

# SGH Emerging Companies Fund

## PRODUCT DISCLOSURE STATEMENT

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### Investment Manager

SG Hiscock & Company Limited  
ABN 51 097 263 628  
AFSL 240679  
Website: [www.sghiscock.com.au](http://www.sghiscock.com.au)

### Responsible Entity

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ABN 46 004 031 298  
AFSL 240975  
Phone: +61 3 8623 5000

### Administrator

Mainstream Fund Services Pty Ltd  
Unit Registry  
GPO Box 4968  
Sydney, NSW, 2001  
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Website: [www.mainstreamgroup.com](http://www.mainstreamgroup.com)

## ABOUT THIS PDS

This Product Disclosure Statement ("PDS") has been prepared and issued by Equity Trustees Limited ("Responsible Entity") and is a summary of the significant information relating to an investment in the SGH Emerging Companies Fund (the "Fund"). It contains a number of references to important information contained in the SGH Reference Guide which forms part of this PDS.

You should consider both the information in this PDS, and the information in the SGH 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 financial situation or needs. You should obtain financial advice tailored to your personal circumstances.

The offer to which this PDS relates is only available to persons receiving this PDS in Australia. 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 US Securities Act of 1933 as amended ("US Securities Act"). Equity Trustees Limited may vary its position and offers may be accepted on merit at Equity Trustees' discretion. The units in the Fund have not been, and will not be, registered under the US Securities Act unless otherwise approved by Equity Trustees and may not be offered or sold in the US to, or for, the account of any US Person (as defined) except in a transaction that is exempt from the registration requirements of the US Securities Act and applicable US state securities laws.

## THE SGH REFERENCE GUIDE

Throughout this PDS there are references to additional information contained in the latest SGH Reference Guide. The SGH Reference Guide is available at [www.sghiscock.com.au](http://www.sghiscock.com.au) or by calling Mainstream Fund Services Pty Ltd on 1300 133 451 (Australia) or +61 2 8259 8888.

The information contained in the SGH 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 SGH Reference Guide current on the day you acquire the product.

## UPDATED INFORMATION

Information in this PDS is subject to change. We will notify you of any changes that have a materially adverse impact on you or other significant events that affect the information contained in this PDS. Any updated information which is not materially adverse may be obtained at [www.sghiscock.com.au](http://www.sghiscock.com.au) or by calling Mainstream Fund Services Pty Ltd on 1300 133 451 (Australia) or +61 2 8259 8888. A paper copy of the updated information will be provided free of charge on request.

## 1. ABOUT EQUITY TRUSTEES LIMITED

### THE RESPONSIBLE ENTITY

Equity Trustees Limited ABN 46 004 031 298 AFSL 240975 (“Equity Trustees”), 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 will continue 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 2001 (Cth) (“Corporations Act”) and general trust law.

Equity Trustees has delegated the investment management functions to SG Hiscock & Company Limited which will make investment decisions in relation to 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

SG Hiscock & Company Limited (“SGH”) is a boutique investment manager specialising in high conviction, actively managed investment strategies. These strategies cover Australian Equities and Property Securities – Australian and global REITs (Real Estate Investment Trusts) and Managed Discretionary Portfolios. SGH was established in Melbourne in 2001 by six of its principals and is entirely owned by staff.

## 2. HOW THE SGH EMERGING COMPANIES FUND WORKS

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

### APPLYING FOR UNITS

Investors can acquire units by completing the application form (“Application Form”) accompanying this PDS; or by making an application through the mFund settlement service (“mFund”) by placing a buy order for units with your licensed broker. The minimum initial investment amount for this Fund is \$20,000.

The price at which units are acquired is determined in accordance with the Constitution (“Application Price”). The Application Price on a Business Day is in general terms, equal to the Net Asset Value (“NAV”) of the Fund divided by the number of units on issue and adjusted for transaction costs (“Buy Spread”).

The Application Price will vary as the market value of assets in the Fund rise or fall.

### MAKING ADDITIONAL INVESTMENTS

You can make additional investments into the Fund at any time by sending us your additional investment amount together with a completed

Additional Investment Form or by making application for units through mFund. The minimum additional investment into the Fund is \$5,000. Forms are available at [www.sghiscock.com.au](http://www.sghiscock.com.au).

You can also invest via direct debit on a monthly basis using the savings plan. Details of how to invest through the savings plan are in the SGH Reference Guide. The minimum monthly savings plan investment into the Fund is \$500.

### 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 yearly at the end of June. Distributions are calculated on the last day of the period, as soon as practicable after the distribution calculation date. Equity Trustees may amend the distribution frequency without notice.

In some circumstances, where an investor makes a large withdrawal request (5% or more of the units on issue at the start of the relevant distribution period), their withdrawal proceeds may be taken to include a component of distributable income.

Investors can have their distribution reinvested or paid to a nominated bank account. Investors who do not indicate a preference will have their distributions automatically reinvested. There is no Buy Spread on distributions that are reinvested.

Indirect Investors (as defined in the SGH Reference Guide) should review their IDPS Guide for information on how and when they receive any income distributions.

### ACCESS TO YOUR MONEY

Investors in the Fund can withdraw their investment by completing a Withdrawal Request Form or a written request to withdraw from the Fund and mailing or emailing it to:

Mainstream Fund Services Pty Ltd  
Unit Registry  
GPO Box 4968  
Sydney, NSW, 2001  
Email: [SGHinvestorservices@mainstreamgroup.com](mailto:SGHinvestorservices@mainstreamgroup.com)  
Fax: +61 2 9251 3525

To make a withdrawal request through mFund, you must place a sell order for units with your licensed broker.

The minimum withdrawal amount is \$5,000. Withdrawal Forms are available at [www.sghiscock.com.au](http://www.sghiscock.com.au). Once we receive a withdrawal request, we may act on the withdrawal request without further enquiry if the withdrawal request bears an account number or investor details and investor’s (apparent) signature(s), or the investor’s authorised signatory’s (apparent) signature(s) or; if the withdrawal is received via mFund.

Equity Trustees will generally allow investors in the Fund to access their investment within 7 days of receipt of a withdrawal request. Withdrawal proceeds will be paid to an investor’s nominated bank account or, where the request is received via mFund, to the investor’s licensed broker. However, in some circumstances (such as when there is a freeze on withdrawals) you may not be able to withdraw your funds within this usual period. Moreover, the Constitution allows Equity Trustees to make payment up to 30 days after receipt of a request (which may be extended by a further 30 days in certain circumstances).

The price at which units are withdrawn (“Withdrawal Price”) is determined

in accordance with the Constitution. The Withdrawal Price on a Business Day, is in general terms, equal to the NAV of the Fund, divided by the number of units on issue and adjusted for transaction costs ("Sell Spread"). The Withdrawal Price will vary as the market value of assets in the Fund rise or fall.

We reserve the right to fully redeem your investment upon 30 days notice if your investment balance in the Fund falls below \$20,000 (or as determined by Responsible Entity) as a result of processing your withdrawal request. Equity Trustees can deny a withdrawal request in certain circumstances, including where accepting the request would cause the Fund to cease to be liquid 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 Equity Trustees makes a withdrawal offer to investors in accordance with the Corporations Act. Equity Trustees 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.

#### UNIT PRICING DISCRETIONS POLICY

Equity Trustees 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 to investors free of charge on request to Equity Trustees.

#### 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 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.

Equity Trustees 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

Before making a decision to invest, you should read the important information in the SGH Reference Guide about:

- application cut-off times
- application terms
- cooling off rights
- investing in the Fund through a savings plan
- appointing an authorised signatory
- reports that are made available
- withdrawal cut-off times
- withdrawal terms
- withdrawal restrictions

Go to the SGH Reference Guide which is available at [www.sghiscock.com.au](http://www.sghiscock.com.au). 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 SGH EMERGING COMPANIES FUND

Australian Securities Exchange "ASX" listed companies that have a market capitalisation less than \$500m at the first time of purchase and cash.

Benefits of investing in the Fund include:

- access to the expertise of a specialist investment management boutique structure;
- active management to create significant opportunities for above market returns over a medium to long time frame by exploiting pricing inefficiencies more common in shares of companies with market capitalisation less than \$500m;
- diversified portfolio of stocks that spreads investment across a variety of sectors and companies; and
- regular reporting to keep you up to date on your investments.

### 4. RISKS OF MANAGED INVESTMENT SCHEMES

All investments carry risk. Different investment strategies may carry different levels of risk, depending on the assets acquired under the investment 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.

We do not guarantee the repayment of capital or any rate of return or the Fund's investment performance. The value of the investments will vary. The level of returns will vary and future returns may differ from past returns. You may lose money by investing in the Fund and your investment in the Fund may not meet your objectives. Laws affecting managed investment schemes may also change in the future.

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 advice, you should contact a licensed financial adviser.

**LIQUIDITY RISK**

We do not guarantee the liquidity of the Fund's investments. The Fund has exposure to both micro-cap companies and unlisted investments which are traded at lesser volumes and less frequency, and are therefore considered to be less liquid than larger companies. Micro-cap companies and unlisted investments can also be more volatile than other listed shares.

**CONCENTRATION RISK**

Concentration risk is the risk that poor performance in a group of securities common to a particular section of the market will significantly affect the performance of the Fund. This risk is relevant for the Fund as it will seek to focus on investments in companies that are listed on the ASX with a market capitalisation less than \$500m, often referred to as the 'Emerging Company' sector. Positions may be concentrated and may result in the returns of the Fund being highly dependent on the returns of few exposures.

**CURRENCY RISK**

The Fund may invest in securities listed on the New Zealand Stock Exchange ("NZSE"). Currency movements against the Australian dollar may adversely affect the domestic value of the Fund's investments and the income from those investments. Where considered appropriate, the speculative Investment Manager may choose to hedge currency exposures to reduce the risk of adverse fluctuations in the value of the Australian dollar relative to the New Zealand dollar.

**DERIVATIVES RISK**

In the case of derivatives, fluctuations in price will reflect movements in the underlying assets, reference rate or index to which the derivatives relate. The use of derivative positions to hedge the risk of physical securities will involve 'basis risk', which refers to the possibility that derivative positions may not move perfectly in line with the physical security. As a consequence, the derivative positions cannot be expected to perfectly hedge the risk of the physical security. Other risks associated with derivatives include that they can lose value because of a sudden price move or because of the passage of time, potential illiquidity of the derivative, that the Fund cannot meet payment obligations as they arise, and that the counterparty to any derivative contract does not meet its obligations under the contract.

**INVESTMENT SELECTION RISK**

The Investment Manager uses an investment selection process to identify investment opportunities which it believes are most likely to outperform the Benchmark. There is a risk that these investments will not perform in line with the Investment Manager's expectations. This risk is mitigated to some extent by the knowledge and experience of the Investment Manager.

**INVESTMENT SPECIFIC RISK**

There may be instances where an investment in which the Fund invests will fall in price because of investment specific factors (for example, where a company's major product is subject to a product recall). The value of investments can vary because of changes to management, product distribution, investor confidence, internal operations or the company's business environment.

**SECTOR SELECTION RISK**

The Investment Manager may make poor investment decisions resulting in sub-standard returns (for example, where the Investment Manager gains exposure to a sector which significantly underperforms relative to other sectors). This risk is mitigated to some extent by the knowledge and experience of the Investment Manager.

**EMERGING COMPANIES RISK**

The Fund will generally invest in companies that have lower than average stock market capitalisation. Emerging companies:

- may be less liquid and more volatile securities, compared to those of larger companies;
- may be recently established companies, and as such publicly available information on their business activities may not be as easy to obtain compared to companies with larger market capitalisation;
- may be resource companies which have significant project risk;
- may be biotechnology companies which have significant development risk and/or are not generating commercial revenues; and
- can be engaged in new-to-market concepts which may be speculative in nature.

For these reasons this sector may experience volatility and reduced liquidity.

**FURTHER READING**

Before making a decision to invest, you should read the important information in the SGH Reference Guide "Additional risks of managed investment schemes" section about additional risks that apply to managed investment schemes. Go to the SGH Reference Guide which is available at [www.sghiscock.com.au](http://www.sghiscock.com.au). The material relating to the additional risks may change between the time when you read this PDS and the day when you acquire the product.

**5. HOW WE INVEST YOUR MONEY**

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**

Designed to provide medium to long-term capital growth potential and seeks to outperform the S&P/ASX Emerging Companies Accumulation Index over rolling 3 to 5 year periods after taking into account fees and expenses. Please note the investment objective is not intended to be a forecast. It is only an indication of what the investment strategy aims to achieve.

**BENCHMARK**

S&P/ASX Emerging Companies Accumulation Index.

**MINIMUM SUGGESTED TIME FRAME**

The minimum suggested investment time frame for the Fund is 5 years.

**RISK LEVEL OF THE FUND****High**

There is a risk investors may lose some or all of their initial investment. Higher risk investments tend to fluctuate in the short-term but can produce higher returns than lower risk investments over the long-term.

**INVESTOR SUITABILITY**

Designed for investors seeking medium to long-term capital growth potential by investing in a diversified portfolio of stocks comprising listed companies that have a market capitalisation less than \$500m at the first time of purchase.

**INVESTMENT STRATEGY**

The Investment Manager's investment philosophy is based on the belief that the equity market is inefficient when pricing emerging companies and that a disciplined investment process which combines valuation with 'Fundamental Analysis' and 'Sentiment Analysis' will exploit these inefficiencies. Fundamental Analysis is an analysis of share values by considering factors (e.g. sales, earnings and assets) that are 'fundamental' to the enterprise of the company in question in light of current share prices. Sentiment Analysis is an analysis of the market sentiment towards a security, index or market and mainly relates to analysing share price trends and other price trends including those relating to securities markets, commodities, interest rates and foreign exchange. The Investment Manager considers that this size-related mispricing occurs as a result of limited research, lower liquidity, limited history and increased volatility occurring in respect of emerging companies.

The investment approach is essentially style neutral and is based on the Investment Manager's proprietary three stage ValueActive™ investment process which:

- seeks to identify and exploit inefficiencies in market pricing;
- uses Fundamental Analysis and Sentiment Analysis to make investment decisions more timely and accurately; and
- uses Fundamental Analysis and Sentiment Analysis to purchase company stocks at what the Investment Manager considers reasonable prices. The Investment Manager will take advantage of short-term trading and arbitrage opportunities within the investable universe of the Fund.

**INVESTMENT GUIDELINES**

The Fund will primarily invest in companies that have a market capitalization of less than \$500m at the time of first purchase and cash.

The Investment Manager will use the following guidelines when selecting investments for the Fund:

- A minimum of 20 companies;
- Cash maximum 0-20%; equities 80-100 %;
- Up to 20% of the Fund's net assets (total fund exposure) may be in companies listed in Australia on exchanges other than the ASX. Up to 10% of the fund's net assets may be invested in foreign exchange listed companies (e.g. New Zealand) with a market capitalisation of less than \$500m at the time of the first purchase by the Fund;
- Unlisted companies are to be no more than 20% of the Fund's net assets;
- Up to 30% of the Fund's net assets can be in securities whose companies have grown their market capitalization above \$500m after they were first purchased;

- No further purchase can be made to any individual securities that exceeds 10% of the Fund's net assets;
- Maximum shareholding (across the investment manager) in any one company is 10% of the market capitalisation;
- the Fund may use derivatives for risk management purposes, as substitutes for physical securities; and
- the Fund will not be geared.

Due to movements in the market or similar events, the guidelines set out above may not be adhered to from time to time. In these circumstances, the Investment Manager will seek to bring the Fund's investments within the guidelines within a reasonable period of time.

**LABOUR, ENVIRONMENTAL, SOCIAL AND ETHICAL CONSIDERATIONS**

SGH has a formal Board endorsed environmental, social and governance ("ESG") policy. This incorporates the guidelines from the Australian Council of Superannuation Investors, as well as the framework provided under the Principles for Responsible Investment. SGH regards itself as a responsible investor and takes an active approach to integrating and embedding ESG considerations into its investment decision making process, and engaging with company board's and management on ESG issues. SGH believes effective governance structures and processes helps reduce risk, and provides insight into company's culture and intangible assets, and is ultimately reflected in a company's intrinsic value over the long term.

**FUND PERFORMANCE**

Up to date information on the performance of the Fund will be available by visiting [www.sghiscock.com.au](http://www.sghiscock.com.au), emailing [distribution@sghiscock.com.au](mailto:distribution@sghiscock.com.au) or calling SGH on 1300 555 511 (Australia) or +613 9612 4600.

**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 investment 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](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

The information in the following table can be used to compare costs between this and other simple managed investment schemes. Fees and costs may be paid directly from your investment or deducted from investment returns. For information on how managed investment schemes are taxed 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
Exit fee	Nil
<b>Management costs<sup>1</sup></b>	
The fees and costs for managing your investment	<p><b>Management fees:</b> 1.03% p.a. of the value of your units in the Fund</p> <p><b>Indirect costs:</b> 0%p.a. of the value of your units in the Fund<sup>3</sup></p> <p><b>Performance fees:</b> 20.50% of the amount by which the Fund's performance exceeds the performance hurdle. Any underperformance from a prior period must be recouped before a fee can be taken (we call this the high-watermark)<sup>4</sup></p>

<sup>1</sup> 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.

<sup>2</sup> Management fees can be negotiated. See "Differential fees" below.

<sup>3</sup> The indirect costs are calculated and incorporate estimated amounts with reference to the relevant costs incurred during financial year ended 30 June 2017. See "Indirect costs" below for more information.

<sup>4</sup> This represents the performance fees which are payable as an expense of the Fund to the Investment Manager. 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 a unitholder incurs by investing in the Fund rather than by investing directly in the assets.

The management fees of 1.03% p.a. of the NAV of the Fund payable to the Responsible Entity 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. As at the date of this PDS, ordinary expenses such as investment management fees, custodian fees, administration and audit fees, and other ordinary expenses of operating the Fund are covered by the management fees at no additional charge to you.

The management costs shown above do not include extraordinary expenses (if they are incurred in future) such as litigation costs, the costs of convening unitholder meetings and other costs.

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

### Performance fees

Performance fees are payable to the Investment Manager where the investment performance of the Fund exceeds the performance of the S&P/ASX Emerging Companies Accumulation Index. The performance fee is 20.50% of this excess, calculated daily and paid annually in arrears from the Fund and calculated based on the beginning NAV of the Fund over the relevant period.

No performance fees are payable until any accrued underperformance (in dollar terms) from prior periods has been made up (this feature is sometimes referred to as a high-watermark).

The Investment Manager does not consider there is any reasonable basis on which it may estimate performance fee expenses for the Fund. To estimate performance fee expenses would involve speculation about the return of the Fund against the Fund's performance hurdle. Based on this the investment manager has chosen to use 2% outperformance net of fees to use as an example.

Based on the current calculation methodology for the performance fees, the Responsible Entity has estimated that the performance fees payable per annum may be \$205 assuming an average account balance of \$50,000 during the year. However, this is not a forecast as the actual performance fee for the current and future financial years may differ. The Responsible Entity cannot guarantee that performance fees will remain at their previous level or that the performance of the Fund will outperform the benchmark.

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.sghiscock.com.au](http://www.sghiscock.com.au).

### Indirect costs

Indirect costs include fees and management costs (if any) arising from underlying funds and a reasonable estimate of the cost of investing in over-the-counter derivatives to gain investment exposure to assets or implement the Fund's investment strategy. Indirect costs are reflected in the unit price of the Fund and borne by Investors, but they are not paid to the Responsible Entity or Investment Manager.

The estimated components of the Fund's indirect costs are based on the financial year ended 30 June 2017. Actual indirect costs for future years may differ. If in future there is an increase to indirect costs disclosed in this PDS, updates will be provided on Equity Trustees' website at [www.eqt.com.au/insto](http://www.eqt.com.au/insto) where they are not otherwise required to be disclosed to investors under law.

### Transactional and operational costs

In managing the assets of the Fund, the Fund may incur transaction costs such as brokerage, settlement costs, clearing costs and applicable stamp duty when assets are bought and sold. This generally happens when the assets of a 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 a fund.

The Buy/Sell Spread reflects the estimated transaction costs incurred in buying or selling assets of the Fund when investors invest in or withdraw from the Fund. The Buy/Sell Spread is an additional cost to the investor but is incorporated into the unit price and incurred when an investor invests in or withdraws from the Fund and is not separately charged to

the investor. The Buy/Sell Spread is paid into the Fund and not paid to Equity Trustees or the Investment Manager. The estimated Buy/Sell Spread is 0.35% upon entry and 0.35% upon exit. The dollar value of these costs based on an application or a withdrawal of \$20,000 is \$70 for each individual transaction. The Buy/Sell Spread can be altered by the Responsible Entity at any time. The Responsible Entity may also waive the Buy/Sell Spread in part or in full at its discretion.

Transactional costs which are incurred other than in connection with applications and redemptions arise through the day-to-day trading of the Fund's assets and are reflected in the Fund's unit price. As these costs are factored into the NAV of the Fund and reflected in the unit price, they are an additional implicit cost to the investor and are not a fee paid to the Responsible Entity. These costs can arise as a result of bid-offer spreads (the difference between an asset's bid/buy price and offer/ask price) being applied to securities traded by the Fund. Liquid securities generally have a lower bid-offer spread while less liquid assets have a higher bid-offer spread.

During the financial year ended 30 June 2017, the total transaction costs for the Fund were estimated to be 2.00% of the NAV of the Fund, of which 10% of these transaction costs were recouped via the Buy/Sell Spread, resulting in a net transactional cost to the Fund of 1.93% p.a. However, such costs for future years may differ.

**Can the fees change?**

Yes, all fees can change without investor consent, subject to the maximum fee amounts specified in the Constitution. Equity Trustees has the right to recover all proper and reasonable expenses incurred in managing the Fund and as such these expenses may increase or decrease accordingly.

We will generally provide investors with at least 30 days notice of any proposed change to the management costs. In most circumstances, the Constitution defines the maximum fees that can be charged for fees described in this PDS.

Expense recoveries may change without notice, for example, when it is necessary to protect the interests of existing members and if permitted by law.

**Differential fees**

The Responsible Entity or Investment Manager may from time to time negotiate a different fee arrangement (by way of a rebate or waiver of fees) with certain investors who are Australian Wholesale Clients.

**Payments to IDPS operators**

Subject to the law, annual payments may be paid to some IDPS Operators because they offer the Fund on their investment menus. Product access is paid by the Investment Manager out of its management fees and is not an additional cost to the investor. If the payment of annual fees to IDPS Operators is limited or prohibited by law, Equity Trustees will ensure the payment of such fees is reduced or ceased.

**mFund**

Warning: if you are transacting through mFund your stockbroker or accredited intermediary may charge you additional fees (see their Financial Services Guide).

**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 – SGH Emerging Companies Fund		
Balance of \$50,000 with a contribution of \$5,000 during the year.		
<b>Contribution fees:</b>	Nil	For every additional \$5,000 you put in, you will be charged \$0.
<b>Plus Management costs comprising:</b>	1.03% p.a.	And, for every \$50,000 you have in the fund you will be charged \$806 each year, comprising:
<b>Management fees:</b>	1.03% p.a.	\$515
<b>Indirect costs:</b>	0% p.a.	\$0
<b>Performance fees:</b>	0.58% p.a.	\$291
<b>Equals cost of fund:</b>		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 of: \$806 <sup>1</sup>
What it costs you will depend on the fees you negotiate.		

<sup>1</sup> This example assumes the \$5,000 contribution occurs at the end of the relevant year, therefore management costs are calculated using the \$50,000 balance only. Indirect costs are not a fee earned by or paid to the Responsible Entity or the Investment Manager.

Additional fees may apply. Please note that this example does not capture all the fees and costs that may apply to you such as the Buy/Sell Spread. 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](http://www.moneysmart.gov.au), which you may use to calculate the effects of fees and costs on your investment in the Fund.

Indirect costs in this example do not include performance fees.

The performance fees stated in this table shows the actual performance fees for the financial year ended 30 June 2017 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 fee payable per annum. The actual indirect costs and 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 [www.sghiscock.com.au](http://www.sghiscock.com.au). Past performance is not a reliable indicator of future performance.

**FURTHER READING**

Before making a decision to invest, you should read the important information in the SGH Reference Guide under "Fees and costs" about the fees and costs associated with investing in the Fund. Go to the Reference Guide which is available at [www.sghiscock.com.au](http://www.sghiscock.com.au). 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 this 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 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, are attributed to them.

### FURTHER READING

Before making a decision to invest, you should read the important information in the SGH Reference Guide under “Other important information” about Attribution Managed Investment Trusts (“AMITs”). Go to the SGH Reference Guide which is available at [www.sghiscock.com.au](http://www.sghiscock.com.au). 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 and make an EFT payment to the Fund’s application account detailed in the application form OR attach your cheque or money order payable to ‘Equity Trustees Limited’ (unless paying by direct debit) and send to:

Mainstream Fund Services Pty Ltd  
Unit Registry  
GPO Box 4968  
Sydney, NSW, 2001

Please note that cash cannot be accepted.

Ask your licensed broker to apply for units in the fund via mFund. In this situation, you will need to provide the application money in relation to your application to your licensed broker.

### WHO CAN INVEST?

Anyone can invest however applicants who are individuals must be 18 years of age or over.

Indirect Investors should use the Application Form provided by the operator of the relevant IDPS.

### ENQUIRIES AND COMPLAINTS

If you have any enquiries regarding the Fund, you can call Mainstream Fund Services Pty Ltd on 1300 133 451 (Australia) or +61 2 8259 8888.

Please contact Equity Trustees if you are not completely satisfied with any aspect of our services regarding the management of the Fund. For further information regarding the complaints process please refer to the SGH Reference Guide.

## ONLINE ACCESS

You can access information about your investment in the Fund through the SGH online Investor Portal. To set up online access, ensure you tick the box as indicated on the Application Form.

After we receive your Application Form or a written request for online access, you will be emailed your login details to access your account information online. The system will prompt you to change your password when you log on for the first time.

### FURTHER READING

Before making a decision to invest, you should read the important information in the SGH Reference Guide “Investing in a SGH Fund” section about cooling off rights, “Enquiries and complaints” section about enquiries, complaints and the Financial Ombudsman Service. Go to the SGH Reference Guide which is available at [www.sghiscock.com.au](http://www.sghiscock.com.au). The material relating to these matters may change between the time when you read this PDS and the day when you acquire the product.

## 9. OTHER INFORMATION

### CONSENT

SGH has given and, 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 to the inclusion of the statements made about it, and the Fund which are attributed to it, in the form and context in which they appear.

SGH has not otherwise been involved in the preparation of this PDS and has not caused or otherwise authorised the issue of this PDS. SGH and its employees and officers do not accept any responsibility arising in any way for errors or omissions from this PDS, other than in relation to the statements for which it has provided its consent.

### MFUND SETTLEMENT SERVICE

You must use an mFund accredited and licensed broker to facilitate your transactions on mFund. Your chosen broker may charge you additional fees which are not outlined in the Fees and Costs section of this PDS. Go to [www.asx.com.au/mfund/](http://www.asx.com.au/mfund/) for more information.

### FURTHER READING

Before making a decision to invest, you should read the important information in the SGH Reference Guide “Other important information” section about:

- your privacy
- the Constitution of the Fund
- the Anti-Money Laundering and Counter-Terrorism Financing laws
- Indirect Investors
- Information on underlying investments
- Foreign Account Tax Compliance Act (“FATCA”)
- Common Reporting Standards. (“CRS”)

Go to the SGH Reference Guide which is available at [www.sghiscock.com.au](http://www.sghiscock.com.au). The material relating to these matters may change between the time when you read this PDS and the day when you acquire the product.