

Clime Smaller Companies Fund

Product Disclosure Statement

ARSN 633 254 654
APIR Retail SLT5667AU
APIR Wholesale CLA1557AU
Issue Date 01 July 2019

About this PDS

This Product Disclosure Statement ("PDS") has been prepared and issued by Equity Trustees Limited ("EQT", "we" or "Responsible Entity") and is a summary of the significant information relating to an investment in the Clime Smaller Companies Fund (the "Fund"). It contains a number of references to important information (including a glossary of terms) contained in the Clime Reference Guide ("Reference Guide"), which forms part of this PDS. You should carefully read and consider both the information in this PDS, and the information in the Reference Guide, before making a decision about investing in the Fund.

The information provided in this PDS is general information only and does not take account of your personal objectives, financial situation or needs. You should obtain financial and taxation advice tailored to your personal circumstances and consider whether investing in the Fund is appropriate for you in light of those circumstances.

The offer to which this PDS relates is to two different classes of units, and is only available to persons receiving this PDS in Australia (electronically or otherwise). One class is relating to Retail Clients ("the Retail Client class of interests") and the other class relating to Wholesale Clients ("the Wholesale Client class of interests"). Wholesale Investors for this Fund are defined those who:

- initially directly invest at least \$100,000, or
- who invest indirectly through an Administration Platform.

Other investors we call Retail Investors

This PDS does not constitute a direct or indirect offer of securities in the US or to any US Person as defined in Regulation S under the Securities Act of 1933 as amended ("US Securities Act"). EQT may vary this position and offers may be accepted on merit at EQT's discretion. The units in the Fund have not been, and will not be, registered under the US Securities Act unless otherwise approved by EQT and may not be offered or sold in the US to, or for, the account of any US Person (as defined in the Reference Guide) except in a transaction that is exempt from the registration requirements of the US Securities Act and applicable US state securities laws.

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The Reference Guide

Throughout the PDS, there are references to additional information contained in the Reference Guide. You can obtain a copy of the PDS and the Reference Guide, free of charge, by visiting the Investment Manager at www.clime.com.au or by visiting EQT at www.eqt.com.au or by calling the Investment Manager or the Responsible Entity.

The information contained in the Reference Guide may change between the day you receive this PDS and the day you acquire the product. You must therefore ensure that you have read the Reference Guide current as at the date of your application.

Updated information

Information in this PDS is subject to change. We will notify you of any changes that have a material adverse impact on you or other significant events that affect the information contained in this PDS. Any information that is not materially adverse information is subject to change from time to time and may be obtained by visiting the Investment Manager at www.clime.com.au or by visiting EQT at www.eqt.com.au. A paper copy of the updated information will be provided free of charge on request.

Investment Manager

Clime Asset Management Pty Limited
ABN 72 098 420 770
AFSL 221 146
Level 13, 20 Hunter Street
Sydney NSW 2000
Ph: +61 2 8917 2100 (outside Australia)
Ph: 1300 788 568
Email: info@clime.com.au
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Administrator

Mainstream Fund Services Pty Ltd
ACN 118 902 891
GPO Box 4968
Sydney NSW 2001
Ph: 1300 133 451
Fax: +61 2 9251 3525
Email: registry@mainstreamgroup.com
Web: www.mainstreamgroup.com

Responsible Entity

Equity Trustees Limited
ABN 46 004 031 298, AFSL 240975
GPO Box 2307
Melbourne VIC 3001
Ph: +613 8623 5000
Web: www.eqt.com.au/insto

1. About Equity Trustees Limited

The Responsible Entity

Equity Trustees Limited

Equity Trustees Limited ABN 46 004 031 298 AFSL 240975, a subsidiary of EQT Holdings Limited ABN 22 607 797 615, which is a public company listed on the Australian Securities Exchange (ASX: EQT), is the Fund's responsible entity and issuer of this PDS. Established as a trustee and executorial service provider by a special Act of the Victorian Parliament in 1888, today Equity Trustees is a dynamic financial services institution which continues to grow the breadth and quality of products and services on offer.

Equity Trustees' responsibilities and obligations as the Fund's responsible entity are governed by the Fund's constitution ("Constitution"), the Corporations Act and general trust law. Equity Trustees has appointed Clime Asset Management Pty Limited as the investment manager of the Fund. Equity Trustees has appointed a custodian to hold the assets of the Fund. The custodian has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests.

The Investment Manager

Clime Asset Management Pty Limited

Clime Asset Management Pty Limited ("Clime") is the investment manager appointed by us for the Fund. Clime distributes the Fund. Clime is a wholly owned subsidiary of Clime Investment Management Limited, a company listed on the Australian Securities Exchange (ASX: CIW). Clime is an Australian asset manager specialising in investing with a quality focus and a strong valuation discipline. Its corporate values of integrity, transparency and conviction are reflected in its investment solutions, which are developed to help investors grow their wealth and achieve security in retirement. They currently manage in excess of \$900 million on behalf of investors in our Australian Equities, Fixed Income and International investment products and services.

2. How the Clime Smaller Companies Fund works

The Fund is a registered managed investment scheme governed by the Constitution. The Fund comprises assets which are acquired in accordance with the Fund's investment strategy. Direct investors receive units in the Fund when they invest. In general, each unit represents an equal interest in the assets of the Fund subject to liabilities; however, it does not give investors an interest in any particular asset of the Fund.

If you invest in the Fund through an IDPS (as defined in the Reference Guide) you will not become an investor in the Fund. The operator or custodian of the IDPS will be the investor entered in the Fund's register and will be the only person who is able to exercise the rights and receive the benefits of a direct investor. Your investment in the Fund through the IDPS will be governed by the terms of your IDPS. Please direct any queries and requests relating to your investment to your IDPS Operator. Unless otherwise stated, the information in the PDS applies to direct investors.

You can acquire units by completing the Application Form that accompanies this PDS. The minimum investment amount for the Retail Client class of interests is \$10,000 and for the Wholesale Client class of interests is \$100,000.

Applications received before 12pm on a Wednesday (assuming it is a Sydney business day and we have all required information) normally receive that week's unit price. Completed Application Forms should be sent along with your identification documents (if applicable) to:

Clime Smaller Companies Fund
Mainstream Fund Services Pty Ltd
GPO Box 4968,
Sydney, NSW, 2001.

You can pay by:

- personal or bank cheque – Australian financial institutions only,
- electronic funds transfer (EFT) to our account - please use your investor name or number as the reference when using direct credit, and
- authorising us to debit your Australian financial institution account
- please complete a Direct Debit Request form (available free from Clime's website or contact the Administrator) and submit it with your application.

Please note that cash cannot be accepted. Instructions are included in our forms available free from Clime's website or contact the Administrator. Once lodged, applications cannot generally be withdrawn. Applications are almost always accepted, however we have discretion to refuse any application and need not give a reason.

Making additional investments

You can make additional investments into the Fund at any time by sending us your additional investment amount and mailing or faxing a completed additional investment form. The minimum additional investment amount for Retail Clients is \$1,000 and Wholesale Clients is \$10,000.

The price at which units are acquired is determined in accordance with the Constitution ("Application Price"). The Application Price on a Business Day (as defined in the Reference Guide) is, in general terms, equal to the net asset value ("NAV") of the class, divided by the number of units on issue for that class and adjusted for transaction costs ("Buy Spread"). At the date of this PDS, the Buy Spread is +0.25% for each class. The Application Price will vary as the market value of assets in the Fund rises or falls.

Distributions

An investor's share of any distributable income is calculated in accordance with the Constitution and is generally based on the number of units held by the investor at the end of the distribution period.

The Fund usually distributes income annually at the end of June, however, EQT may change the distribution frequency without notice. Distributions are calculated effective the last day of each distribution period and are normally paid to investors as soon as practicable after the distribution calculation date.

Investors in the Fund can indicate a preference to have their distribution:

- reinvested back into the Fund; or
- directly credited to their Australian domiciled bank account.

Investors who do not indicate a preference will have their distributions automatically reinvested. Applications for reinvestment will be taken to be received immediately prior to the next Business Day after the relevant distribution period. There is no Buy Spread on distributions that are reinvested.

In some circumstances, the Constitution may allow for an investor's withdrawal proceeds to be taken to include a component of distributable income.

Indirect Investors should review their IDPS Guide for information on how and when they receive any income distribution.

Access to your money

Investors in the Fund can generally withdraw their investment by completing a written request to withdraw from the Fund and mailing it to:

Clime Smaller Companies Fund
Mainstream Fund Services Pty Ltd
GPO Box 4968,
Sydney, NSW, 2001

or emailing the request to registry@mainstreamgroup.com (please insert the Fund name in the subject line).

or by fax to +61 2 9251 3525

The minimum withdrawal amount for Retail Clients is \$1,000 and Wholesale Clients is \$10,000. Once we receive your withdrawal request, we may act on your instruction without further enquiry if the instruction bears your account number or investor details and your (apparent) signature(s), or your authorised signatory's (apparent) signature(s). Once lodged, withdrawal requests cannot generally be withdrawn.

Completed redemption forms which are received before 12pm on a Wednesday (assuming it is a Sydney business day) or the last business day of the month generally receive the unit price calculated at that time. If received after this, you will receive the price next calculated.

EQT will generally allow investors to access their investment within 5 days of acceptance of a withdrawal request by transferring the withdrawal proceeds to such investors' nominated bank account, although the Constitution allows payment up to 21 days following acceptance. However, the Constitution allows EQT to reject withdrawal requests and also to extend the time for payment for a request it has accepted. Deductions are made for any money you owe relating to your investment. We do not pay by cheque or cash.

The price at which units are withdrawn is determined in accordance with the Constitution ("Withdrawal Price"). The Withdrawal Price on a Business Day is, in general terms, equal to the NAV of the class, divided by the number of units in issue for that class and adjusted for transaction costs ("Sell Spread"). At the date of this PDS, the Sell Spread is -0.25% for each class. The Withdrawal Price will vary as the market value of assets in the Fund rises or falls.

EQT reserves the right to fully redeem your investment if your investment balance in the Fund falls below \$10,000 for Retail Clients and \$100,000 for Wholesale Clients as a result of processing your withdrawal request. We also reserve the right to fully withdraw your investments in the Fund, upon giving 30 days' notice, if the minimum balance amount is increased and your holding falls below the new minimum balance amount. EQT can deny a withdrawal request in certain circumstances, including where accepting the request is not in the best interests of investors in the Fund (including where there is a circumstance outside our reasonable control which we consider impacts on our ability to properly, accurately or fairly calculate a unit price, or where we have received redemption requests which represent more than 20% of the NAV and in this case we can redeem the units at such future time or at times over such period, as we determine) or where the Fund is not liquid (as defined in the Corporations Act). When the Fund is not liquid, an investor can only withdraw when EQT makes a withdrawal offer to investors in accordance with the Corporations Act. EQT is not obliged to make such offers.

If you are an Indirect Investor, you need to provide your withdrawal request directly to your IDPS Operator. The time to process a withdrawal request will depend on the particular IDPS Operator and the terms of the IDPS.

Unit pricing discretions policy

EQT has developed a formal written policy in relation to the guidelines and relevant factors taken into account when exercising any discretion in calculating unit prices (including determining the value of the assets and liabilities). A copy of the policy and, where applicable and to the extent required, any other relevant documents in relation to the policy will be made available free of charge on request.

Additional information

If and when the Fund has 100 or more direct investors, it will be classified by the Corporations Act as a 'disclosing entity'. As a disclosing entity, the Fund will be subject to regular reporting and disclosure obligations. Investors would then have a right to obtain a copy, free of charge, of any of the following documents:

- the most recent annual financial report lodged with ASIC ("Annual Report");
- any subsequent half yearly financial report lodged with ASIC after the lodgement of the Annual Report; and
- any continuous disclosure notices lodged with ASIC after the Annual Report but before the date of this PDS.

EQT will comply with any continuous disclosure obligation by lodging documents with ASIC as and when required.

Copies of these documents lodged with ASIC in relation to the Fund may be obtained from ASIC through ASIC's website.

Further reading...

You should read the important information in the Reference Guide about:

- Application cut-off times;
- Application terms;
- Authorised signatories;
- Reports;
- Withdrawal cut-off times;
- Withdrawal terms; and
- Withdrawal restrictions,

under the "Investing in the Clime Funds", "Managing your investment" and "Withdrawing your investment" sections before making a decision. Go to the Reference Guide which is available at www.clime.com.au or www.eqt.com.au/insto. The material relating to these matters may change between the time when you read this PDS and the day when you acquire the product.

3. Benefits of investing in the Clime Smaller Companies Fund

Investment Strategy

The Fund is a smaller companies fund which seeks to deliver strong risk-adjusted total returns by investing in a portfolio of high quality smaller Australian companies that are attractively priced.

Investment objective

The Fund seeks to deliver strong risk adjusted total returns. Its objective is to outperform a blended benchmark comprising 50% of the Small Ordinaries Accumulation Index and 50% of the Emerging Companies Accumulation Index.

Investments

The Fund invests in select high quality investments which we believe are trading at a discount to intrinsic value. A key objective of the Fund is to generate sustainable long term capital growth.

4. Risks of managed investment schemes

All investments carry risks. Different investment strategies may carry different levels of risk, depending on the assets acquired under the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk. The significant risks below should be considered in light of your risk profile when deciding whether to invest in the Fund. Your risk profile will vary depending on a range of factors, including your age, the investment time frame (how long you wish to invest for), your other investments or assets and your risk tolerance.

Neither the Responsible Entity or the Investment Manager guarantee the liquidity of the Fund's investments, repayment of capital or any rate of return or the Fund's investment performance. The value of the Fund's investments will vary. Returns are not guaranteed and you may lose money by investing in the Fund. The level of returns will vary and future returns may differ from past returns. Laws affecting managed investment schemes may change in the future. The structure and administration of the Fund is also subject to change.

In addition, we do not offer advice that takes into account your personal financial situation, including advice about whether the Fund is suitable for your circumstances. If you require personal financial or taxation advice, you should contact a licensed financial adviser and/or taxation adviser.

Investment risk

This is the risk that the value of an investment may change or become more volatile, potentially causing a reduction in the value of the Fund and increasing its volatility. Reasons can be many, and include changes in an investment's operations, management or business environment or in investors' perceptions of the risk of an investment.

Market risk

This is the risk that an entire market, country or economy changes in value or becomes more volatile, including the risk that the country's credit rating is downgraded, which reduces the nation's perceived through inflation or deflation), and/or other market-wide factors, like economic growth or the unemployment rate, deteriorate, which can cause a reduction in the value of the Fund and increase its volatility. This may be because, amongst many other things, there are adverse changes in economic, financial, climate, technological, political or legal conditions, natural and man-made disasters, conflicts and shifts in market sentiment. Due to their smaller size and lower liquidity profile, the influence of market risk on the Fund's constituents is expected to be magnified, resulting in a likely higher return variability than broader market indices.

Currency risk

There are no specific limits set in respect of the Fund's currency risk and exposure. The Fund's cash holdings are expected to be held in Australian dollars, but may be denominated in currencies other than the Australian dollar if appropriate. Any resulting currency exposure of the Fund is not expected to be hedged, however, the Investment Manager may implement some hedging from time to time.

The Investment Manager may in any management of exchange rate risk use derivatives, both exchange traded and 'over-the-counter'.

To the extent that the exposure is not hedged, the Fund is exposed to changes in exchange rates.

Smaller companies risk

Smaller companies will typically trade less frequently, in lower volumes and be more volatile than their larger counterparts. This will likely lead to higher return variability than traditional equity market indices and may influence the Fund's ability to meet withdrawal requests.

Portfolio and concentration risk

This is risk arising from the fact that the Fund could be relatively concentrated.

As a result of the Fund holding a relatively small number of securities, by design the fluctuations in the value of these assets will be more magnified than the fluctuations of a more diversified fund or market index.

The Fund is expected to be relatively concentrated. The Fund may hold up to 40 securities.

There are no specific market sector limits. Individual security positions at the time of trade shall not exceed 15% of the Fund's value.

The Fund is not required to be fully invested. At times, the levels of cash or cash equivalents may be high (up to 100%) where attractive investment opportunities are not apparent and/or elevated market uncertainty presents an increased risk of near-term capital loss. The Fund's cash holding seeks to preserve capital and provide the opportunity to pursue selective investment opportunities.

Interest rate risk

This is the risk that changes in interest rates can have a negative impact on investment markets. Reasons for interest rates changes are many and include changes in inflation, economic activity and Central Bank policies.

Derivatives risk

Derivatives can be used to manage some liquidity, currency and/or portfolio risk – see above - but are not used to gain investment exposure.

Principally, the Investment Manager may use market protection instruments to hedge liquidity and market risk.

Borrowing or leverage risk

This is the risk associated with borrowing (often called leveraging or gearing). Direct leverage refers to borrowing money. Indirect leverage arises mostly from the use of derivatives.

The Fund does not intend to borrow, but may do so for the short term, generally to meet redemptions, distributions, or short-term portfolio obligations, and then only if the borrowing is considered to be prudent and in the best interests of all investors. Such borrowing would only be from lenders considered appropriate. Security may be granted over Fund assets.

Liquidity risk

The Fund offers applications and withdrawals processing generally each Week. However as with many investments, there is the risk that your withdrawal requests cannot be met when you expect.

Because cash is paid to your account when you withdraw, investments of the Fund may need to be sold to pay you. Depending on factors such as the state of the markets (for example through a lack of buyers or trading suspensions), selling investments is not always possible, practicable or consistent with the best interests of investors. This is one of the reasons why the constitution for the Fund specifies limited circumstances where there could be a delay in meeting your withdrawal request. The law sometimes restricts withdrawals.

The Fund is not listed on any stock exchange, so selling your units through a stockbroker is not possible.

Valuation risk

The quoted value of the Fund's investments may not accurately reflect the value of those investments if they are sold. The Fund seeks to reduce this risk by seeking that all the assets of the Fund are valued independently on a daily basis and wherever possible using market prices.

Structure risk

This is the risk associated with having someone invest for you.

Risks associated with investing in the Fund include that it could be terminated, there can be changes in the trustee, the investment manager or the sub-investment manager (for example if key individuals were no longer involved in managing the Fund), someone involved with your investment (even remotely) does not meet their obligations or perform as expected, assets may be lost, not recorded properly or misappropriated, laws may adversely change, insurers may not pay when expected or insurance may be inadequate.

Investment decisions, although taken carefully, are not always successful. Investing in the Fund may give inferior results compared to investing directly (where you may be able to better manage your individual tax circumstances).

Information risk

We are committed to ensuring that your information is kept secure and protected from misuse and loss and from unauthorised access, modification and disclosure. We use the internet in operating the Fund, including records that may be stored in the cloud. If stored overseas, different privacy and other standards may apply there. Our Privacy Policy is discussed below.

The internet does not however always result in a secure information environment and although we take steps we consider reasonable to protect your information, we cannot absolutely guarantee its security.

Managing risk

As risk cannot be entirely avoided when investing, the Fund aims to identify and manage risk as far as is practicable. Whenever investments are made, the potential for returns in light of the likely risks involved are assessed.

Risk is considered throughout the investment process. As far as is practicable, risk is managed at the Fund level in selection of the underlying investments.

However, many risks are difficult or impracticable to manage effectively and some risks are beyond our and the Investment Manager's control altogether.

Remember, investing involves risk, and you can lose as well as make money. Neither returns nor the money you invest in the Fund is guaranteed.

Risk generally

The significant risks of investing in managed investment schemes generally include the risks that:

- the value of investments will vary,
- the level of returns will vary, and future returns will differ from past returns,
- returns are not guaranteed and investors may lose some or all of their money, and
- laws change.

The level of risk for you particularly will vary depending on a range of other factors, including age, investment time frame, how other parts of your wealth are invested, and your risk tolerance. If you are unsure whether this investment is suitable for you, we recommend you consult a professional financial adviser.

Further information about the risks of investing in managed investment schemes can be found on the ASIC's MoneySmart website at www.moneysmart.gov.au.

Risk measure

The Investment Manager considers that the "standard risk measure" for this Fund is a high risk rating, which means that the estimated number of negative annual returns over any 20-year period is 4 to less than 6. On a scale of 1 to 7 where 7 is riskiest in this respect, the Fund is in category 6.

The standard risk measure is based on industry guidance to allow investors to compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period. It is not a complete assessment of all forms of investment risk. For instance, it does not detail what the size of a negative return could be or the potential for a positive return to be less than an investor may require to meet their objectives. Further, it does not take into account the impact of fees and taxes on the likelihood of a negative return.

Investors should still ensure they are comfortable with the risks and potential losses associated with the Fund.

Further reading...

You should read the important information in the Reference Guide about Risks under the "Risks" section before making a decision. Go to the Reference Guide which is available at www.clime.com.au or www.eqt.com.au/insto. The material relating to these matters may change between the time when you read this PDS and the day when you acquire the product.

5. How we invest your money

Warning: Before choosing to invest in the Fund you should consider the likely investment returns, the risks of investing and your investment time frame.

Investment objective

The Fund seeks to deliver strong risk-adjusted total returns. The Fund's investment objective is to outperform its Performance Benchmark - being a blend of 50% of the ASX Small Ordinaries Accumulation Index and 50% of the ASX Emerging Companies Accumulation Index, measured after Investment Management Fees and Usual Expenses but before any Performance Fees.

This investment objective is not intended to be a forecast. It is only an indication of what the investment strategy aims to achieve. The Fund may not achieve its investment objective.

Remember that investing involves risk, and you can lose as well as make money. Neither returns nor the money you invest in the Fund are guaranteed.

Benchmark

The Funds seeks to outperform its Performance Benchmark - being a blend of 50% of the ASX Small Ordinaries Accumulation Index and 50% of the ASX Emerging Companies Accumulation Index, measured after Investment Management Fees and Usual Expenses but before any Performance Fees.

Minimum suggested time frame

At least 5 years

Risk level of the Fund

High risk

Investor suitability

This Fund may suit investors with a high risk tolerance and investment time horizon of at least 5 years.

Investment style and approach

Clime, the Fund's investment manager, believes investment markets offer opportunities to deliver strong risk-adjusted total returns. Markets are not always efficient and this creates opportunities for quality focused investors with strong valuation discipline.

Clime's investment philosophy is focused on quality with strong valuation discipline. Portfolio rebalancing is undertaken at least monthly. Clime invests with conviction, backed by rigorous research and an intuitive approach to risk management, where risks taken must be appropriately compensated.

Through rigorous fundamental analysis Clime seeks to invest in a range of equities (listed and unlisted) and cash.

All holdings are subjected to our disciplined qualitative and quantitative team-based selection process.

Portfolio returns are expected to be incrementally enhanced via franking credits on dividends. Clime seeks to identify high quality securities issued by businesses which contain most if not all of the following characteristics:

- a competitive advantage or leadership within a specific niche and sound track record
- a strong financial strength, high levels of profitability and margin, historic and forecast;
- low financial leverage;
- relatively low capital requirements allowing a business to generate cash while growing,
- highly capable management team aligned with creating shareholder value,

- companies that can deliver genuine sustainable long term growth; and
- investments that can be purchased at appropriate prices.

Asset allocation

The Fund invests in a portfolio of Australian equities (listed and unlisted) and cash. In a limited number of instances, the Fund may invest up to 10% of its value in pre-IPO opportunities where the expected timeframe to ASX listing is 6 months or less.

The Fund invests directly: investments typically comprise ordinary shares. The Fund may hold cash, and at times, the levels of cash or cash equivalents may be high (up to 100%) where attractive investment opportunities are not apparent and/or elevated market uncertainty presents an increased risk of near-term capital loss.

The Fund may periodically hold market portfolio protection instruments to hedge liquidity and market risk.

Portfolio constraints

The following additional constraints apply to the Fund:

- The Fund will invest in securities that are outside of the S&P/ASX200 Index at the time of initial investment,
- no single holding in any security may constitute more than 15% of the Fund (at the time of trade),
- the Fund may hold a maximum of 40 securities and
- the Fund may not hold more than 10% of the total shares outstanding of any single security at any time.

These portfolio guidelines will be applied by the Investment Manager flexibly as the Fund grows. Deviations from these will be corrected as soon as the Investment Manager considers practicable.

Changing the investment strategy

Subject to the law and the Fund constitution, we have the right to make changes to the Fund at any time and in some cases without prior notice. Changes may include and not limited to changes in the Fund's investment strategy and asset allocation parameters. If there is a material change, we will update this PDS and inform investors of the material change as required by the Corporations Act.

If you are investing through a Platform, information and reports on your investment in the Fund will be provided to you by the Platform Operations, not by us.

Labour, environmental, social and ethical considerations

In the management of the Fund it is considered that environment, social and governance (ESG) considerations are ultimately medium-term quality factors, which can influence investments. Improperly managed or identified ESG considerations can erode the quality aspect of, and thus present a risk to, investment returns.

Accordingly, the Fund's investment strategy may take into account ESG issues as part of the investment process, including with the goal of helping reduce potential credit risks and enhance investment performance.

No formal guidelines are used, nor is any formal weighting given to the ESG issues in portfolio construction. Rather a broad, implicit approach is taken when carrying out this subjective assessment.

The types of ESG that may be taken into account include:

- environmental: weather, pollution and environmental disruption, sustainability, and associated reputational and brand risks,
- social: political stability, human rights issues, privacy and cyber-security, impact on local communities, health and safety, and associated reputational and brand risks, and
- governance: board composition, risk management track- record, legal and compliance track-record, history of prosecutions, management remuneration, distribution of equity, and associated reputational and brand risks.

Fund performance

Up to date information on the performance of the Fund can be obtained from www.eqt.com.au/insto. A free of charge paper copy of the information will also be available on request.

6. Fees and costs

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 final 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 contribution fees and management costs where applicable. 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) has a managed funds fee calculator to help you check out different fee options.

The information in the following template can be used to compare costs between different simple managed investment schemes. Fees and costs can be paid directly from an investor's account or deducted from investment returns. For information on tax please see Section 7 of this PDS.

TYPE OF FEE OR COST	Amount
Fees when your money moves in or out of the Fund	
Establishment fee	Nil
Contribution fee	Nil
Withdrawal fee	Nil
Termination fee	Nil
Management costs	
The fees and costs for managing your investment ¹	<p>Management costs: Retail: 1.44% p.a. of the NAV of the Fund (consisting of Management Fee of 1.23% p.a. and Usual Expenses² capped at 0.21% p.a. of NAV of the Retail Class)³ Wholesale: 1.24% p.a. of the NAV of the Fund (consisting of Management Fee³ of 1.03% p.a. and Usual Expenses² capped at 0.21% p.a. of NAV of the Wholesale Class)</p> <p>Performance fees: 20% of the amount by which the Fund's performance exceeds a blend of 50% of the ASX Small Ordinaries Accumulation Index and 50% of the ASX Emerging Companies Accumulation Index, measured after Investment Management Fees and Usual Expenses but before any Performance Fees assessed and paid bi-annually. Positive returns must be generated for the relevant performance fee period and underperformance from a prior period must be recouped before a performance fee can be charged⁴</p>

¹ All fees quoted above are inclusive of Goods and Services Tax (GST) and net of any Reduced Input Tax Credits (RITC). See below for more details as to how management costs are calculated.

² See "Expenses" below for details

³ Calculated and accruing daily, payable monthly in arrears from the Fund's assets. Other than the investment Management component, Management costs are not negotiable. See "Differential fees" below.

⁴ This represents the performance fees which are payable as an expense of the Fund to the Investment Manager, calculated daily and from 1 July 2019 paid bi-annually in arrears. See "Performance fees" below for more information

Additional Explanation of fees and costs

What do the management costs pay for?

Management costs comprise the additional fees or costs that an investor incurs by investing in the Fund rather than by investing directly in the underlying assets of the Fund. Management costs include our fees, the investment management fees, any performance fees, expenses and indirect costs.

In addition, management costs do not include transactional and operational costs (i.e. costs associated with investing the underlying assets, which may be met by Buy/Sell Spreads).

Management fees

The management fees for Retail Clients is 1.23% p.a. and for Wholesale Clients is 1.03% p.a. of the NAV of the Fund are payable to the Investment Manager of the Fund for managing the assets and overseeing the operations of the Fund. The management fees are accrued daily and paid from the Fund monthly in arrears and reflected in the unit price.

Performance fees

Performance fees are payable to Investment Manager where the investment performance of the Fund exceeds the performance of a blend of 50% of the ASX Small Ordinaries Accumulation Index and 50% of the ASX Emerging Companies Accumulation Index, measured after Investment Management Fees and Usual Expenses but before any Performance Fees ("Benchmark"). The performance fees are 20% of this excess, calculated daily and paid bi-annually in arrears from the Fund and calculated based on the beginning NAV of the Fund over the relevant period.

No performance fee is payable until:

- the Fund has generated positive returns for the relevant performance fee period; and
- any accrued underperformance (in dollar terms), as against the Benchmark, from prior periods has been made up (the "High Water Mark").

The High Water Mark will re-set to zero every 5 years, with the first re-set taking place on 1 July 2024.

It is not possible to estimate the actual performance fee payable in any given period, as we cannot forecast what the performance of the Fund will be, but it will be reflected in the management costs for the Fund for the relevant year. Information on current performance fees will be updated from time to time and available at www.eqt.com.au/insto.

Expenses

Investors bear the impact of certain expenses associated with the Fund. We only pay an expense from the Fund if it is incurred in the proper performance of our duties.

Usual expenses are Fund associated costs which we consider in the ordinary course of fund operations, and for the purposes of this PDS they include fees payable to EQT. They include all the usual expenses associated with the Fund (including establishment, promotion, licensing, responsible entity fees, custodian, registry, audit, taxation, legal advice, external consultants, accounts, stationery, postage, compliance and compliance committee costs, fund administration, accounting and operations costs, insurance costs and regulatory expenses, as well as any GST impact on these services).

Usual Expenses are paid from the Fund but are capped at 0.21% pa of the NAV of the Fund including net GST. If actual Usual Expenses are lower than this, then the lower amount is charged to the Fund. If they are more, they are paid by the Investment Manager.

If incurred, unusual expenses can also be paid from the Fund. Examples include costs associated with establishing the Fund, professional assistance establishing and operating the Fund, seeking and dealing with investor approvals and directions, fees and costs associated with platforms, exchanges, ratings and dispute management, any tax liability the Fund may have, change of responsible entity, Investment Manager or any service provider, fund termination costs and costs incurred especially for this fund. Occasionally, costs which might otherwise be considered usual, are of such a nature that we may deem them to be unusual.

Example of annual fees and costs for the Fund

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

Example – Clime Smaller Companies Fund		
BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR		
Contribution Fees	Nil	For every \$5,000 you put in, you will be charged \$0.
Plus		
Management fees	Retail 1.23% p.a. of the NAV of the class Wholesale 1.03% p.a. of the NAV of the class	And , for every \$50,000 you have in the Fund you will be charged Retail \$615 or Wholesale \$515 each year
Plus Usual Expenses capped	0.21% p.a. of the NAV of the class	And , for every \$50,000 you have in the Fund you will be charged \$105 each year
Plus		
Performance fees:	20% of the amount by which the Fund's performance exceeds the Benchmark	And , for every \$50,000 you have in the Fund you will be charged \$ nil each year (there is no reasonable basis to predict these)
Equals		
Cost of Fund		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, then you would be charged fees of: Retail \$720 or Wholesale \$620 each year (before performance fees). What it costs you will depend on the fees you negotiate.

This example assumes the \$5,000 contribution occurs at the end of the first year, therefore management costs are calculated using the \$50,000 balance only.

* Additional fees may apply. Please note that this example does not capture all the fees and costs that may apply to you such as any unusual expenses and the Buy/Sell Spread.

Warning: If you have consulted a financial adviser, you may pay additional fees. You should refer to the Statement of Advice or Financial Services Guide provided by your financial adviser in which details of the fees are set out.

ASIC provides a fee calculator on www.moneysmart.gov.au, which you may use to calculate the effects of fees and costs on account balances. The performance fees stated in this table shows the estimated performance fees for the financial year ended 30 June 2018 as a percentage of the Fund's average NAV. The performance of the Fund, and the performance fees, may be higher or lower or not payable in the future. As a result, the management costs may differ from the figure shown in the table. It is not a forecast of the performance of the Fund or the amount of the performance fees in the future. See also above (next to the heading "Performance fees") our estimated typical ongoing performance fees payable per annum. The actual performance fees for the current financial year and for future financial years may differ. For more information on the performance history of the Fund, visit EQT's website at www.eqt.com.au/insto. Past performance is not a reliable indicator of future performance.

Further reading...

You should read the important information in the Reference Guide about: fees and expenses under the "Additional information on fees and costs" section before making a decision. Go to the Reference Guide which is available at www.clime.com.au or www.eqt.com.au/insto. The material relating to these matters may change between the time when you read this PDS and the day when you acquire the product.

7. How managed investment schemes are taxed

Warning: Investing in a registered managed investment scheme (such as the Fund) is likely to have tax consequences. You are strongly advised to seek your own professional tax advice about the applicable Australian tax (including income tax, GST and duty) consequences and, if appropriate, foreign tax consequences which may apply to you based on your particular circumstances before investing in the Fund.

The Fund is an Australian resident for tax purposes and does not generally pay tax on behalf of its investors. Australian resident investors are assessed for tax on any income and capital gains generated by the Fund to which they become presently entitled or, where the Fund has made a choice to be an Attribution Managed Investment Trust ("AMIT") and the choice is effective for the income year, are attributed to them.

Further reading

You should read the important information about Taxation under the "Other important information" section before making a decision. Go to the Reference Guide which is available at www.clime.com.au or www.eqt.com.au/insto. The material relating to these matters may change between the time when you read this PDS and the day when you acquire the product.

8. How to apply

To invest please complete the Application Form accompanying this PDS, send funds (see details in the Application Form) and your completed Application Form to:

Clime Smaller Companies Fund
Mainstream Fund Services Pty Ltd
GPO Box 4968,
Sydney, NSW, 2001

Please note that cash cannot be accepted and all applications must be made in Australian dollars.

Who can invest?

Eligible persons (as detailed in the 'About this PDS' section) can invest, however individual investors must be 18 years of age or over. Investors investing through an IDPS should use the application form provided by their IDPS Operator.

Cooling off period

If you are a retail client (as defined in the Corporations Act) who has invested directly in the Fund, you may have a right to a 'cooling off' period in relation to your investment in the Fund for 14 days from the earlier of:

- confirmation of the investment being received; and
- the end of the fifth business day after the units are issued.

A Retail Client may exercise this right by notifying EQT RES in writing. A Retail Client is entitled to a refund of their investment adjusted for any increase or decrease in the relevant Application Price between the time we process your application and the time we receive the notification from you, as well as any other tax and other reasonable administrative expenses and transaction costs associated with the acquisition and termination of the investment.

The right of a Retail Client to cool off does not apply in certain limited situations, such as if the issue is made under a distribution reinvestment plan, switching facility or represents additional contributions required under an existing agreement. Also, the right to cool off does not apply to you if you choose to exercise your rights or powers as a unit holder in the Fund during the 14 day period, this could include selling part of your investment or switching it to another product.

No cooling off applies if you are a Wholesale Client.

Indirect Investors should seek advice from their IDPS Operator as to whether cooling off rights apply to an investment in the Fund by the IDPS. The right to cool off in relation to the Fund is not directly available to an Indirect Investor. This is because an Indirect Investor does not acquire the rights of a unit holder in the Fund. Rather, an Indirect Investor directs the IDPS Operator to arrange for their monies to be invested in the Fund on their behalf. The terms and conditions of the IDPS Guide or similar type document will govern an Indirect Investor's investment in relation to the Fund and any rights an Indirect Investor may have in this regard.

Complaints resolution

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

Phone: 1300 133 472
Post: Equity Trustees Limited
GPO Box 2307, Melbourne VIC 3001
Email: compliance@eqt.com.au

We will acknowledge receipt of the complaint as soon as possible and in any case within 3 days of receiving the complaint. We will seek to resolve your complaint as soon as practicable but not more than 45 days after receiving the complaint.

If you are not satisfied with our response to your complaint, you may be able to lodge a complaint with the Australian Financial Complaints Authority ("AFCA").

Contact details are:
Online: www.afca.org.au
Phone: 1800 931 678
Email: info@afca.org.au
Post: GPO Box 3, Melbourne VIC 3001.

The external dispute resolution body is established to assist you in resolving your complaint where you have been unable to do so with us. However, it's important that you contact us first.

9. Other information

Consent

The Investment Manager has given and, as at the date of this PDS, has not withdrawn:

- its written consent to be named in this PDS as the investment manager of the Fund; and
- its written consent to the inclusion of the statements made about it which are specifically attributed to it, in the form and context in which they appear.

The Investment Manager has not otherwise been involved in the preparation of this PDS or caused or otherwise authorised the issue of this PDS. None of the Investment Manager nor their employees or officers accept any responsibility arising in any way for errors or omissions, other than those statements for which they have provided their written consent to EQT for inclusion in this PDS.

Further reading

You should read the important information in the Reference Guide about:

- Your privacy;
- The Constitution;
- Anti-Money Laundering and Counter Terrorism Financing laws ("AML/CTF laws");
- Indirect Investors;
- Information on underlying investments;
- Foreign Account Tax Compliance Act ("FATCA"); and
- Common Reporting Standard ("CRS"),

under the "Other important information" section before making a decision. Go to the Reference Guide which is available at www.clime.com.au or www.eqt.com.au/insto. The material relating to these matters may change between the time when you read this PDS and the day when you acquire the product.