immediately close the position to move back within

the draw limit.

Trailing stop losses are used by the Investment Manager to limit losses in excess of the NAV of the Fund. They are also put in place to ensure that a profitable trade will not turn into a negative trade. The Investment Manager will during times of great volatility, use guaranteed stop losses to ensure that if there are large swings in the market, the NAV of the Fund is protected. The distance of the trailing stop losses do vary depending on the volatility within the market, and are generally directly correlated to the ATR (average true range).

### Risk Management Key Facts

Maximum NAV drawdown (per position)	1%
Maximum margin to equity ratio	20%
Minimum cash or cash equivalents	80% of NAV
Minimum number of positions	1 (incl. cash)
Maximum number of positions	100

## 7. Fees

### General

Various fees and expenses are recoverable from the Fund. All fees listed below are exclusive of the effect of GST and any reduced input tax credit.

### Management Fee

The Investment Manager is entitled to receive a management fee (**Management Fee**) equal to 2.0% per annum plus GST of the Net Asset Value (before the payment of any Performance Fees) calculated and accrued monthly on the Net Asset Value as at the last day of the month and payable within 5 days of the Administrator striking the Unit Price at the end of the month. The Trustee will pay the Management Fee out of the assets of the Fund.

### Performance Fee

The Investment Manager will also be entitled to receive a performance fee (**Performance Fee**) from the Fund.

The Performance Fee will be calculated in respect of each period of 3 months ending on 31 December, 31 March, 30 September and 30 June in each year (each a **Calculation Period**). The Performance Fee will be calculated before payment of any distribution for the Calculation Period.

The Performance Fee will be 25% of the amount (if any) by which the Fund's positive net performance exceeds the Hurdle Rate. The performance of the Fund is the difference between the NAV and the Base NAV during that Calculation Period, with appropriate adjustments for any contributions, withdrawals or distributions. The Base NAV is the greater of:

- the NAV at the beginning of the relevant Calculation Period; and
  - the highest NAV achieved as of the end of any previous Calculation Period (**High Water Mark**).
- The Performance Fee will be estimated monthly and accrued as a provisional expense of the Fund. The Performance Fee will be payable to the Investment Manager in arrears within 5 days of the Administrator striking the Unit Price at end of each Calculation Period.

If the Investment Management Agreement is terminated during a Calculation Period, the Performance Fee in respect of the then current Calculation Period will be calculated and paid as though the date of termination were the end of the relevant period.

### Trustee Fee

The Trustee is entitled to receive a trustee fee calculated as a percentage of NAV, with reference to the following scale.

There is a minimum Trustee Fee of \$24,000 per year. The Trustee Fee is paid monthly in arrears out of the assets of the Fund.

Net Asset Value of the Fund	
\$0 - \$25 million	0.25%
\$25 - \$50 million	0.20%
\$50 - \$75 million	0.15%
\$75 - \$100 million	0.10%
\$100 - \$150 million	0.08%
\$150 million and above	0.05%

## Expenses

All expenses reasonably and properly incurred by the Trustee, or the Investment Manager on behalf of the Trustee, in connection with the Fund (including the establishment and administration of the Fund) or in performing the Trustee's obligations under the Trust Deed are payable or can be reimbursed out of the Fund. These expenses include administration, custodial, prime broking, transaction, accounting, audit, government charges, taxation, adviser, and establishment expenses. All operational expenses are estimated on a yearly basis and pro-rated monthly over the year.

## Differential Fees

The Investment Manager, at its discretion, may individually negotiate fees with investors. The size of the investment and other relevant factors may be taken into account. Differential fees may be achieved through the payment of fee rebates or by issuing different classes of Units.

## Buy Sell Spread

Transaction Costs such as brokerage costs, government or bank charges and market spreads pertaining to the acquisition or disposal of assets of a fund are reflected as a percentage difference between the Application and Withdrawal Prices and this spread is commonly referred to as the 'buy/sell spread'. The 'buy/sell spread' is currently expected to be up to 0.20%.

## 8. Additional Information

### Investment Management Agreement

The Trustee and the Investment Manager have entered into an Investment Management Agreement under which the Investment Manager agrees to act as investment manager of the Fund and is entitled to the Management Fee and Performance Fee (details disclosed in Section 7 above). The Investment Manager is generally entitled to be indemnified from the Fund in respect of liabilities and costs incurred by the Investment Manager acting under the Investment Management Agreement, except in so far as any loss or liability is caused by the negligence, default, fraud, dishonesty or wilful misconduct of the Investment Manager or its officers.

The Investment Manager can also terminate the Investment Management Agreement as a result of certain material un-remedied breaches by the Trustee and either party can terminate the Investment Management Agreement by giving notice. In these circumstances, the Investment Manager can nominate another entity (including itself) to act as trustee.

If the Investment Management Agreement is terminated by the Trustee as a result of certain material un-remedied breaches by the Investment Manager, the Trust must be wound up. All assets of the Fund would need to be realised.

### Consents and Disclaimers

This Information Memorandum is issued by the Trustee. The Investment Manager and PMC Legal Australia have given and have not, before publication of this Information Memorandum, withdrawn their consent to be named in this document.

The Investment Manager and PMC Legal Australia have not authorised or caused the issue of this document and do not make or purport to make, any statement in this document.

## Trust Deed of the Fund

The Trust Deed of the Fund provides an operational framework for the ongoing management of the Fund.

It sets out the rights, duties and obligations of the Trustee in respect of the Fund.

The main operative provisions outlined in the Trust Deed include:

- Creation and duration of the Fund;
- Applications, withdrawals and Fund reinvestments;
- Valuation of assets;
- Distributions;
- Fees and expenses;
- Meetings of Investors;
- Investment, borrowing and valuation procedures;
- Trustee's indemnity;
- Confidentiality and conflicts of interest; and
- Procedures on termination of the Fund.

Should investors require more detailed information on the operation of the Fund, the Trustee will provide a full copy of the Trust Deed on request.

## Anti-Money Laundering

As part of their anti-money laundering responsibilities, each of the Trustee and the Investment Manager may request that a potential investor provide any information it reasonably requires to verify the identity of the investor, the identity of any underlying beneficial owner of Units, or the source or destination of any payment to or from the Fund.

If an investor does not provide such information or delays in doing so, the Trustee may refuse to accept an application for Units or may suspend payment of withdrawal proceeds payable to an Investor.

By subscribing, an investor consents to the disclosure by the Trustee of any information about them to regulators and other parties upon request, in connection with money laundering and similar matters, in any jurisdiction.

## US Foreign Account Tax Compliance Act (FATCA) /Common Reporting Standards

As part of the application process you must complete a self certification form. This form is being used to comply with legislation which gives effect to the OECD Common Reporting Standard and the US legislation known as FATCA. The Trustee is required to collect and report to the Australian Taxation Office (ATO) certain information about the tax residency of account holders. The ATO shares this information with the competent authorities of other jurisdictions as a means of countering global tax evasion.

For more information, refer to the ATO website: <http://www.ato.gov.au>

## 9. Taxation Considerations

The tax information provided here is a brief guide only and is based on current laws and interpretation as at the date of this Information Memorandum. The effects of taxation on managed funds can be complex and may change over time. It is recommended that investors seek professional taxation advice before investing in the Fund.

### Tax Position of the Fund

It is intended that all distributable income (including net capital gains) of the Fund will be distributed to investors on an annual basis. Under current Australian legislation, this means that the Fund should not be liable for any income tax charge and hence the tax liability rests with each investor.

### Tax Position of Australian Investors

Investments in, redemptions from, and income paid from the Fund are likely to have taxation consequences to investors under current Australian tax legislation.

If you invest in the Fund after the start of a financial year, the distributions you receive from the Fund may include income earned by the Fund before you became a member. This could have negative tax consequences for you as you may be taxed on these amounts.

### Tax Position of Non Resident Investors

If an investor is a non-resident of Australia for tax purposes, the Fund may withhold Australian tax from any distributions consisting of Australian sourced income and capital gains derived by the Fund. The Fund withholds tax at the rate applicable to the non-resident investor. Such investors may be able to claim a credit for this tax in their country of residence.

### Foreign Tax

Where the Fund's investments have a connection with a foreign jurisdiction, there may be Australian and foreign taxation consequences.

Under provisions added to the U.S. tax code in 2010, known as the Foreign Account Tax Compliance Act (**FATCA**), and guidance interpreting these provisions, a 30% U.S. withholding tax applies to (i) U.S.-source interest, dividends and certain other types of income

paid after June 30, 2014, and (ii) gross proceeds from the sale or disposition after December 31 2016 of assets which produce such types of income, which are received by a foreign financial institution (**FFI**), unless such FFI collects and reports certain information as to the identity of the direct and indirect owners of accounts in such institution; either of these provisions may apply to payments made in respect of derivatives transactions. An FFI will generally comply with these requirements by entering into an agreement with, and reporting such information to, the U.S. Internal Revenue Service (**IRS**). Such an agreement may require the FFI, no earlier than 2017, to act as withholding agent for the IRS with respect to payments by the FFI that are attributable to withholdable payments received by the FFI. An FFI organised or doing business in a jurisdiction that has entered into an intergovernmental agreement (**IGA**) with the United States to implement FATCA may instead need to comply with rules issued by, and report any required information to, its home government. In addition, this withholding tax may be imposed on payments to certain non-financial foreign entities which do not obtain and provide information as to their direct and indirect owners.

A FATCA-like intergovernmental agreement was signed on 28 April 2014 between the Government of Australia and the Government of the United States of America.

### Goods And Services Tax (GST)

The Fund has been registered for GST. However, no GST will be payable by the Trustee in respect of dealings in the Units, investment in cash and cash equivalents or in respect of distributions from the Fund.

The Fund will be liable to pay GST on certain goods and services acquired in connection with its operations, to the extent that they are connected with Australia. In particular, GST will be payable on the Trustee's fees and certain administration expenses incurred by the Fund. However, it is expected that the Fund will be entitled to full input tax credits or reduced input tax credits paid on many of these fees and charges.

Unless stated otherwise, the fees and expenses listed in the Information Memorandum are listed exclusive of GST and do not reflect the benefit of input tax credits to the Fund.

## Tax File Numbers

You are not required to provide the Trustee with your Tax File Numbers (**TFN**) or an Australian Business Number (**ABN**). If you hold Units as part of a business you may disclose your ABN instead. By quoting your TFN you authorise the Trustee to disclose it to the Australian Taxation Office and apply it to your investments. Privacy and tax laws regulate the collection of TFNs and ABNs. Whilst it is not compulsory to provide either your TFN or any relevant exemptions, if you do not, the Trustee will have to deduct tax at the highest marginal rate (including Medicare Levy) from any distributions paid to you from the Fund.

## Privacy Disclosure

By completing the Application Form and any other relevant forms to your application, you are providing personal information for the primary purpose of the Trustee and Investment Manager providing this product to you. The Trustee and Investment Manager manage your personal information in accordance with the Privacy Act 1988 and the Trustee's Privacy Policy, which includes details about the following matters:

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

You can obtain a copy of the privacy policy and any additional information you require relating to how your personal information is managed by writing to the Trustee.

To contact the Trustee about privacy, please use the following contact details:

### Primary Securities Ltd

PO Box 732  
Fremantle WA 6959

**Ph:** +61 8 9430 5262

**Email:** [registry@primarysecurities.com.au](mailto:registry@primarysecurities.com.au)

The Investment Manager's privacy policy is publicly available at its website at [www.framefunds.com.au](http://www.framefunds.com.au) or you can obtain a copy free of charge by contacting the Investment Manager.

To contact the Investment Manager about privacy, please use the following contact details:

### Frame Funds Management Pty Ltd

Suite 25, Level 6  
58 Pitt Street  
Sydney NSW 2000

**Ph:** 02 8668 4877

**Email:** [admin@framefunds.com.au](mailto:admin@framefunds.com.au)



## 10. Definitions

\$ or dollar	Australian Dollar unless otherwise stated.
Application Form	The application form located at the back pages of this Information Memorandum.
Assets	All property, assets, rights and income of the Fund from time to time, but excluding any application money or property in respect of which Units have not been issued, proceeds of redemption which have not been paid or any amount in the distribution account.
Business Day	Any day other than Saturday, Sunday, a bank holiday or public holiday in Sydney.
Calculation Period	Three month period ending on 31 March, 30 June, 30 September and 31 December each year.
Corporations Act or Act	Corporations Act 2001 (Cth) (as amended from time to time)
Dealing Day	Last Business Day of each Calendar Month
Eligible Investor or Wholesale Client	<p>Any natural person, firm or company who qualifies as a “wholesale client” as defined in section 761G of the Corporations Act (as listed in the Application Form) or a “sophisticated investor” as deemed by 761GA of the Corporations Act, other than:</p> <ul style="list-style-type: none"> <li>(a) any person, corporation or entity which cannot acquire or hold Units without violating laws or regulations applicable to it or would cause the Fund to be in breach of the laws or regulations which apply to it, or</li> <li>(b) a custodian, nominee, or trustee for any person described in (a).</li> </ul>
Fund	Frame Futures Fund, an Australian resident unit trust constituted by the Trust Deed.
High Water Mark	The highest NAV achieved as of the end of any previous Calculation Period.
Hurdle Rate	The target cash rate published by the Reserve Bank of Australia plus 3% per annum.
Investment Management	Frame Funds Management Pty Ltd ACN 608 862 442.
Minimum Holding	Units with an aggregate Unit Price of \$50,000.
Net Asset Value or NAV	The total current market value of the Assets less the total value of the liabilities as calculated by the Trustee on any relevant date.
Sophisticated Investor	A client who the Trustee has determined to be experienced in using financial services and has provided a written acknowledgement in accordance with section 761GA of the Corporations Act.
Trust Deed	The trust deed for the Fund dated 03/02/2016.
Trustee and Administrator	Primary Securities Ltd ACN 089 812 635
Unit Price	The Net Asset Value divided by the number of Units on issue.
Units	Units of the Fund.

---

**Contact Details**

**P.** 02 8668 4877  
**E.** [admin@framefunds.com.au](mailto:admin@framefunds.com.au)  
**I.** [www.framefunds.com.au](http://www.framefunds.com.au)

Suite 25, Level 6  
58 Pitt Street  
Sydney, NSW 2000  
Australia

