



**FORTLAKE**  
ASSET MANAGEMENT

Fortlake Quantum Credit-Equity Fund

ARSN: 670 966 686

# Product Disclosure Statement

**Issued: 17 November 2023**

To request a free printed copy of this PDS or updated Fund performance, contact K2 Asset Management Ltd at:

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For lodging complaints and dispute resolution, please refer to Section 11 on page 20 of this PDS

**Responsible Entity**

K2 Asset Management Ltd

ACN 085 445 094

Level 44, 101 Collins St

Melbourne Vic 3000

**Investment Manager**

Fortlake Asset Management Ltd

ACN 643 640 939

Level 27, 25 Bligh St

Sydney NSW 2000

Investment in the Fortlake Quantum Credit-Equity Fund (**Fund**) is offered by K2 Asset Management Ltd (**K2 or RE**) ABN 95 085 445 094 AFS Licence No. 244 393. The information provided here is general information only.

Units in the Fund are offered and issued by K2 on the terms and conditions described in this PDS. By becoming an investor in the Fund you agree to be bound by this PDS. You should not base your decision to invest in the Fund solely on this information. You should obtain professional financial advice tailored to your personal circumstances and consider the suitability of the Fund in view of your financial position, investment objectives and needs before making an investment decision.

**No guarantee of repayment of capital or a rate of return**

Neither the RE, the Investment Manager, Custodian or Unit Register nor any of their respective employees, agents and officers guarantee the success, repayment of capital, rate of return on income or capital or investment performance of the Fund.

All amounts in this PDS are in Australian dollars. All fees are inclusive of goods and services tax (**GST**) and take into account reduced input tax credits (**RITC**) if applicable. All fees in this PDS are rounded to two decimal places.

Information in this PDS is subject to change of a type that is not materially adverse from time to time.

As a disclosing entity, the Fund has regular reporting and disclosure obligations under the *Corporations Act 2001* (Cth) (**Corporations Act**). In accordance with ASIC guidance, all material information will be available to investors at

www.k2am.com.au. A copy of any documents lodged with ASIC to comply with disclosure requirements may be obtained from or inspected at an ASIC office. On request, the RE will provide investors with copies of the most recent annual financial report for the Fund, the half-yearly financial report and any continuous disclosure notices.

**Summary of disclosure against ASIC benchmarks and principles**

This PDS contains disclosures against benchmarks and disclosure principles set out in ASIC Regulatory Guide 240.

The Fund meets both ASIC benchmarks 1 (on valuation of assets) and 2 (on periodic reporting).

The following table points to relevant disclosures, adopting ASIC’s disclosure principle numbers:

<b>Disclosure principle</b>	<b>Where to find in PDS</b>
1 Investment strategy	Section 4, pages 7 - 10
2 Investment manager	Section 2, page 6
3 Fund structure	Section 3, page 7 Section 13, pages 23 - 25
4 Valuation, location and custody of Assets	Section 4, page 10 Section 8, page 17 Section 13, page 24
5 Liquidity	Section 4, page 9 Section 6, pages 11 – 13 Section 11, page 20
6 Leverage	Section 4, page 8 Section 6, page 11
7 Derivatives	Section 4, page 7 Section 6, page 12
8 Short Selling	Section 4, page 8 Section 6, page 11
9 Withdrawals	Section 6, page 13 Section 11, pages 19 - 20

Dear Investor,

I am pleased to offer you the opportunity to invest in the Fortlake Quantum Credit-Equity Fund.

The Fund seeks to target real returns above the RBA cash rate using a combination of inflation hedges, overlays and arbitrage strategies in more liquid parts of the fixed income market using specialised techniques only available to institutional-grade fixed income managers.

The Fund should be considered as a medium-term growth investment that has the propensity to interchangeably use the benefits of the fixed income universe with the equity market by investing in fixed income and equity investments which would create a hybrid exposure for the investor which would otherwise be unattainable in the physical bond market. The Fund will predominantly invest in bonds with equity like characteristics such as corporate hybrids, Additional Tier1 bonds, corporate bonds and government or government related bonds. The Fund will also utilise overlays to provide exposures which would otherwise be inaccessible in the physical bond market such as the aforementioned assets.

The Fund is suited to investors that have a medium-term investment horizon and require income with capital growth through the combination of global fixed income and equity markets.

I look forward to welcoming investors and encourage you to read this PDS thoroughly to make sure the Fortlake Quantum Credit-Equity Fund is suitable for your requirements.

Sincerely,

Dr. Christian Baylis  
Founder, Chief Investment Officer



## **TABLE OF CONTENTS**

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1. THE FUND AT A GLANCE
2. KEY PARTIES
3. FUND STRUCTURE
4. FORTLAKE QUANTUM CREDIT-EQUITY FUND
5. BENEFITS OF INVESTING IN THE FUND
6. RISKS OF INVESTING IN THE FUND
7. FEES & EXPENSES
8. UNIT PRICING & VALUATIONS
9. DISTRIBUTIONS
10. HOW TO APPLY IN THE FUND
11. HOW TO WITHDRAW FROM THE FUND
12. TAXATION
13. SERVICE PROVIDERS
14. OTHER INFORMATION
15. GLOSSARY

## 1. THE FUND AT A GLANCE

<b>INVESTMENT OBJECTIVE</b>	The Fund's investment objective is to target returns above the RBA cash rate after allowing for inflation with a defensive level of risk.
<b>INVESTMENT STRATEGY</b>	The strategy is quantitatively led and seeks to generate real returns in more liquid parts of the fixed income market using specialised techniques only available to institutional-grade fixed income managers. The Investment Manager seeks to target areas of the fixed income market and global hybrid market that have a lower probability of default. The Investment Manager aims to invest in areas where it deems there is a competitive advantage to other fixed income managers. Exposure to these assets can either be directly or via derivatives and investments in unlisted funds which are managed by the Investment Manager or its related parties.
<b>SUGGESTED INVESTMENT TIME FRAME</b>	2 – 5 Years
<b>MINIMUM INITIAL INVESTMENT</b>	\$1,000
<b>MINIMUM ADDITIONAL INVESTMENT</b>	\$1,000
<b>VALUATIONS</b>	Daily
<b>DISTRIBUTIONS</b>	Quarterly as of 30 September, 31 December, 31 March, 30 June each year. Investors can elect for distributions to be paid in cash or to be reinvested into the Fund.
<b>APPLICATIONS</b>	Daily. By 2pm on the Business Day you wish to apply.
<b>WITHDRAWAL</b>	Daily. By 2pm on the Business Day you wish to redeem.
<b>MANAGEMENT FEE</b>	1.64% p.a. (incl. GST & RITC) of the Net Asset Value payable to the Investment Manager, calculated daily and paid monthly in arrears.
<b>PERFORMANCE FEE</b>	20.5% p.a. (incl. GST & RITC) which is payable where the investment performance of the Fund exceeds 6% p.a. (net of fees) provided that the High Water Mark is also exceeded.
<b>BUY / SELL SPREAD</b>	0.10% / 0.10%
<b>REPORTING</b>	Monthly performance updates will be available at <a href="http://www.fortlake.com.au">www.fortlake.com.au</a>
<b>INVESTMENT RISK</b>	You should carefully consider the key risks of investing in the Fund described in section 6 and, where necessary, seek professional advice as to the suitability of investing in the Fund. There is no guarantee that the investment objective will be achieved, or that the implementation of the investment strategy will not result in losses to investors

## 2. KEY PARTIES

### 2.1 THE INVESTMENT MANAGER

Fortlake Asset Management Ltd (**Fortlake** or **Investment Manager**) was founded in 2019 and are an experienced fixed-income manager. Fortlake have brought together a team of highly specialised investment professionals with a depth of knowledge and experience in global fixed income and derivative strategies.

Fortlake has been appointed by the RE under a standard management agreement to provide investment related services for the Fund. Fortlake is responsible for directing all investments within the Fund via the implementation of quantitatively led solutions that seek to generate real returns in the more liquid parts of the fixed income market. Fortlake have developed specialised techniques outlined in detail in Section 4 on page 9.

More information about the individuals responsible for the investment management of the Fund, including the proportion of time each individual devotes to executing the Fund's investment strategies, is available at [www.fortlake.com.au](http://www.fortlake.com.au).

### 2.2 THE RESPONSIBLE ENTITY

K2 Asset Management Ltd, a subsidiary of K2 Asset Management Holdings Ltd (ABN 59 124 636 782), which is a public company listed on the Australian Securities Exchange (ASX: KAM), is the Fund's Responsible Entity and issuer of this PDS. K2 was

established in Melbourne in 1999 and specialises in managed funds for retail, wholesale and institutional investors.

The responsibilities and obligations as the Fund's Responsible Entity are governed by the Fund's constitution ('Constitution'), the Corporations Act and general trust law.

As Responsible Entity, K2 oversees the operation and management of the Fund and is required to act in the best interests of investors.

### 2.3 INDEMNITY

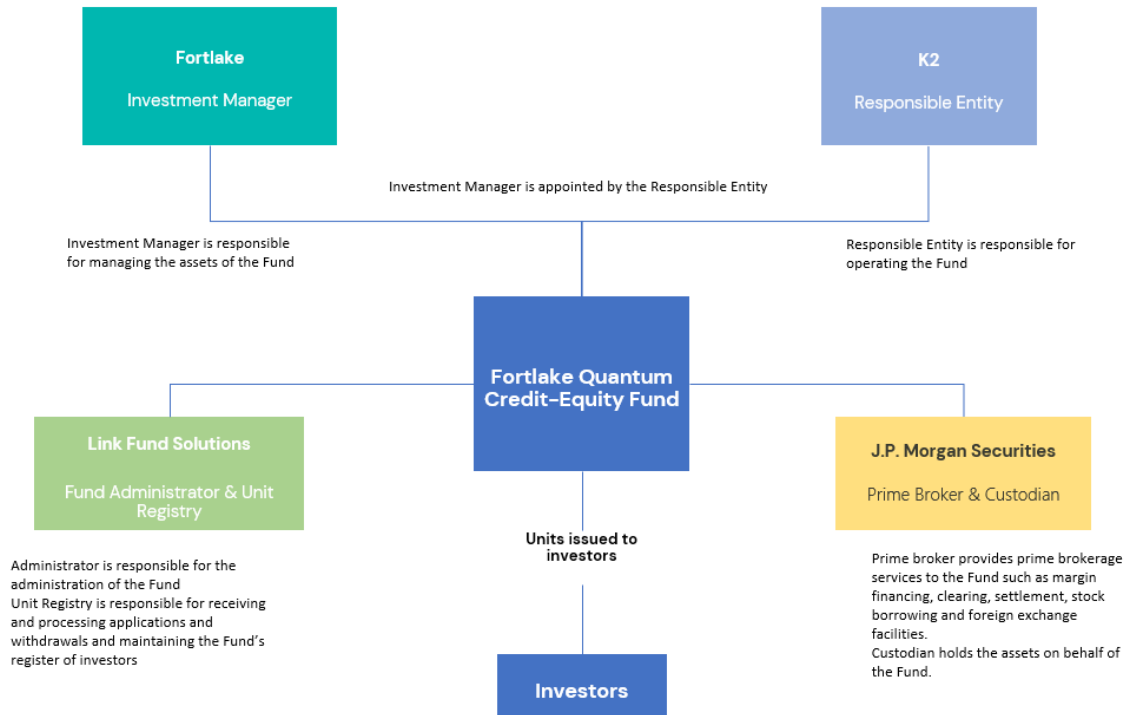
The Investment Manager and Responsible Entity are indemnified out of the Fund against all liabilities and expenses incurred by them in properly performing any of their duties, exercising any of their powers, or omitting to act in relation to the Fund, or attempting to do so. Subject to the Corporations Act, provided they act in good faith and without negligence, the above entities are not liable to investors for losses in relation to the Fund (except in certain circumstances, where it can be indemnified from the Fund).

K2 and Fortlake and other agents of the RE do not guarantee the performance of the Fund.

The Fund's past performance is no indication of its future performance. The Fund's returns are not guaranteed.

### 3. FUND STRUCTURE

The Fund is an Australian registered managed investment scheme and unit trust. In a unit trust structure, when you invest your money, it is pooled with other investor funds. Each unit represents an equal share in the net assets of the Fund; however no investor is entitled to any specific or part asset of the Fund. The rights of unitholders are set out in a Fund’s constitution. The following diagram summarises the management and governance structure of the Fund:



### 4. FORTLAKE QUANTUM CREDIT-EQUITY FUND

#### 4.1 INVESTMENT OBJECTIVE

The Fund’s investment objective is to target returns above the RBA cash rate after allowing for inflation with a defensive level of risk.

#### 4.2 INVESTMENT STYLE

The focus of the Fund is credit with equity like characteristics. The Fund’s investment style utilises a variety of institutional techniques, including a combination of inflation hedges, overlays, arbitrage strategies and to opportunistically allocate to selective investment-grade bond opportunities to generate returns above the RBA cash rate. The focus and style of the Investment Manager is to

seek out lower probability of default (POD) opportunities in fixed income markets and then use specialised techniques to deliver strong returns to investors.

#### 4.3 INVESTMENT UNIVERSE

The investment universe is comprised mainly of global corporate bonds with equity like characteristics such as, but not limited to, corporate hybrids and Additional Tier 1 bonds. The Investment Manager will also use equities and equity derivatives to enhance or reduce the hybrid component of the Fund. In addition, the Fund may also use derivatives (both exchange traded and over the counter) and/or exchange traded funds to gain intended exposure or manage a particular risk. Fortlake aims to hedge any foreign currency exposure back to the Australian dollar.

Exposure to the investment universe can be gained via investments in unlisted funds which are managed by the Investment Manager or its related parties.

The portfolio will typically contain 20 to 70 positions. This may include derivative positions (both exchange traded and over the counter) and investments in unlisted funds which are managed by the Investment Manager or its related parties, particularly when it is more efficient to execute a particular thematic via the derivative or the Fund.

The RE will notify you of any change to the Fund's investment strategies, however the strategies are not expected to change over the life of this PDS.

#### **4.4 LEVERAGE**

The Investment Manager may use leverage to increase the net invested position of the Fund greater than the gross asset value of the Fund. In addition, in order to implement any short positions of derivative exposures, equity and/or cash may be required to be deposited with the Prime Broker as collateral.

Leveraging can amplify gains and losses.

The Investment Manager's leveraging strategy will be used to seek enhanced returns which may be due to pricing disparities or scenarios where the interest or income earned on the assets are higher than the cost of leverage.

The following is a simplified worked example of how leverage works in the Fund. This example assumes an anticipated level of leverage being 150%. This example additionally assumes that the Fund is fully invested and ignores fees and expenses.

**Utilising leverage at 150% will mean that for each \$100,000 invested, the Gross Exposure will be \$150,000:**

- A 10% increase in the value of equity positions held by the Fund results in a 15% increase in return to investors (\$15,000 gain for the Gross Exposure of \$150,000); and
- A 10% decrease in the value of equity positions held by the Fund results in a 15% loss to investors (\$15,000 loss for the Gross Exposure of \$150,000).

**In the above example, if no leverage was used, the Gross Exposure on \$100,000 invested would be \$100,000:**

- A 10% increase in the value of equity positions held by the Fund results in a 10% increase in return to investors (\$10,000 gain for the Gross Exposure of \$100,000); and
- A 10% decrease in the value of equity positions held by the Fund in a 10% loss to investors (\$10,000 loss for the Gross Exposure of \$100,000).

As the example shows, the use of leverage increases the size of any potential gains or losses to your investment.

Please note the above example has been provided for reference purposes only. Any assumptions underlying these examples are hypothetical.

#### **4.5 RELATED PARTY INVESTMENTS**

The Fund may invest in funds which are managed by the Investment Manager or its related parties to gain exposure to certain fixed income assets. As of the date of this PDS, the Investment Manager may invest in the Fortlake Real Income Fund, the Fortlake Real Higher Income Fund and the Fortlake Sigma Opportunities Fund. For information about these funds please visit [www.fortlake.com.au](http://www.fortlake.com.au).

#### **4.6 SHORT SELLING**

Short selling may be utilised by the Fund as part of the investment strategy. Short selling may be through borrowing bonds through the prime broker and providing the required collateral. The Investment Manager will engage short selling in accordance with the rules of each respective market it is trading on.



#### 4.7 INVESTMENT PHILOSOPHY

The fundamental principle underpinning the investment strategy of the Investment Manager is that returns can be enhanced and delivered with lower risk via the use of the ‘interposing’ methodology.

Opportunity identification should be qualified through a risk framework Fortlake calls ‘interposing’. It starts with probability of default (POD) extraction methods and then applies investment capability into the themes that exhibit the most attractive results.

- Interposing effectively allows silos of value to overlap one another and not to sit independently of one another. In practice silos of value are co-dependent on the fixed income market.
- Fixed income professionals tend to be specialised within particular areas of the fixed income market such as credit, duration, high-grade or inflation. Rarely do these professionals possess a strong understanding of the connectivity across the different silos of the fixed income market.
- Fixed income markets have deep ‘alpha pools’, with that comes breadth and scope to deliver value at lower per unit risk, more so than other asset classes. The Investment Manager seeks alpha in the lowest risk form in a variety of markets with different liquidity profiles.
- Fortlake’s point of difference is that it aims to interpose the silos of value. This is achieved by multi-tasking between the value sources across the fixed income markets.
- With risk being blended across the silos, the focus of the investment philosophy is targeted at how each silo is inter-related.

#### 4.8 INVESTMENT PROCESS

The Investment Manager invests based on a 6-stage process:

- Stage 1 – Universe and Opportunity Set

The Investment Manager identifies a shortlist of potential investments (the investment universe) which fit the Fund’s investment

parameters. This involves analysing a range of investment instruments and forming a view as to their relative merits (including any discount to their intrinsic value), based on their risks and potential return, in line with the Fund’s target return. Once the Investment Manager has completed this analysis, it uses this data to optimise capital allocation and portfolio weighting.

- Stage 2 – Factor Audit

Once the investment universe is defined, each of the potential investments is subject to further analysis and modelling through repeated simulation. This stage involves performance optimisation of the potential investments across a range of factors, these include macroeconomic or investment specific factors like volatility or momentum. Potential investments are ranked across each factor with a view of identifying opportunities and areas for further optimisation. The factors used in this stage may change over time and are evaluated regularly by the Investment Manager to ensure effectiveness.

- Stage 3 – Implementation Review

Once the investments and allocations have been confirmed, the Investment Manager considers the most effective means of implementing the investment. For example, in some circumstances, the Investment Manager may elect to trade in a bond directly, and in others, it may elect to instead trade via a derivative. In determining this, the Investment Manager will have regard to the potential merits and risks associated with each approach.

- Stage 4 – Execution Review

Once the most appropriate means of implementation has been identified, the Investment Manager determines the optimal means of executing the trade. This includes an evaluation of the potential trading counterparties, informed by the Investment Manager’s previous knowledge and experience with the counterparties.

- Stage 5 – Post Execution Review

When the Investment Manager executes a trade (and thereafter), it analyses how the market responds to the trade. The Investment Manager uses this data to develop a profile on counterparty firms and the market, which is

used to better inform trading strategy and counterparty selection in the future.

- Stage 6 – Live Monitor

The portfolio is subject to ongoing monitoring and evaluation. The data collected at this stage is used to evaluate the model's sufficiency and identify further areas of optimisation.

#### **4.9 RISK MANAGEMENT**

The Investment Manager continually monitors risk across 4 key dimensions:

1. Portfolio exposures;
2. Structure;
3. Operations; and
4. Commercial

Portfolio exposures relates to the individual and aggregate investment and currency exposures contained in the Fund's long and short portfolio and the resulting net exposures.

Structure relates to the Fund's counterparties for foreign exchange forward transactions and prime broking services as well as the oversight of legal entities relating to the Fund and the Investment Manager.

Operations is in relation to the Investment Manager's research, trading and accounting systems, the oversight of the Fund's service providers and factors such as regulation and compliance.

Commercial refers to the internal workings of the Investment Manager, including research, finance, human resources and communications.

These 4 dimensions are formerly reviewed by the Investment Manager on at least a quarterly basis.

#### **4.10 PORTFOLIO CONSTRUCTION**

Interests in the Fund will be issued in Australian dollars, however, the Fund will have underlying positions in US dollars and other currencies which will generally be hedged back to Australian dollars.

#### **4.11 VALUATION, LOCATION AND CUSTODY OF ASSETS**

The Fund invests in global corporate and government bonds, equities, equity derivatives, derivatives (both exchange traded and over the counter) and exchange traded funds in various currencies. These investments are held by the Prime Broker and Custodian on behalf of the Fund. The roles performed by the Prime Broker and Custodian is set out on page 24.

Please refer to section 8 on page 17 for key aspects of the Fund's unit pricing policy.

#### **4.12 LABOUR STANDARDS & ENVIRONMENTAL, SOCIAL & ETHICAL CONSIDERATIONS**

In buying, selling or retaining underlying investments, the Investment Manager does not generally take into account labour standards or environmental, social or ethical (ESG) considerations. However, to the extent that the Investment Manager believes those matters may affect the value or performance of an underlying investment they may be considered. The Investment Manager does not apply a predetermined view as to what constitutes labour standards or environmental, social or governance considerations. These will be determined on a case-by-case basis for the Fund.

## 5. BENEFITS OF INVESTING IN THE FUND

Investing in the Fund offers a range of benefits, including that:

- the Investment Manager is highly specialised, with deep knowledge and experience in fixed interest investments;
- investors have access to Fortlake's investment methodology which is designed to produce returns and protect investors against inflation risk; and
- investors have access to a diversified portfolio of investment-grade bonds, high yield bonds and fixed interest investments with equity-like characteristics.

## 6. RISKS OF INVESTING

Any financial investment is not without associated risks.

All asset classes carry varying degrees of risk. When considering any investment in a managed investment scheme, it is important that you understand:

- the value of investments will go up and down;
- the level of returns will vary, and future returns may differ from past returns;
- returns are not guaranteed, you may lose some of your money and past performance is not necessarily indicative of future performance;
- laws affecting registered managed investment schemes may change in the future;
- assets with the highest long-term returns may also carry the highest level of short-term risk; and
- the appropriate level of risk for each investor will vary depending on a range of factors, including age; investment time frames; where other parts of the person's wealth are invested; and the investor's risk tolerance.

Before making an investment in the Fund, you should consider if it is appropriate for your

individual circumstances, and it is strongly recommended that you seek professional advice. Risks that should be considered when investing in the Fund include, but are not restricted to, the following:

### 6.1 INVESTMENT MANAGER RISK

The Fund relies heavily on the ability of the Investment Manager to identify investments that will outperform other investment options. Furthermore, the Fund relies on the ability of the Investment Manager to identify overall market direction. If the Investment Manager makes the wrong decisions, the Fund can have negative returns.

### 6.2 KEY PERSON RISK

From time to time, there may be changes to the personnel of the Investment Manager. Such changes may include key personnel, which may have an impact on investment returns of the Fund.

### 6.3 LEVERAGE RISK

The Investment Manager may leverage the Fund's capital because it believes that the use of leverage may enable the Fund to achieve a higher rate of return. Accordingly, the RE may pledge the Fund's investments in order to borrow additional funds for investment purposes. The Fund may also leverage its investment return with derivatives. The amount of borrowings which the Fund may have outstanding at any time may be substantial in relation to its capital. Leverage can magnify both the gains and losses and investors may experience increased volatility in the value of their investments.

### 6.4 SHORT SELLING RISK

The Investment Manager may short sell, selling fixed income securities short creates the risk of losing an amount greater than the initial investment and can also involve borrowing and other costs which may reduce profits or create losses for the Fund.

### 6.5 LIQUIDITY RISK

The Investment Manager invests in high-grade bonds, government or government related bonds and may invest opportunistically in short-term investment-grade bonds. Investments in bonds may suffer from a lack of liquidity during the term

of the bond, or if there is a thin market for the particular bonds.

#### **6.6 CONCENTRATION RISK**

While the Investment Manager aims to diversify the Fund's investments. If the Fund's investment portfolio is concentrated in a small number of investments, the portfolio will be subject to a greater level of volatility.

#### **6.7 DERIVATIVES RISK**

Derivatives, such as options, futures and swaps, may be used by the Investment Manager for hedging and non-hedging purposes:

- to manage particular risks (such as currency risks);
- when it is more efficient to execute a particular thematic via the derivative; or
- to reduce risk or gain exposure to other types of investments when appropriate.

The risks of using derivatives might include: the value of the derivative failing to move in line with the underlying asset, potential illiquidity of the derivative, the possibility that the derivative position is difficult or costly to reverse, the derivative not performing as expected, and counterparty risk.

#### **6.8 COUNTERPARTY RISK**

Counterparty risk in derivatives is the risk of loss caused by another party defaulting on its financial obligations either because they become insolvent or cannot otherwise meet their obligations to the Fund. A party defaulting on its obligations could subject the Fund to substantial losses because the Fund will still be required to fulfil its obligations on any transactions which were to have substantially offset other contracts.

#### **6.9 CURRENCY RISK**

At the date of this PDS, it is intended that the functional currency of the Fund's principal trading account will be Australian dollars. The Fund will have exposure to investments which are denominated in currencies other than the functional currency. If the value of foreign currencies changes relative to Australian dollars, the value of the investments of the Fund may change. There is a risk that the value of investments of the Fund will change due to movements in the exchange rate between the

local currency and the Australian dollar. The Investment Manager intends to manage this by hedging back to the Australian dollar.

#### **6.10 INTEREST RATE RISK**

Interest rates and bond prices have an inverse relationship. Changes in interest rates can have a direct impact on bond prices and the returns available on the investments of the Fund. They can also have indirect positive or negative impacts on the relative attractiveness of fixed income instruments to other asset classes, or on the capacity to service any borrowings by the Fund.

#### **6.11 FOREIGN TAXATION**

The Fund may invest in markets located in foreign jurisdictions with different tax regimes, some of which may subject the Fund to withholding or other taxation, this may impact the Fund's returns.

#### **6.12 FUND RISK**

Common risks associated with most managed funds include the risk that: the Fund may be terminated; the fees and expenses could change; or the RE or the Investment Manager could change. In addition, investing in the Fund may lead to different results compared with investing directly in securities because of income or capital gains accrued in the Fund and the consequences of other investors investing in, or withdrawing from, the Fund.

#### **6.13 SERVICE PROVIDER RISK**

The Fund relies on external service providers in connection with its operations. Services include prime brokerage/custody, fund administration and middle office. There is a risk that these service providers may not meet their contractual obligations, or seek to terminate their services to the Fund. In this situation, the Fund may be required to replace a service provider and this may lead to a disruption to the activities of the Fund.

#### **6.14 LEGAL, REGULATORY & TAX RISK**

Legal, regulatory and tax changes could occur during the term of the Fund, which may adversely affect the Fund and its underlying investments. The value or tax treatment of an investment, or the effectiveness of the Fund's trading or investment strategy may be adversely affected by

changes in government (including taxation) policies, regulations and laws, or changes in generally accepted accounting policies or valuation methods.

#### **6.15 WITHDRAWAL RISK**

If market events reduce the liquidity of the Fund's investments, the general applicable timeframe for meeting withdrawal requests may not be met. In addition, if an investor or a group of investors seek to make large withdrawals, then selling assets to meet those withdrawals may result in a detrimental impact on the price received by the expose the Fund to this risk.

Fund for those assets. In certain circumstances, it may be necessary to suspend withdrawals to allow sufficient time for liquidation of assets to meet withdrawals.

#### **6.16 RELATED PARTY RISK**

Engaging with related parties carries a risk of impartial decision-making due to potential conflicts of interest. While the Investment Manager has established mechanisms to mitigate and reduce the impact of related party risks, investing in a fund managed by the Investment Manager or its related parties may still

### **Ways to reduce or manage risk:**

#### **Seek professional advice**

It is recommended that you seek professional advice to assist in understanding your current financial situation and your individual investment objectives.

#### **Invest for the long term**

Historically, growth assets have achieved the highest returns over the long term, with the greatest risk in the short-term.

#### **Individual investment strategy**

You should consider the following factors before investing in the Fund:

- your risk profile;
- your investment timeframe;
- the level of return you are seeking;
- whether you are investing for income or growth; and
- your current financial situation.

## 7. FEES AND EXPENSES

### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your financial return by up to 20% over a 30-year period (for example reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.

### TO FIND OUT MORE

If you would like to find out more or see the impact of the fees based on your own circumstances, the Australian Securities, and Investments Commission (ASIC) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

### 7.1 SUMMARY

Fortlake Quantum Credit-Equity Fund		
Type of Fee or Cost	Amount	How and When Paid
<b>Ongoing annual fees and costs</b>		
<b>Management fees and costs</b> The fees and costs for managing your investments	1.54% p.a. of the NAV of the Fund	The management fees and costs are calculated and accrued daily based on the NAV. It is paid monthly in arrears out of the Fund Assets. Management fees and costs are comprised of: <ul style="list-style-type: none"> <li>• A management fee<sup>1</sup>;</li> <li>• Indirect costs; and</li> <li>• Recoverable expenses<sup>2</sup></li> </ul>
<b>Performance fees<sup>3</sup></b> Amounts deducted from your investment in relation to the performance of the Funds	0.85% p.a. of the Fund's net assets	The Fund charges a performance fee of 20.5% p.a. (incl GST & RITC) which is payable where the investment performance of the Fund exceeds 6% p.a. (net of fees) provided that the High Water Mark is also exceeded.
<b>Transaction costs</b> The costs incurred by the Fund when buying and selling assets	0.00%	The Fund does not incur any transaction costs.
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the Fund)</b>		
<b>Establishment fee</b> The fee to open your investment	Nil	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment	Nil	Not applicable
<b>Buy/Sell spread<sup>4</sup></b> An amount deducted from your investment representing costs incurred in transactions by the Fund	0.10% / 0.10%	The buy/sell spread is incurred when you enter or exit the Fund. The money is retained in the Fund and is not paid to K2 or Fortlake.

<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Exit fee</b> The fee to close your investment	Nil	Not applicable
<b>Switching fees</b> The fee for changing investment options	Nil	Not applicable

1 The management fee for the Fund is 1.33% p.a. of the NAV. For further information, please see “Management fees” under the heading “Additional Explanation of Fees and Costs” on page 16.

2 Indirect costs and recoverable expenses are capped at 0.21% p.a. (inc GST & RITC). For further information, please see “Recoverable expenses” under the heading “Additional Explanation of Fees and Costs” on page 16.

3 The estimated performance fees are a reasonable estimate based on the average performance fees of the Fortlake Sigma Opportunities Fund which has a 20.5% p.a. (incl GST & RITC) performance above benchmark for the financial years ending 30 June 2023, 30 June 2022 and 30 June 2021.

4 Please see “Buy and sell spreads” on page 17.

### Example of annual fees and costs for the Fund

This table gives an example of how the ongoing annual fees and costs for this Fund can affect your investment over a 1-year period. You should use this table to compare this Fund with other managed investment schemes.

The ongoing annual fees and costs in these tables are an example only and are not additional to the fees and costs in the tables on page 14.

<b>EXAMPLE</b>		<b>BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR</b>
<b>Fortlake Quantum Credit-Equity Fund</b>		
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
<b>PLUS</b> Management fees and costs <sup>1</sup>	1.54%	<b>And</b> , for every \$50,000 you have in the Fortlake Quantum Credit-Equity Fund you will be charged or have deducted from your investment \$770 each year
<b>PLUS</b> Performance fees	0.85%	<b>And</b> , you will be charged or have deducted from your investment \$425 in performance fees each year
<b>PLUS</b> Transaction costs	0.00%	<b>And</b> , you will be charged or have deducted from your investment \$0 in transaction costs
<b>EQUALS</b> Cost of the Fortlake Quantum Credit-Equity Fund <sup>2</sup>		<p>If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of:</p> <p style="text-align: center;"><b>\$1,195</b></p> <p><b>What it costs you will depend on the fund you choose and the fees you negotiate.</b></p>

1 Management fees and costs are charged on your investment amount and any contribution made during the year. This example assumes the additional \$5,000 was invested at the end of the first year, so that management fees and costs are calculated using the \$50,000 balance only.

2 This cost does not include any advice fees paid to your financial adviser.

## Additional Explanation of Fees and Costs

### 7.2 MANAGEMENT FEES AND COSTS

The management fees and costs of the Fund is expressed as a percentage of the Fund's Net Asset Value. The management fees and costs are made up of management fees, estimated indirect costs that may be charged by interposed vehicles including the performance fees of these interposed vehicles as well as recoverable expenses.

#### Management fees

A management fee of 1.33% per annum (incl. GST & RITC) of the Net Asset Value is payable to the Investment Manager. The management fee is calculated and paid monthly in arrears and reflected in the unit price.

#### Indirect costs

Indirect costs are generally any amount the RE knows or estimates will reduce the Fund's returns that are paid from the Fund's assets or assets of the interposed vehicles. An interposed vehicle is generally a body, trust/fund or partnership that the Fund's assets are invested in such as underlying funds and some over the counter derivatives.

When the Fund invests in funds which are managed by the Investment Manager or its related parties, the management fees of these interposed vehicles will not be paid by the Fund.

#### Recoverable expenses

There are recoverable expenses other than those referred to in the management fees section above that may be reimbursed from the Fund. Responsible entity fees as well as custody, administration, registry and compliance expenses are recoverable expenses. There are also other costs incurred in relation to the operation of the Fund and are not expected to be incurred on a regular basis such as but not limited to holding investor meetings; audit, tax and legal costs; preparation of disclosure documents and overheads.

Indirect costs and recoverable expenses have been capped at 0.21% p.a. (inc GST & RITC),

these have been included in the Management Fees and Costs section in the table on page 14.

### 7.3 PERFORMANCE FEES

Upon the Fund meeting its performance criteria, a performance fee is payable. Fortlake will only be eligible to receive a performance fee of 20.5% p.a. (inc GST & RITC) when the investment performance of the Fund exceeds 6% p.a. (net of fees), provided that the High Water Mark is also exceeded. The performance fees are 20.5% p.a. of the excess, calculated daily and paid semi-annually in arrears from the Fund and calculated based on a net return basis using the beginning NAV over the relevant period.

No performance fees are payable until any accrued underperformance (in dollar terms) from prior periods have been made up.

The High Water Mark calculation is the cumulative return of the Fund, including distributions but before performance fees, since inception.

### 7.4 TRANSACTION COSTS

Because the Fund is actively managed, they will incur transaction costs, such as brokerage, buy-sell spread, settlement and clearing costs (including custody costs) and government charges such as stamp duty as a result of the management of the Fund's investment portfolio. This generally happens when the assets of the Fund are changed in connection with day-to-day trading or when there are applications or withdrawals which cause net cash flows into or out of the Fund.

Transaction costs could also include due diligence costs, legal advisory and other professional costs and any failed deal costs of the Fund. Additionally, any costs incurred by an interposed vehicle that is a managed investment scheme may be included as a transaction cost.

Transaction costs are paid out of the Fund's assets and are reflected in the Fund's unit price.

#### Buy-sell spreads

The Fund carries a buy/sell spread of +/-0.10% to ensure that the transactional and operational costs associated with an application or redemption are not borne by other investors. The buy/sell spread is an additional cost to you and is incurred



when you enter or exit the Fund. The money is retained in the Fund and is not paid to the RE or Investment Manager. The spread is based on the Fund's average transaction costs and accordingly may be varied by the RE from time to time.

## **7.5 OTHER FEES AND COSTS**

### **Advice fees**

Your financial adviser may receive payment for providing advice services to you. These advice fees are additional to the fees and costs shown in the table on page 14 and are paid to your adviser not to the Fund or RE.

### **Borrowing costs**

Borrowing costs are the costs associated with borrowing money or securities. The Fund may enter into borrowing facilities and, if so, the costs of a borrowing facility would be deducted from the Fund's assets and reflected in the unit price. Borrowing costs are additional to the fees and costs in the table on page 14.

### **Differential fees**

The RE or Investment Manager may agree to an alternative fee arrangement with certain Wholesale Clients that satisfy minimum investment requirements.

### **Changing the Fees**

All fees and expenses in this PDS can change without your consent, however it is not expected that the investment management or performance fees will change while this PDS is current. At least 30 days' notice will be provided in the event investment management or performance fees increase or there is any other change that requires us to give you prior notice. The RE has the right to recover all proper and reasonable expenses incurred in managing the Fund. Changes in the amount of fees and costs charged by service providers, regulators and other third parties may cause the amount of expenses recovered, to increase or decrease from time to time. The Fund's constitution defines the maximum that can be charged for fees described in this PDS.

## **8. UNIT PRICING AND VALUATIONS**

When you invest in the Fund you are allocated a number of units in the Fund. Each of these units represents an equal undivided part of the market value of the portfolio of investments that the Fund holds. All unit prices are calculated to four (4) decimal places. The number of units issued is calculated and rounded to two (2) decimal places.

Units are priced on every Business Day of the year ('Valuation Day').

The net asset value of the Fund includes the value of income accumulated since the previous distribution date.

There is a difference between the application and the redemption unit price which is a result of transaction costs. The buy/sell spread is applied because an application or redemption may necessitate the purchase or sale of Fund assets, incurring transaction costs such as brokerage, government duties and taxes. So that existing investors do not continually bear the transaction costs resulting from new investments or redemptions that are made, each investor pays a sell spread of 0.10% when they transact in the Fund. This is paid into the Fund for the benefit of all investors.

The spread of the Fund may be reviewed by the RE and altered or waived from time to time. The RE may also determine a reasonable estimate of the actual amount necessary to avoid an adverse impact on other investor's due to the acquisition or disposal of assets carried out because of a particular application or redemption and apply this as the buy/sell spread for that application or redemption.

## **9. DISTRIBUTIONS**

Distributions will be determined quarterly as at 30 September, 31 December, 31 March, 30 June each year or more frequently at the Investment Manager's discretion. Distributions will generally be paid within 30 days after the distribution date.

Investors must elect whether they wish to be paid distributions in cash or have distributions reinvested into the Fund after each distribution

date. An investor can change their distribution option by notifying the Unit Registry in writing at least twenty 20 Business Days prior to the relevant distribution date. Investors will still have to pay tax on a distribution, even if it is reinvested.

In certain circumstances, such as where investments are sold to meet a significant redemption, the RE may choose to allocate undistributed income and any net realised capital gains to withdrawing investors based on a pro-rata allocation with reference to the number of units being withdrawn. This would only be utilised to ensure a fair and reasonable allocation of any undistributed income and net realised capital gains amongst all investors.

## 10. INVESTING IN THE FUND

### 10.1 INITIAL APPLICATIONS

1. Read this PDS.
2. Complete the application form available online. Go to [www.fortlake.com.au](http://www.fortlake.com.au) under 'Apply Online (new investor)' and follow the instructions to complete your application;
3. Once the application form has been completed, send the form to:

Fortlake Asset Management  
PO Box 3721  
Rhodes NSW 2138

Completed forms and cleared funds must be accepted by the Unit Registry by 2pm Australian Eastern Standard Time on the day you wish to invest. To enable the RE to comply with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) new investors must also complete the relevant client identification forms.

You need to invest a minimum of \$1,000.

4. Receive confirmation of your investment via email or post and begin accessing your account via our online investor portal.

### 10.2 APPLICATION DATES

Applications can be processed on any Business Day (**Valuation Day**) with units issued for that same day. Completed forms and cleared funds must be accepted by the Unit Registry by 2pm Australian Eastern Standard Time on a Valuation Day.

Note: you will need to observe your relevant bank's processing times to ensure the Unit Registry receives cleared funds by the deadline. Subject to the Corporations Act, application money received after the deadline will be held in the Fund's trust account, unless directed otherwise in writing by the applicant, and units will be issued on the following Valuation Day. Any interest earned on application money (less applicable withholding tax) paid in advance of a Valuation Day will be credited in favour of the Fund.

The RE reserves the right to refuse any application without giving a reason. If the RE refuses or is unable to process an application it will return the application money to the applicant who will not be entitled to any interest on that money. If a deposit is dishonoured, the corresponding units are deemed not to have been issued. The RE and Unit Registry accept no responsibility for any loss caused as a result of non-receipt of any application sent by facsimile, post or other delivery method.

Applications that are placed for a 31 March, 30 June, 30 September or 31 December Valuation Date are allocated units on that day, and will receive any distribution that may be payable.

### 10.3 INVESTING THROUGH AN IDPS

If you are investing through an IDPS, such as a master trust or wrap account, you may need to complete a separate application form and provide a cheque payable to the relevant IDPS operator. Your rights and liabilities will be governed by the terms and conditions of the IDPS disclosure document. Investors should carefully read the terms and conditions of that document before investing in the Fund. Indirect investors investing through an IDPS do not acquire the rights of an investor in the Fund.

IDPS investors will receive reporting directly from the IDPS operator, not from the RE and do not have the right to a ‘cooling off’ period (as described in this PDS) in relation to an investment in the Fund. Additional investments (for existing investors) Investors can add to their investment by completing an additional investment form available at [www.k2am.com.au](http://www.k2am.com.au). Before completing an additional investment form, investors should ensure they have read the current PDS.

#### **10.4 ADDITIONAL INVESTMENTS**

Additional investments can be made at any time. Investor must complete an additional application form available online at [www.fortlake.com.au](http://www.fortlake.com.au) under “Apply PDF (current investor)”.

The minimum amount for additional investments is \$1,000. If we receive a payment from an investor for less than \$1000, the RE maintains discretion to reject the payment and return the amount to the investor.

Before completing an additional investment form, investors should ensure they have read the current PDS.

#### **10.5 PRIVACY**

When processing an application, the RE will be collecting personal information which it may need to provide to third parties, such as its service providers, regulatory authorities as required by law or to satisfy United States requirements (in the case of United States persons). In some cases, the organisations to which the RE or its service providers disclose your information may be located outside Australia (including the United Kingdom, United States, Canada, Singapore, The Netherlands and India), though it is not practicable to list all of the countries in which such recipients are likely to be located. For further information about how we collect, hold, use and disclose your personal information, please read K2’s privacy policy, which can be viewed on our website at [www.k2am.com.au](http://www.k2am.com.au).

## **11. WITHDRAWALS**

### **11.1 MINIMUM WITHDRAWALS**

The minimum redemption is \$1,000 (or such lesser amount as the RE may determine). A requested partial redemption which would cause the investor’s investment to fall below the minimum holding of \$1,000 (or such lesser amount as the RE may determine) will not be permitted.

### **11.2 WITHDRAWAL PROCESS AND CUT OFF TIMES**

Withdrawal requests are generally permitted on each Business Day provided the request is received by the Administrator no later than 2pm (AEST), for processing using unit price effective for the day of redemption. The RE may at its discretion allow withdrawals at other times and with longer or shorter notice periods. If the withdrawal request is received by the Administrator after the deadline for receipt of requests for any particular withdrawal date, it will be treated as a request for redemption on the next Business Day.

If you want to withdraw your money, simply contact us in writing and tell us how much you need to withdraw, specify your investor number and ensure your instructions are signed. This is called a redemption request. Redemption requests can be sent to:

LINK Market Services  
PO Box 3721  
Rhodes NSW 2138  
Australia

Alternatively, you can send a redemption request by email to [fortlake@linkmarketservices.com.au](mailto:fortlake@linkmarketservices.com.au).

If you would like to send a redemption request by post or email please be aware of the following requirements:

- all instructions must be legible;
- instructions must bear your investor number and signature; and
- redemption proceeds will only be transferred to the financial institution account previously notified to us in writing.

To use this service, you will need to accept full responsibility (to the extent permitted by law) for loss arising from us acting upon scanned instructions which comply with these security processes and you also agree to release and indemnify us in respect of any liability arising from us acting on scanned instructions (including future instructions), even if those instructions are not genuine. Also, you agree that neither you nor any other person has any claim against us in relation to a payment made or action taken under the facsimile or scanned instruction service if the payment is made in accordance with these conditions. These terms and conditions are additional to any other requirements for giving redemption instructions.

The Fund generally processes withdrawal requests within 3 business days of the request (although the constitution for the Fund allows up to 21 days) and pay funds to your account.

The RE may stagger withdrawals on a pro-rata basis if the RE receives withdrawal requests for a withdrawal date in relation to more than 20% of the units. The unredeemed portion of the withdrawal request will be carried forward to the next withdrawal date (where withdrawal request may again be staggered).

A Withdrawal Request must be made in the form approved by the RE and the Administrator, and it must be signed by the investor. If required, please contact the Fund's Client Services Team on 1300 110 344 during business hours or by sending an email to [enquiries@fortlake.com.au](mailto:enquiries@fortlake.com.au).

### **11.3 SUSPENSION OF ISSUE OF UNITS AND WITHDRAWAL OF FUNDS**

Under the Fund's constitution, the RE may suspend the determination of the Net Asset Value of the Fund and/or extend the time for paying redemption proceeds in certain circumstances.

Where the Fund is not liquid (as defined in the Corporations Act), an investor does not have a right to withdraw from the Fund and can only withdraw where the RE makes a withdrawal offer to investors in accordance with the Corporations Act. The RE is not obliged to make such offers. You will be notified in writing of any such changes to your withdrawal rights.

### **11.4 RETAIL INVESTORS**

If you are an eligible retail investor, you may have a right to a cooling off period to ensure that the investment meets your individual needs. The period commences on the earlier of confirmation of the investment being received or available, or the end of the fifth day after units are issued, and lasts for 14 days. The investor is entitled to a refund of their investment, adjusted for any increase or decrease in the NAV between the time the Unit Registry processed the application and the time it receives the notification, as well as any tax and other reasonable administrative expenses and transaction costs associated with the acquisition and termination of the investment.

A client's right to cool off does not apply in certain limited situations, such as if the issue is made under a distribution reinvestment plan or represents additional contributions made under an existing agreement.

To exercise this right the Unit Registry must be notified in writing.

### **11.5 COMPLAINTS RESOLUTION**

The RE has an established complaint handling process and is committed to properly considering and resolving all complaints. If you have a complaint about your investment, please contact K2:

By telephone: 03 9691 6111;  
By post: K2 Asset Management  
Level 44, 101 Collins Street  
Melbourne VIC 3000; or  
By email: [invest@k2am.com.au](mailto:invest@k2am.com.au).

The RE will acknowledge receipt and seek to resolve the complaint as soon as possible.

If the RE cannot resolve your complaint, you may seek assistance from:

Australian Financial Complaints Authority  
(AFCA)  
GPO Box 3 Melbourne Vic 3001  
Phone: 1800 931 678  
Website: [www.afca.org.au](http://www.afca.org.au)  
Email: [info@afca.org.au](mailto:info@afca.org.au)

You should quote the following AFCA membership number with your enquiry: 12481.

Please note that different procedures to the above may apply for IDPS investors.

## 12. TAXATION

### 12.1 SUMMARY

Your tax liability ultimately depends on your circumstances, for example, whether you are an Australian resident. So, it's important that you seek professional advice before you invest or deal with your investment.

The discussion below assumes that the Fund will be an Attribution Managed Investment trust (**AMIT**) and that the investor is an Australian resident for tax purposes who holds their units in the Fund directly on capital account. Non-resident investors should seek their own independent tax advice before investing, taking into account their particular circumstances and the provisions of any relevant double taxation agreement and/or multilateral instrument/exchange of information agreement between Australia and their country of residence for taxation purposes.

You may need to pay tax in relation to your investment in the Fund. Whilst you may pay income tax, you might be able to claim some tax credits or have the benefit of some concessions.

The Fund is an Australian resident trust for Australian tax purposes. It is required to determine its tax components for each year of income. These tax components may include assessable income, exempt income, non-assessable non-exempt income, tax offsets and credits of different characters. The RE will attribute the tax components to investors on an annual basis such that investors should be treated as having derived their share of the tax components of the Fund directly on a flow through basis. In the case where a Fund makes a loss for tax purposes, that Fund cannot distribute (or attribute) the loss to investors. However, subject to the relevant Fund meeting

certain conditions the Fund may be able to take into account the losses in subsequent years.

The Fund will generally attribute any income and realised gains (the timing of recognition of income may be impacted by the Taxation of Financial Arrangements (**TOFA**) provisions as noted below), if any, shortly after 30 June each year. Investors will be required to include in their assessable income the taxable components attributed to them by the Fund. The Fund may attribute a number of different types of income which reflect the income derived by the Fund. These components could comprise of:

- interest;
- capital gains;
- foreign income and foreign income tax offsets;
- Australian sourced income;
- franked dividends/franking credits; and
- non-assessable amounts.

If the Fund's assets are \$100 million or more it will be subject to TOFA provisions of the tax legislation which provides rules in relation to the method for calculating gains and losses from financial arrangements and the time at which these gains and losses are brought to account for tax purposes (the default recognition of gains and losses would be accruals or realisation method but there are certain elections that the RE might make for alternative timing recognition).

An investor's share of the assessable tax components of the Fund for a year of income forms part of the investor's assessable income of that year.

Tax components of the Fund which are allocated to investors may include franked distributions. Subject to the application of anti-avoidance provisions at the Fund level (such as the dividend imputation holding period and related payment rules), such franked distributions generally entitle Australian resident investors to obtain a tax offset (the franking credit) that is available to offset against their income tax liability. Franked distributions and franking credits are included in a person's assessable

income. If the franking credits exceed the tax payable on an investor's taxable income, the excess credits may be refundable to the investor if the investor is a resident individual or complying superannuation fund. Excess franking credits may generate tax losses if the investor is a corporate entity.

Tax components of the Fund which are attributed to investors may also include non-cash amounts, such as foreign income tax offsets (**FITOs**). Depending on the investor's circumstances, they may be able to claim a tax offset for these amounts against Australian income tax payable on foreign income. An investor's entitlement to FITOs may be limited to the extent that the FITO does not relate to an amount included in assessable income, or to the extent the investors do not have sufficient overall foreign source income to utilise all of the FITOs relevant to a particular year of income. The excess FITOs cannot be carried forward to a future income year.

We will send you the information you need each year in the form of an AMIT Member Annual Tax (**AMMA**) Statement to help you to complete your tax return. This information will advise the investor of the share of the tax components of the Fund (if any) any foreign income/foreign income tax offsets as well as any adjustments required to be made to the investor's cost base. This will assist the investor when preparing their income tax return.

The amount of the tax components of the Fund which the investor is required to include in their assessable income may be different to the cash distributions received by an investor in respect of their units. This is because the distributions received on the units is determined by reference to the returns received in respect of the Fund, whereas the tax components of the Fund are determined by reference to the overall tax position of the Fund. An investor may be required to make, in certain circumstances, both upward and downward adjustments to the cost or cost base of their unit holdings. This occurs where during an income year there is a difference between:

- (a). the total of the amounts (money or property) that an investor is entitled to from the Fund and the tax offsets that are attributed to an investor in relation to the year; and
- (b). the tax components (grossed up for any capital gains tax (**CGT**) discount) attributed in that investor's assessable income and any non-assessable non-exempt income.

If the amount in (a) exceeds the amount in (b), the cost base of the investor's units in the Fund should be reduced by the excess amount. This results in either an increased capital gain, or a reduced capital loss, upon the subsequent disposal of the investor's units in the Fund. Should the cost base be reduced to below zero, the amount in excess of the cost base should be a capital gain that is to be included the investor's taxable income.

Conversely, where the amounts in (a) falls short of the amounts in (b) during an income year, the cost base of the investor's units in the Fund should be increased by the shortfall amount.

Additionally, Australian residents will generally realise a capital gain or capital loss when they redeem (or dispose of) units in the Fund.

Depending on the kind of taxpayer you are, and how long you have held your units, you may be entitled to a CGT discount which can reduce the capital gain by up to one half.

If you choose not to provide us with your tax file number (**TFN**) or Australian business number (**ABN**) and don't have an exemption, we must withhold tax at the highest personal rate, plus the Medicare levy, before passing on any distribution to you. The law is very strict on how we can use these details. If this withholding tax applies it is noted that it is merely a collection mechanism and an investor may claim a credit in their annual income tax return in respect of the tax withheld.

Investors should seek their own tax advice to ensure the Fund is appropriate for them.

Neither the RE nor Fortlake provide any tax advice.

## **12.2 FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA) THE COMMON REPORTING STANDARD (CRS) AND OTHER SIMILAR REGIMES**

### **FATCA**

US Tax Withholding and Reporting under the Foreign Account Tax Compliance Act. The United States of America has introduced rules (known as FATCA) which are intended to prevent US persons from avoiding tax. Broadly, the rules may require the Fund to report details of all US persons and suspected US persons in the Fund to the US tax authorities, to prevent a 30% FATCA withholding tax on certain income and proceeds of the Fund. The Australian Government has entered into an agreement with the United States of America to implement the FATCA regime in Australia (**Intergovernmental Agreement**). We may therefore request that you provide certain information in order to comply with FATCA requirements.

### **COMMON REPORTING STANDARD**

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (**CRS**) requires certain financial institutions to report information regarding certain accounts to their local tax authority and follow related due diligence procedures. The Fund is a 'Financial Institution' under the CRS and complies with its CRS obligations by obtaining and reporting information on relevant accounts (which may include the Units in the Funds) to the Australian Tax Office (**ATO**).

In order for the Fund to comply with its obligations under CRS and FATCA, the RE requests the investors to provide certain information and certifications to the RE for the Fund's compliance with FATCA and the CRS. The RE will determine whether the Fund is required to report the investors' details to the ATO based on the RE's assessment of the relevant information received. The ATO may provide this information the IRS (in the case of the FATCA regime) where applicable and to other jurisdictions' tax regulators (in the case of the CRS regime) that have signed the "CRS Competent Authority Agreement", the multilateral framework agreement that

provides the mechanism to facilitate the automatic exchange of information in accordance with the CRS. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS and to implement FATCA (in accordance with the Intergovernmental Agreement).

## **13. THE FUND'S SERVICE PROVIDERS**

The following service providers to the Fund are not responsible for the preparation of this PDS or the activities of the Fund and therefore accept no responsibility for any information contained in this PDS. These service providers do not participate in the investment decision making process.

The RE monitors the compliance of the following service providers with their contractual obligations through receipt of compliance certifications, performance review and audit activity performed by the Fund's external auditor KPMG.

### **13.1 THE REGISTRAR & ADMINISTRATOR**

The Responsible Entity has entered into an administration and registry services agreement (**Administration Registry Agreement**) with Link Fund Solutions Pty Ltd (**LFS**). Under the Administration Registry Agreement, the Administrator agrees to perform certain administrative, accounting and registry services for the Fund.

LFS has not been involved in the preparation of any part of this PDS. It has not authorised or caused the issue of, and expressly disclaims and take no responsibility for any part of this PDS.

### **13.2 PRIME BROKER AND CUSTODIAN**

The RE has appointed J.P. Morgan Securities LLC as the Prime Broker and custodian for the Fund.

J.P. Morgan Securities LLC (**JPMS**) and certain of its affiliates (each such affiliate, a **JP Morgan Entity**, and collectively, JP Morgan)

may provide certain clearing (including prime brokerage), margin financing and stock lending services with respect to the Fund's securities and cash carried on the books of a JP Morgan Entity. Such services and facilities will be provided pursuant to a series of agreements (the **Customer Documents**) and may include an Institutional Account Agreement with JP Morgan in compliance with the laws, rules and regulations of the United States Securities and Exchange Commission and other exchanges and dealer associations by which certain of the JP Morgan Entities are regulated (collectively, the **US Rules**). The Fund may also enter into principal transactions with one or more JP Morgan Entities.

Fund assets that are held by JPMS as prime broker will be carried in the name of the Fund and shall be subject to a lien to secure the Fund's obligations to JP Morgan. To the extent permitted under US Rules, with respect to JPMS or any other JP Morgan Entity subject to the US Rules, the Fund's assets that are not required by US Rules to be segregated may be borrowed, lent, pledged, repledged, sold, hypothecated, rehypothecated, transferred or otherwise used by such JP Morgan Entities as may hold such assets for their own purposes. Cash held with a JP Morgan Entity subject to the US Rules may be used by such JP Morgan Entity in the course of its business to the extent permitted by the US Rules.

Neither JPMS nor any other JP Morgan Entity will be liable for any loss to the Fund resulting from any act or omission in relation to the services provided under the terms of the Customer Documents unless such loss results directly from the gross negligence, bad faith or wilful misfeasance of JPMS or any other JP Morgan Entity, nor shall JPMS or any other JP Morgan Entity be liable for consequential or other types of special damages, or losses to the Fund caused by the insolvency or acts or omissions of any sub-custodian or other third party by whom or in whose control any of the Fund's investments or cash may be held. The Fund has agreed to indemnify JPMS and the other JP Morgan Entities against any loss suffered by, and any claims made against,

them to the extent set forth in the Customer Documents.

Neither JPMS nor any other JP Morgan Entity will have any involvement in the management of the Fund or any decision-making discretion relating to the Fund's investments. Neither JPMS nor any other JP Morgan Entity has any responsibility for monitoring whether investments by any investment manager or advisor are in compliance with any internal policies, investment goals or limitations of the Fund, and neither JPMS nor any other JP Morgan Entity will be responsible for any losses suffered by the Fund.

JPMS and each other JP Morgan Entity reserve the right not to clear transactions and not to provide any of the services. JP Morgan and each other JP Morgan Entity reserve the right to terminate the arrangements in accordance with the provisions of the Customer Documents.

JPMS and the other JP Morgan Entities are service providers and are not responsible for the preparation of this document or the activities of the Fund and therefore accept no responsibility for the accuracy of any information contained in this document.

## 14. OTHER INFORMATION

### 14.1 ANTI-MONEY LAUNDERING

Australia's AML/CTF laws require the RE to adopt and maintain a written AML/CTF Program. A fundamental part of the AML/CTF Program is that up-to-date information must be maintained about investors (including beneficial owner information).

To meet this legal requirement, we may need to collect certain identification information (including beneficial owner information) and documentation (**KYC Documents**) from new investors. Existing investors may also be asked to provide KYC Documents as part of an ongoing customer due diligence/verification process to comply with AML/CTF laws.

In order to comply with AML/CTF laws, the RE may also disclose information including your personal information that it holds about the



applicant, an investor or any beneficial owner to its related bodies corporate or service providers or relevant regulators of AML/CTF laws (whether inside or outside Australia). We may be prohibited by law from informing applicants or investors that such reporting has occurred.

The RE shall not be liable to applicants or investors for any loss you may suffer because of compliance with the AML/CTF laws.



## 15. GLOSSARY

<b>APPLICATION FORM</b>	The application form that accompanies this PDS
<b>BUSINESS DAY</b>	Any day other than a Saturday, Sunday or public holiday in Sydney
<b>CONSTITUTION</b>	The constitution governing the Fund, as amended from time to time
<b>CORPORATIONS ACT</b>	The <i>Corporations Act 2001</i> (Cth) for the time being in force, together with the regulations
<b>FUND</b>	Fortlake Quantum Credit-Equity Fund (ARSN 670 966 686), a registered managed investment scheme
<b>GROSS ASSET VALUE (GAV)</b>	Means the value of all the assets and liabilities of the Fund, prior to fees
<b>HIGH WATER MARK</b>	Has the meaning given in section 7 on page 16
<b>INVESTMENT MANAGER</b>	Fortlake Asset Management Ltd ACN 643 640 939
<b>NET ASSET VALUE (NAV)</b>	Net Asset Value means the gross asset value of the Fund less the total value of the liabilities of the Fund
<b>RESPONSIBLE ENTITY (RE)</b>	K2 Asset Management Ltd ACN 085 445 094 (AFSL 244 393)
<b>VALUATION DAY</b>	Each Business Day that applications for the Fund are processed
<b>WHOLESALE CLIENT</b>	Means a "Wholesale Client", as defined in the <i>Corporations Act 2001</i> (Cth)