

# Barings Liquidity Investment Strategy

ARSN 677 446 034

## ADDITIONAL INFORMATION BOOKLET

23 July 2024

### MANAGER

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### RESPONSIBLE ENTITY

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## Important Notice

### Purpose of this document

The information in this Additional Information Booklet (**AIB**) is incorporated by reference and forms part of the Product Disclosure Statement dated 23 July 2024 (**PDS**) for the offer of Units in the Barings Liquidity Investment Strategy ARSN 677 446 034 (**Fund**).

This AIB is issued by the responsible entity of the Fund, One Managed Investment Funds Limited ACN 117 400 987, holder of AFS licence number 297042 (**Responsible Entity**). The information contained in this AIB and the PDS is general in nature and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Before deciding to invest in the Fund, you should read the PDS and this AIB in their entirety and, if required, seek independent advice tailored to your own needs.

Capitalised terms in this document have the meaning given to those terms in the glossary found in Section 9 of this AIB. All references to dollar amounts in this AIB are to Australian dollars and all references to times are to Sydney local time, unless otherwise stated.

### Disclaimer

Neither the Responsible Entity, nor the Manager, nor any of either of those parties' related bodies corporate guarantees the performance of the Fund or the return of capital or income.

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# 1. Offer Summary

FUND DETAILS		
<b>Fund Structure</b>	The Fund is an Australian unit trust, which is currently an Australian registered managed investment scheme under Chapter 5C of the Corporations Act.	Section 3.1
<b>Fund</b>	Barings Liquidity Investment Strategy ARSN 677 446 034.	
<b>Responsible Entity and Custodian</b>	One Managed Investment Funds Limited ACN 117 400 987, holder of AFS licence number 297042, is the responsible entity and the custodian of the Fund.	Section 2.4
<b>Manager</b>	Barings Australia Pty Ltd ACN 140 045 656, holder of AFS licence number 342787, is the manager of the Fund ( <b>Barings Australia</b> or <b>Manager</b> ). The Manager has appointed a related party, Gryphon Capital Investments Pty Ltd ACN 167 850 535, holder of AFS licence number 454552 ( <b>Gryphon</b> ) as a sub-advisor to assist with providing investment management services.	Section 2.1
<b>Administrator</b>	Unity Fund Services Pty Ltd ACN 146 747 122	Section 2.5
<b>Registry</b>	One Registry Services Pty Limited ACN 141 757 360	Section 2.5
<b>Underlying Assets</b>	The Fund will invest primarily in a portfolio of floating rate, secured Australian debt securities and asset backed securities ( <b>ABS</b> ), including residential mortgage backed securities ( <b>RMBS</b> ) and commercial mortgage backed securities ( <b>CMBS</b> ), but also in cash, cash equivalents and corporate bonds ( <b>Portfolio</b> ).	Section 4
<b>Unit classes</b>	The Constitution permits the Responsible Entity to create units of different classes. It issued a number of initial units, which limited rights, to establish the Fund. As at the date of the PDS, two additional classes of units have been created in the Fund, being a class of unit known as ordinary units which are offered under the PDS and a class of units known as institutional units. The only difference between the two classes of units is the type of investor that may acquire the units and the fees payable.	
TARGET RETURNS AND DISTRIBUTIONS		
<b>Target Return</b>	The Fund's investment objective is to generate a Target Return of the RBA Overnight Cash Rate plus 1.50%-2.00% (net of fees and costs) over rolling 12 month periods. The Target Return is not a forecast and is not guaranteed. The actual total return may rise or fall based on, amongst other things, performance in the underlying Fund investments and movements in the RBA Overnight Cash Rate.	Section 3.2
<b>Distributions</b>	The Responsible Entity intends to distribute income to Unitholders quarterly at the end of June, September, December and March. Payment of distributions will be at the Responsible Entity's discretion and subject to considerations including the availability of net income from the Portfolio. Distributions can be reinvested into additional Units. There is no guarantee that distributions will be paid or that the Target Return will be met.	Sections 3.7 and 3.8
INVESTMENT OVERVIEW		
<b>Investment Strategy</b>	The Fund is designed for investors seeking capital stability with returns above those usually available on cash with an ability to actively manage their liquidity allocation. The Fund will seek to achieve its Investment Objective by investing in a pool of Eligible Investments, primarily focused on opportunities in the domestic structured debt markets including floating rate RMBS, CMBS and ABS, among other asset types.	Section 3.3

## Benefits of investing in the Fund

### 1. Capital stability

The Portfolio consists of an actively managed portfolio of highly rated, floating rate, securitised assets which historically have been capital stable, as well as cash, cash equivalents and potentially corporate bonds.

### 2. Liquidity Management

The Fund aims to provide Unitholders with access to their capital with withdrawal proceeds available in the ordinary course within five Business Days after acceptance of a withdrawal request. Return of capital is not guaranteed.

### 3. Higher income

The Fund aims to distribute quarterly income above the returns usually available on cash. Distributions are not guaranteed.

### 4. No fixed term

The Fund has no fixed minimum investment term, as would be the case with a term deposit (but does not have the capital guarantee that a term deposit may have) and other less liquid assets.

### 5. Manager

The Fund is managed by Barings Australia. Barings Australia has entered a sub-advisory agreement with Gryphon, a Barings company, and specialist investor in securitised assets with a consistent and robust investment process dedicated to generating strong, risk adjusted returns.

## Investment Guidelines

The Manager will seek to apply the following Investment Guidelines to all investments made by the Fund.

Section 3.5

The Fund is permitted to invest in floating rate notes (including RMBS, CMBS and ABS) issued by banks and non-bank financial institutions. All the Fund's investments are Australian dollar denominated.

### Credit Quality

The Fund must operate within the following credit quality limits:

- (a) Maximum AAA category — 100%
- (b) Maximum AA category — 50%
- (c) Maximum A category — 30%

The minimum credit rating allowed in the Portfolio is A-.

### Concentration Limits

- Maximum 10% holding in any one security
- Maximum 100% RMBS
- Maximum 40% CMBS
- Maximum 40% ABS
- Maximum 20% corporate bonds
- Maximum 20% Private RMBS and Private ABS
- Maximum 100% can be invested in cash or cash equivalents, including units in an exchange traded fund (**ETF**) or trust that solely invests in Australian dollar denominated deposits, issued by ADIs that are regulated by the Australian Prudential Regulation Authority.

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

## Hedging

The Fund does not intend to use financial derivative instruments for currency hedging. However, where the Fund holds a position that the Manager considers it would be in the best interest of Unitholders to hedge, it may do so.

Section 3.5

## Leverage

The Fund will not utilise leverage to increase investment capacity. However, the Fund may enter financing arrangements for liquidity management purposes.

Section 3.5

## ELIGIBILITY AND APPLICATIONS

<b>Eligibility</b>	The Fund is available to “retail” and “wholesale” investors, as defined in Section 761G of the Corporations Act.	
<b>Minimum suggested investment timeframe</b>	1 year or more.	Section 3.4
<b>Minimum Investment</b>	<p>The minimum initial investment for each new investor is \$1,000 and thereafter in multiples of \$1,000.</p> <p>Additional investments for each Unitholder shall not be less than \$1,000. The Responsible Entity, after consultation with the Manager, may waive the minimum investment amount in its absolute discretion.</p>	
<b>Applications</b>	<p>Investors can submit an Application Form on any Business Day. If properly completed Application Form, cleared Application Money and all other required documents are received prior to 2.00pm on a Business Day, Units will generally be issued at the Application Price calculated for that Business Day. Properly completed applications received after 2.00pm will be processed using the Application Price calculated on the next Business Day.</p> <p>The Application Price is determined in accordance with the Constitution and is calculated each Business Day and is equal to the Fund Net Asset Value (<b>NAV</b>) plus any Buy Spread divided by the number of Units on issue. As at the date of this AIB the Buy Spread is nil. The Application Price may change as the market value of the Fund rises or falls and the Buy Spread may change depending on the liquidity of the assets of the Fund. Any changes to the Buy Spread after the date of this AIB will be notified on the Fund’s website <a href="http://www.oneinvestment.com.au/BLIS">www.oneinvestment.com.au/BLIS</a>.</p> <p>Under the Constitution, the Responsible Entity has discretion to accept or reject any application in whole or in part and is not required to provide reasons. The Responsible Entity may also delay processing applications where it believes it is in the best interest of the Unitholders to do so.</p>	Section 3.12

## WITHDRAWALS AND LIQUIDITY

<b>Withdrawals</b>	<p>Whenever the Fund is Liquid, you can make withdrawal requests for all or part of your investment in the Fund in accordance with the Constitution.</p> <p>If the Responsible Entity is not capable of realising enough assets to meet withdrawal requests, it may suspend the calculation of the NAV and processing of withdrawal requests.</p> <p>Withdrawal requests in the required form received by 2.00pm on a Business Day, will be processed using the Withdrawal Price for that Business Day. Those received after 2.00pm on a Business Day, will be processed using the Withdrawal Price for the next Business Day.</p> <p>The Fund’s Registry will endeavour to pay withdrawal proceeds within five Business Days after the withdrawal request is accepted. However, it may take longer in certain circumstances.</p> <p>The Responsible Entity has discretion to accept or reject any withdrawal request.</p> <p>The Withdrawal Price is determined in accordance with the Constitution and is calculated each Business Day which is equal to the Fund NAV less any Sell Spread divided by the number of units on issue. As at the date of this AIB the Sell Spread is 0.10%. The Withdrawal Price may change as the market value of the Fund rises or falls and the Sell Spread may change depending on the liquidity of the assets of the Fund. Any changes to the Sell Spread after the date of this AIB will be notified on the Fund’s website <a href="http://www.oneinvestment.com.au/BLIS">www.oneinvestment.com.au/BLIS</a>.</p>	Section 3.13
<b>Suspension of withdrawals</b>	<p>Withdrawals may be suspended in certain circumstances including where:</p> <ul style="list-style-type: none"> <li>– The calculation of the NAV has been suspended or is impracticable;</li> <li>– The Responsible Entity considers it is in the interests of Unitholders as a whole; or</li> <li>– To avoid a material adverse economic, tax, regulatory, legal or other similar effect on the Fund.</li> </ul>	Section 3.13

## VALUATION AND REPORTING

<b>Valuation</b>	The value of a Unit is determined based on the NAV calculated in accordance with the Constitution. The Unit price will be adjusted for any Buy Sell Spread (if any). Except in circumstances where the calculation would be impracticable, the NAV of the Fund is calculated daily.	Section 3.9
<b>Reporting</b>	The Responsible Entity will provide the following: <ul style="list-style-type: none"> <li>– Confirmation of a Unitholder’s investments and withdrawals</li> <li>– Monthly investment report with key Fund performance information</li> <li>– Distribution statements, following each distribution</li> <li>– Annual taxation statement</li> <li>– The audited annual report of the Fund following the end of each financial year, prepared in accordance with Australian accounting standards.</li> </ul>	Section 3.10

## KEY RISKS

<b>Key Risks</b>	An investment in the Fund carries risk. Risks can be categorised as being specific to the Fund, broader risks which affect the Fund and general risks associated with investing in the debt securities market. Many of these risks are outside the control of the Responsible Entity, the Manager, its sub-advisor and their respective directors and officers. Consequently, the Units offered under the PDS carry no guarantee in respect of profitability, distributions or return of capital.  Some of the more significant risks associated with investing in the Fund, more properly described below, include: <ul style="list-style-type: none"> <li>– market risk</li> <li>– reinvestment risk</li> <li>– interest rate risk</li> <li>– risks relating to the Investment Strategy and the Manager.</li> </ul>	Section 6
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## FEEES, COSTS AND EXPENSES

<b>Management fees and costs</b>	Management fees and costs represent the total investment and administration related costs of operating the Fund. It includes the fees payable to the Responsible Entity (responsible entity and custody fee) and the Manager (management fee), as well as normal expenses in relation to the Fund. Management fees and costs also include indirect costs (costs that relate to the investment of assets of the Fund). All fees quoted are GST inclusive and include the effect of any input tax credit and reduced input tax credit.	Section 5
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## 2. Management of the Fund

### 2.1 The Manager

The Responsible Entity has appointed Barings Australia Pty Ltd ACN 140 045 656 AFSL 342787 (**Barings Australia** or the **Manager**) as the investment manager of the Portfolio under an Investment Management Agreement.

Barings Australia is a part of the Barings Group (**Barings**). Barings is a US \$406+ billion global investment manager sourcing differentiated opportunities and building long-term portfolios across public and private fixed income, real estate, and specialist equity markets. Barings, a subsidiary of MassMutual, aims to serve its clients, communities and employees, and is committed to sustainable practices and responsible investment. Barings has approximately 1,800 staff across 18 countries, including 740 dedicated investment professionals based in North America, Europe and Asia Pacific.

Barings Australia has appointed a related party, Gryphon Capital Investments Pty Ltd (**Gryphon**) as a sub-advisor to assist with providing investment management services. Gryphon is a specialist fixed income manager with significant experience in the Australian and international fixed income markets.

To learn more about Barings visit [www.baring.com](http://www.baring.com).

The Manager makes investment and divestment decisions for the Fund and implements the Investment Strategy on the terms and conditions set out in the Investment Management Agreement (a summary of which is set out in Section 8.3).

The Manager (through Gryphon):

- implements the Investment Strategy, including actively managing and supervising the Portfolio’s investments and liquidity management
- manages the Portfolio’s exposure to RMBS, CMBS and ABS, derivatives (if any), corporate bonds and cash and cash equivalents
- regularly updates the Responsible Entity regarding the Portfolio and provides all information necessary for the maintenance of the Fund’s financial accounts to be completed, and
- provides administrative support to assist with the maintenance of the Fund’s records, and compliance with the Corporations Act.

## 2.2 Investment Philosophy

Gryphon's investment style is a long-only, deep-credit, research driven, macro-aware approach using top-down and bottom-up techniques to build portfolios of what it considers to be the best relative-value securities consistent with its clients' individual investment parameters.

Gryphon's investment strategies do not rely on 'timing' the market. Therefore, when making investment decisions, Gryphon's investment horizon and that of the Fund assumes the investment will be held until maturity, thus making capital preservation paramount especially through periods of economic turbulence. This philosophy is consistent with Gryphon's cognitive bias for long only investment strategies which are underpinned by its thorough and timely risk management systems. That said, Gryphon may still sell the Fund's investments before maturity if it believes it can reinvest capital more effectively elsewhere.

Gryphon believes the safest passage to long term success comes from the benefits of being a specialist investment manager. Gryphon's processes require it to establish the charter for each investment strategy in consultation with its clients and then not deviate from the strategy making sure there are no surprises and performance directly mirrors the client's objectives.

## 2.3 Investment Process

The investment process can be broken down into four pillars:

### Pillar 1: Idea generation

The Gryphon Investment Committee meets weekly to evaluate the Portfolio and to discuss the characteristics of assets that would best contribute to Portfolio composition. The Gryphon Investment Committee analyses the structure of the Portfolio and its exposure to market risks, credit rating profile, and collateral securing Portfolio investments, using a comprehensive proprietary database that accesses data fed directly from the Originator. Recently the Gryphon Investment Committee has formally integrated Environmental, Social and Governance (**ESG**) analysis into the Originator and servicer due diligence process. Every potential investment presented to the Gryphon Investment Committee will include the results of a proprietary ESG questionnaire and scoring algorithm to provide a detailed analysis of the Originator's and servicer's ESG strengths and weaknesses, in addition to existing analysis of ESG risks and opportunities relating to the underlying assets. Gryphon also examines macro level ESG issues and developments and their impacts within the broader industry. By understanding these issues more deeply Gryphon is better placed to contribute to the development of industry standards and engage effectively with Originators to help them improve their practices. Whilst this ESG analysis is part of the process, the Manager, Gryphon and the Gryphon Investment Committee do not directly take labour standards or environmental, social or ethical considerations into account when making investment decisions.

The Gryphon database stores data on each bond and the underlying collateral including the loan data on each individual loan at origination of the securitisation. The data and Gryphon database is updated frequently during the term of the investment. The Gryphon database stores detailed information on residential loans and Australian RMBS securities. The Manager believes this data gives Gryphon a rich source of information about the performance of the collateral supporting its investments and provides it with a competitive advantage over its peers in assessing and pricing risk in the RMBS markets in which it invests.

This data is overlaid with analysis of the surrounding macroeconomic environment, such as current versus historical pricing of RMBS investments and ABS investments, pricing of comparable asset classes, portfolio concentration (e.g. for RMBS the geographic concentration or concentration of interest only loans versus principal and interest loans), changes in the regulatory landscape, supply and demand equation, and composition of the existing Portfolio to identify themes and associated investment opportunities. The Gryphon Investment Committee does not seek to maximise Portfolio yield by simply investing in higher yielding/lower credit quality bonds, despite those being within the investment mandate of the Portfolio but seeks to maximise the risk adjusted return to the Portfolio. Furthermore, if the Gryphon Investment Committee believes the market is about to enter periods of stress, the Gryphon Investment Committee will pivot to build risk budget within the Portfolio composition.

### Pillar 2: Security selection and research

After identifying investment opportunities, the Gryphon Investment Committee engages the research team to conduct a thorough credit analysis for each opportunity. This process involves the research team obtaining the data file from each Originator which contains a summary term sheet for the securitisation, an information memorandum and, for RMBS, the loan-by-loan data. The Gryphon Investment Team then completes a detailed assessment which includes:

**Credit report** – This involves a complete summary of the proposed investment. This report evaluates the individual bonds which make up the securitisation, the parties to the transaction and identifies any high-level risks, and for RMBS, a detailed loan-by-loan analysis.

**Deal modelling** – For RMBS, a detailed model including analysis of investment protections and an analysis of the likelihood of possible rating agency upgrade/downgrade of bonds (which can lead to a price increase/decrease in the bond).

**Security analysis** – A detailed analysis of the total collateral (or security) is undertaken to enable the Gryphon Investment Team to make an assessment of the risk of the collateral pool to determine whether the collateral is flawed. For example, a collateral pool might be flawed if the average LTV of the collateral pool is achieved by combining a blend of low LTV loans (lower risk) and high LTV loans (higher risk). Another example could include a higher proportion of self-employed borrowers with large loan balance and high LTV. For RMBS, the Gryphon Investment Team will generally conduct a review of all 'large loans' (typically in excess of \$700,000) in the Portfolio.

Following the detailed assessment, the Gryphon Investment Team then stress tests the investment opportunity. For RMBS, the collateral pool is stress tested for significant declines in national house prices across the collateral pool to project a worst-case loss scenario. For ABS and CMBS, the stressed default rate is set to a multiple of standard deviations above the observed historic mean default rate, and stressed recovery rate set to a multiple of standard deviations below the observed historic mean recovery rate – and these combine to generate the worst-case loss scenario. In order for the investment to be considered suitable by the Gryphon Investment Committee and proceed to the execution phase of the investment process, the strength and size of the protections must satisfy a multiple of the worst-case loss scenarios.

## Pillar 3: Portfolio construction

Portfolio construction brings together the best ideas formulated by the Gryphon Investment Committee and then researched by the Gryphon Investment Team to deliver the optimal Portfolio composition for the agreed risk budget. Not all investments that pass the security selection process will enter the Portfolio owing to the proactive management of risk building up in the Portfolio. The Portfolio is constructed with consideration of the following principles and having regard to the investment mandate:

- Diversification across the Portfolio.
- Correlation to traditional asset classes such as listed equities to ensure the Portfolio provides appropriate diversification.
- Relative value between existing holdings and those available in the investible universe which may lead to rebalancing of the Portfolio by selling investments the Gryphon Investment Team considers are overvalued and acquiring investments they consider are better value.
- Analysis of the credit quality of any counterparty to a securitisation such as LMI providers.
- Drivers of mortgage performance such as an analysis of historical trends in the speed of borrower repayments which can create an early sell or buy signal for the Gryphon Investment Team.

## Pillar 4: Portfolio management

The Gryphon Investment Team regularly receives updated data on all loans within a RMBS collateral pool. These provide dynamic reporting on the current status of each loan within the collateral pool. For example, the reports will identify whether an individual residential borrower is current or delinquent, the loan amount outstanding, and if the borrower has repaid or refinanced. The Gryphon Investment Team tracks the performance of delinquent residential loans over time which allows Gryphon to determine if the collateral pool is deteriorating or borrowers are remedying any delinquency quickly. This can provide Gryphon with an early buy or sell signal on an investment.

This surveillance and monitoring provide in-depth risk reporting of each individual investment within the Portfolio. For RMBS, this includes projecting the likelihood of any rating upgrades or downgrades, assessing actual excess spread to projected excess spread which is a good indicator of the safety margin which exists before any bond holders will suffer a loss. For ABS, this includes the collateral mix as it evolves over time. Finally, the performance attribution of each individual RMBS, CMBS and ABS investment in the Portfolio is assessed allowing the Gryphon Investment Committee to understand precisely how the returns were generated.

## 2.4 The Responsible Entity

One Managed Investment Funds Limited is the issuer of the Units under the PDS and is the responsible entity and custodian of the Fund. The Responsible Entity is responsible for the overall corporate governance of the Fund. The Responsible Entity manages the Fund in accordance with its duties to Unitholders. The Responsible Entity is also subject to numerous duties under the Corporations Act, including duties to act honestly, exercise care and diligence and act in the best interests of Unitholders. Further details of the Constitution and the Responsible Entity's obligations are specified in Section 8.3 and below.

Under the Corporations Act, a responsible entity is required to either have a board of directors, not less than half of which comprises external directors, or to appoint a compliance committee with a majority of external representation. The Responsible Entity complies by having a compliance committee with a majority of external members.

The Responsible Entity's role includes the following:

- (a) Acting honestly and in the best interest of Unitholders and in doing so, exercising the degree of care and diligence that a reasonable person would exercise if they were in the Responsible Entity's position.
- (b) Monitoring the operations, financial position and performance of the Fund.
- (c) Overseeing the risk management and compliance of the Fund.
- (d) Ensuring the Constitution meets the requirements of the Corporations Act and that the Fund complies with the Constitution.
- (e) Ensuring the Fund's compliance plan meets the requirements of the Corporations Act and that the Fund complies with the compliance plan.

To find out more:

Visit [www.oneinvestment.com.au](http://www.oneinvestment.com.au)

Phone 02 8277 0000

Post Level 16 Governor Macquarie Tower  
1 Farrer Place, Sydney, NSW 2000

## 2.5 Service Providers

### (a) Administrator

The Responsible Entity outsources its Fund administration and accounting to Unity Fund Services Pty Ltd ACN 146 747 122 (**Administrator**). The Administrator incurs external costs on behalf of the Fund. These costs are included as an expense and are payable from the Fund's assets. The Administrator calculates the Fund's NAV daily and provides these calculations to the Manager.

### (b) Unit Registry

The Responsible Entity has appointed One Registry Services Pty Limited ACN 141 757 360 (**Registry**) to maintain the unit register for the Fund. The fees payable to the Unit Registry are also included as an expense and are payable from the Fund's assets.

### (c) Auditor

PriceWaterhouseCoopers (**Auditor**) is the auditor of the Fund.

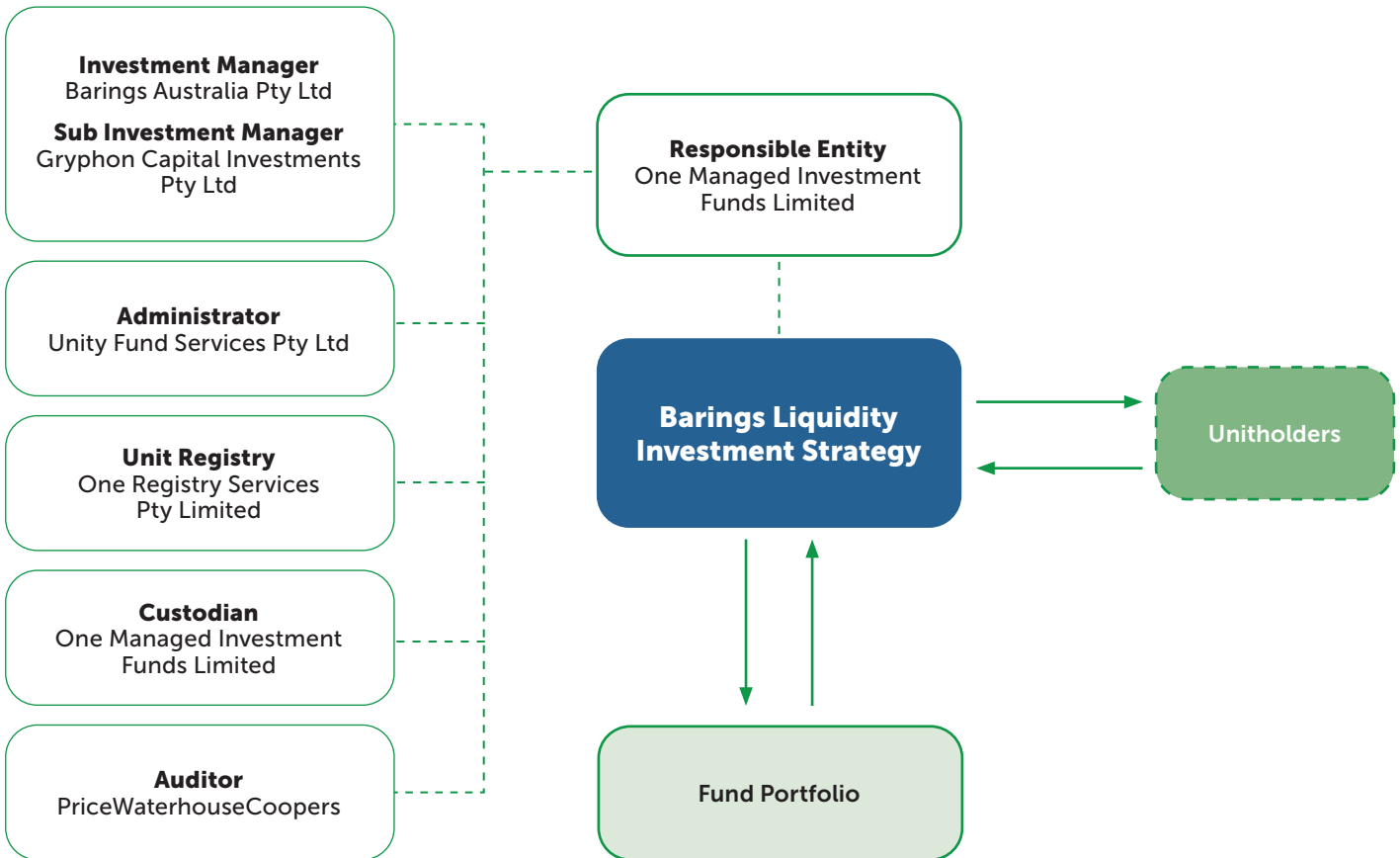


### 3. About the Fund

#### 3.1 Overview

The Fund is an Australian unit trust, which is a registered managed investment scheme under the Corporations Act. Units will be offered to retail and wholesale investors (as defined in Section 761G of the Corporations Act) on a continual basis and the Fund will invest in a portfolio of Australian debt securities and asset backed securities (**ABS**), including residential mortgage backed securities (**RMBS**), commercial mortgage backed securities (**CMBS**), corporate bonds and cash and cash equivalents. One Managed Investment Funds Limited (**Responsible Entity**) is the responsible entity of the Fund. The Responsible Entity has appointed Barings Australia Pty Ltd (**Manager**) as investment manager of the Fund. The Manager has appointed Gryphon Capital Investments Pty Ltd as the sub-advisor.

#### FUND STRUCTURE



#### 3.2 Investment Objective

The Fund’s investment objective is to generate floating rate Target Returns that exceed the RBA Overnight Cash Rate plus 1.50%-2.00% (net of fees and costs) over rolling 12 month periods.

The Fund is designed for investors seeking capital stability with above cash returns with an ability to manage their liquidity allocation.

Based on the RBA Overnight Cash Rate as at the date of this AIB of 4.35%, the Target Return is 5.85%-6.35% per annum (net of fees and costs).

The Target Return will rise or fall based on movements in the RBA Overnight Cash Rate.

The Target Return is not a forecast and is not guaranteed. The actual total return may rise or fall based on, amongst other things, performance in the underlying Fund investments and movements in the RBA Overnight Cash Rate.

#### 3.3 Investment Strategy

The Fund will seek to achieve its investment objective by investing in a pool of Eligible Investments.

Eligible Investments will include, among others:

- RMBS issued by domestic securitisation programmes. This will include both prime and non-conforming RMBS notes;
- CMBS issued by domestic securitisation programmes. This will include securities secured by pools of commercial mortgages;
- ABS, other than RMBS and CMBS, issued by domestic securitisation programmes. This will include securities secured by pools of motor vehicles, small ticket commercial and equipment finance securities;
- Private RMBS and ABS are securities issued by warehouse funds backed by pools of domestic residential mortgages or motor vehicles and equipment finance receivables;
- Australian dollar denominated debt instruments issued by corporates, financial institutions or special purpose vehicles (corporate bonds); and;
- cash or cash equivalents.

### 3.4 Investment Timeframe

The minimum suggested timeframe for holding investments in the Fund is 1 year or more. The Fund is managed with the intention of generating returns over the medium term and is suitable for investors who wish to invest over that timeframe.

### 3.5 Investment Guidelines

The Manager will seek to apply the following Investment Guidelines to all investments made by the Fund.

The Fund is permitted to invest in floating rate notes (including RMBS, CMBS and ABS) issued by banks and non-bank financial institutions.

All the Fund's investments are Australian dollar denominated.

#### Credit Quality

The Fund must operate within the following credit quality limits:

- (a) Maximum AAA category – 100%
- (b) Maximum AA category – 50%
- (c) Maximum A category – 30%

The minimum credit rating allowed in the portfolio is A–.

Credit ratings used in assessment of investments will be those issued by Standard & Poor's, Moodys, FitchRatings or an independent, third party consultant that applies credit rating criteria consistent with the credit rating criteria of Standard & Poor's, Moodys and FitchRatings.

#### Concentration Limits

- Maximum 10% holding in any one security
- Maximum 100% RMBS
- Maximum 40% CMBS
- Maximum 40% ABS (other than RMBS and CMBS)
- Maximum 20% corporate bonds
- Maximum 20% Private RMBS and Private ABS
- Maximum 100% can be invested in cash or cash equivalents, including units in an exchange traded fund (ETF) or trust that solely invests in Australian dollar denominated deposits, issued by ADIs that are regulated by the Australian Prudential Regulation Authority

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 Manager will seek to bring the Fund's investments within the guidelines within a reasonable period of time.

#### Use of Leverage

The Fund will not utilise leverage to increase investment capacity. However, the Fund may enter financing arrangements for liquidity management purposes.

#### Hedging

The Fund does not intend to use financial derivative instruments for currency hedging. However, where the Fund holds a position that the Manager considers it would be in the best interest of Unitholders to hedge, it may do so.

### 3.6 Trade allocation policy

The Manager and Gryphon are also the manager of other client accounts and applies the same investment process in managing each of these mandates as it applies to the Fund. The investment guidelines and permitted investments for each client account are tailored to meet the individual clients' risk constraints and investment goals. The Fund's Investment Guidelines are summarised in Section 3.5. To ensure neither the Fund nor any of Barings' clients are disadvantaged Gryphon has an allocation policy designed to allocate trades on a fair and equitable basis across Barings' client portfolios and the Portfolio. Gryphon's allocation policy can be obtained by contacting the Manager on +61 2 8272 5000. Where a trade idea results in a buy or sell order being aggregated and requires allocation between different client mandates (including the Fund), the Gryphon Investment Committee is responsible for allocating the order to each client mandate taking into consideration a range of different factors and most importantly while acting in good faith to ensure the allocation does not disadvantage any of the clients concerned, documenting and recording the basis for allocations including any post trade modifications and cancellations.

### 3.7 Distribution Policy

The Responsible Entity has full discretion in relation to distributions, however, it expects to pay distributions on a quarterly basis.

On the date a distribution is declared, a Unitholder will be entitled to share in the Distribution in the proportion the number of Units they hold bears to all Units on issue.

Distributions to Unitholders (if payable) are expected to be paid within 10 Business Days of the end of each calendar quarter, other than at the end of the financial year, when it may take approximately 20 Business Days.

### 3.8 Distribution reinvestment plan (DRP)

The Responsible Entity has in place a DRP which enables Unitholders to reinvest some or all of their distributions for additional Units. The key features of the DRP are as follows:

- A Unitholder may participate in the DRP with respect to some or all of its distribution.
- A Unitholder may elect to join or withdraw from the DRP at any time. The initial election will be made in the Application Form. If no election is made, then distributions will be reinvested under the DRP.
- To change an election, notification to the Registry in writing is required. For the change in election to apply to a particular distribution payment, the election must be received by 5.00pm on the second last Business Day of the relevant distribution period.
- Units issued under the DRP will be on the same terms as Units issued under this PDS and will be issued at the Application Price (without application of the Buy Spread) applicable on the same day the relevant distribution is deemed to be applied in payment for the Units.
- The calculation of the allocation of Units under the DRP may result in the issue of fractions of Units. Any residual amount will be retained as an asset of the Fund.

You will receive a statement after the payment of a distribution setting out the details of the distribution amount, the number of Units acquired under the DRP, and the applicable Application Price.

The Responsible Entity may discontinue or vary the terms of the DRP at its discretion. Any suspension or variation of the DRP will be communicated to Unitholders on the Fund's website [www.oneinvestment.com.au/BLIS](http://www.oneinvestment.com.au/BLIS).

### 3.9 Valuation of the Fund

The Fund assets are valued on a daily basis using market pricing valuation provided by specialist independent market providers. Where independent prices are not available (for example if markets have been disrupted) the Responsible Entity may apply alternative valuation methods.

The Responsible Entity has developed a formal written policy in relation to the guidelines and relevant factors taken into account when exercising any discretion in calculating Unit pricing. A copy of the unit pricing policy is available free of charge by contacting the Responsible Entity. The value of a Unit is determined based on the value of the assets and liabilities in the Fund in accordance with the Constitution of the Fund. The Unit price will be adjusted for any Buy Sell Spread. The NAV of the Fund is calculated daily.

### 3.10 Reports to Unitholders

The Responsible Entity will provide the following:

- Confirmation of investor's investments and withdrawals
- Monthly investment report with key Fund performance information
- Distribution statements, following each distribution
- Annual taxation statement
- The audited annual report of the Fund following the end of each financial year, prepared in accordance with Australian accounting standards.

### 3.11 Issue of Units

Units will only be issued when the following conditions are satisfied:

- The Responsible Entity receives a properly completed Application Form, including required identification documents, and accepts the application for Units, and
- The Responsible Entity or its agent receives the Application Money in cleared funds.

The date recorded in the Unit Register must be no later than the date the Units were actually issued.

Units are expected to be issued on each Business Day.

### 3.12 Application for Units

To invest in the Fund, complete an Application Form using the Fund's Registry online service which includes the provision of documentation for identification purposes. By applying online, you can transfer the funds with BPAY or electronic funds transfer (EFT). Cash payments and cheques will not be accepted.

- Your completed Applications Form and Application Money can be submitted to the Registry on any Business Day.
- If a properly completed Application Form, along with cleared Application Money and required identification documents, is received by the Fund's Registry (and is subsequently accepted):
  - o prior to 2.00pm on a Business Day the Units will generally be issued based on the Application Price calculated for that Business Day; or
  - o on or after 2.00pm on a Business Day the Units will generally be issued based on the Application Price calculated for the following Business Day.
- If an invalid Application Form is received by the Fund's Registry, it will not be processed until the correct information, documentation or correct money has been received.

- Valid accepted Applications will receive a written confirmation of the allocated Units within two Business Days from the date of acceptance of the Application Form.
- The minimum initial investment for each new investor is \$1,000 and thereafter in multiples of \$1,000. The Responsible Entity, after consultation with the Manager, may waive the minimum investment amount in its absolute discretion.
- The Application Price is determined in accordance with the Constitution and is calculated each Business Day and is equal to the Fund Net Asset Value (NAV) plus any Buy Spread divided by the number of Units on issue. As at the date of this AIB the Buy Spread is nil. The Application Price may change as the market value of the Fund assets or its liabilities rise or fall and the Buy Spread may change depending on the liquidity of the assets of the Fund. Any changes to the Buy Spread after the date of this AIB will be notified on the Fund's website [www.oneinvestment.com.au/BLIS](http://www.oneinvestment.com.au/BLIS).
- Any interest earned on Application Money will be retained by the Responsible Entity in its personal capacity.

### 3.13 Withdrawal of Units

Whenever the Fund is Liquid, you can make withdrawal requests for all or part of your investment in the Fund in accordance with the Constitution.

The following conditions apply to withdrawal requests:

- To withdraw Units in the Fund, complete a Fund Withdrawal Form using the form provided by the Fund's Registry.
- If an invalid Withdrawal Form is received by the Fund's Registry, it will not be processed until the correct information has been received.
- If a valid Withdrawal Form is received by the Fund's Registry (and is subsequently accepted):
  - o by 2.00pm on a Business Day, the withdrawal amount payable will be calculated and processed using the Withdrawal Price for that Business Day; or
  - o after 2.00pm on a Business Day, the withdrawal amount payable will be calculated and processed using the Withdrawal Price for the following Business Day.
- If satisfying your withdrawal request would result in you holding less than the minimum holding, then the Responsible Entity may redeem your entire holding.
- The Fund's Registry will endeavor to pay withdrawal proceeds within five Business Days after the withdrawal request is accepted. The payment of withdrawal proceeds may take longer at the end of a distribution period as the Fund's Unit price is placed on a temporary hold whilst distribution is calculated.

If the Responsible Entity is not capable of realising enough assets to meet withdrawal requests, it may suspend the calculation of the NAV and withhold withdrawal proceeds. It may also suspend withdrawals where it is not in the best interest of investors in the Fund, where the Fund is not Liquid or to avoid a material adverse economic, tax, regulatory, legal or other similar effect on the Fund.

Under the Constitution, the Responsible Entity has up to 180 days to decide whether or not to accept or reject a withdrawal request and a further 21 days to pay the withdrawal proceeds after acceptance. The Responsible Entity also has discretion to accept or reject any withdrawal request.

The Withdrawal Price is determined in accordance with the Constitution and is calculated each Business Day which is equal to the Fund NAV less any Sell Spread divided by the number of units on issue. As at the date of this AIB the Sell Spread is 0.10%. The Withdrawal Price may change as the market value of the Fund rises or falls and the Sell Spread may change depending on the liquidity of the assets of the Fund. Any changes to the Sell Spread after the date of this AIB will be notified on the Fund's website [www.oneinvestment.com.au/BLIS](http://www.oneinvestment.com.au/BLIS).

If the Fund is not Liquid, then withdrawals will only be available by accepting a periodic withdrawal offer made by the Responsible Entity. At the date of this PDS, the Fund is Liquid and the Manager believes it will continue to be Liquid. If the Fund becomes illiquid, then the Manager will notify Unitholders in writing.

### 3.14 Transfer of Units

Units may be transferred with the approval of the Responsible Entity. Transfer requests must use the form approved by the Responsible Entity and, if the Responsible Entity requires, be presented for registration duly stamped.

A transfer is not effective until registered. The Responsible Entity may refuse to record any transfer of Units in the Unit Register where, in the Responsible Entity's opinion, it is not in the interests of the Fund to do so, or if the Unitholder or transferee has not complied with any applicable laws.

## 4. Eligible Investments

### 4.1 What are Asset Backed Securities?

Asset Backed Securities are bonds backed by specific pools of financial assets, such as mortgages or loans, where the coupons and principal payable to the bondholders derive directly from the underlying assets. Individual Asset Backed Security deals cover specific asset classes, including residential mortgages, commercial mortgages, auto loans, credit cards and loans to companies. Although the relevant underlying assets will generally have been originated by a bank or financial institution, the deals are typically structured so that the bonds are issued and the underlying pool of assets are held by a legal entity that is independent and segregated from the bank or financial institution. The pool of assets is thereby protected from outside events, such as bank bail-in regulations, that could affect the originating bank or financial institution. Asset Backed Securities are typically structured into different tiers or tranches of risk whereby, broadly speaking, the more senior the tier, the lower the risk and lower the coupon. In this way, the more junior tranches will act as loss absorbers for the more senior tranches. Asset Backed Securities encompass the full spectrum in terms of credit quality, from bonds with Investment Grade ratings (i.e. within the range AAA to BBB-) to bonds with non-Investment Grade ratings (i.e. within the range BB+ to C) and include bonds with no assigned credit rating. RMBS are a type of ABS where the pool of assets is exclusively loans which are secured against residential property.

### 4.2 Why Asset Backed Securities?

Asset Backed Securities have a number of important features which can be of potential benefit to an investor. These include the following:

- ABS provide specific exposure to a given fixed asset pool that can then be analysed with accuracy;
- detailed, frequent reporting provides a high degree of transparency which enables an investor to carry out both quantitative and qualitative research and allows for modelling and stress testing;

- ABS are structured so that losses can be absorbed by junior tranches and other types of 'credit enhancement' such as the 'reserve fund' and 'excess spread', and investors therefore have the ability to select the risk profile that they wish to have by selecting the appropriate tranche; and
- as predominantly floating rate investments, they remove fixed interest rate risk and offer upside exposure to rising interest rates (although, conversely, the income from them is likely to go down if interest rates fall).

### 4.3 Asset Backed Securities versus Corporate Bonds

The following key differences between these two asset classes which the Manager considers currently favour the risk/return profile of Asset Backed Securities relative to conventional corporate bonds:

- Significantly higher quality information is generally available to an investor in ABS on a frequent and timely basis, which will typically provide a breakdown of the different risks and the performance of each underlying asset pool;
- ABS are bankruptcy remote and not subject to bail-in as a result of financial distress of the issuer; and
- ABS are typically backed by amortising loans so repayment risk naturally declines over time, unlike corporate bonds which depend on the health of the corporate issuer right up to the maturity date because the principal amount of a corporate bond is typically only repaid on its expiry and is therefore also exposed to the issuer's ability to refinance the debt in the primary debt market.

## 5. Fees and other costs

### 5.1 Additional explanation of fees and costs

#### (a) Management fees and costs

Management fees and costs represent the total investment and administration related costs of operating the Fund. It includes the fees payable to the Responsible Entity (responsible entity and custody fee) and the Manager (management fee), as well as normal expenses in relation to the Fund (see paragraph (e) below). Management fees and costs also include indirect costs (costs that relate to the investment of assets of the Fund).

#### (b) Management fee

The Manager is entitled to receive a management fee of 0.41% per annum of the gross value of the Fund's assets attributable to the Units for acting as investment manager of the Fund. The management fee is calculated and accrued daily and paid monthly in arrears from the Fund's assets.

For each \$50,000 investment, the Manager would receive a fee of \$205 for the annual period.

#### (c) Responsible Entity fee

The Responsible Entity is entitled to receive the following fee for acting as responsible entity of the Fund:

- (i) 0.05% per annum on the gross value of the Fund's assets (up to \$150 million)
- (ii) 0.03% per annum on the gross value of the Fund's assets (from \$150 million to \$300 million), and
- (iii) 0.025% per annum on the gross value of the Fund's assets (from \$300 million).

This fee is calculated and accrued daily and paid to the Responsible Entity monthly in arrears from the Fund's assets. This fee is subject to a minimum monthly fee of \$3,500 (increasing to \$4,000 per month after 12 months from the date of the PDS and \$5,000 per month after 24 months after the date of the PDS).

All minimum fees payable to the Responsible Entity are subject to annual CPI increases on 1 July of each year (commencing on 1 July 2025).

For each \$50,000 investment (assuming a fund size of \$200 million), the Responsible Entity would receive a fee of \$24 for the annual period.

#### (d) Custody fee

The Responsible Entity is also entitled to receive a custody fee for acting as custodian. The custody fee will be as follows:

- (i) 0.03% per annum on the gross value of the Fund's assets (up to \$100 million)
- (ii) 0.02% per annum on the gross value of the Fund's assets (from \$100 million to \$250 million), and
- (iii) 0.015% per annum on the gross value of the Fund's assets (from \$250 million).

This fee is calculated and accrued daily and paid to the Responsible Entity monthly in arrears from the Fund's assets.

This fee is subject to a minimum monthly fee of \$2,000, subject to annual CPI increases on 1 July of each year (commencing on 1 July 2025).

For each \$50,000 investment (assuming a fund size of \$200 million) the Responsible Entity would receive a fee of \$13 for the annual period.

#### (e) Expenses

Expenses fall within management fees and costs, and includes the following:

- (i) Administrator fees.
- (ii) Registry fees.
- (iii) ASIC fees.
- (iv) Accounting, taxation and audit fees of the Fund.
- (v) research and ratings fees.

All ordinary expenses of the Fund will be paid from the Fund's assets.

It is expected that the ordinary expenses of the Fund will be 0.10% per annum of the gross value of the assets of the Fund attributable to the Units, based on the Fund having a gross asset value attributable to the Units of \$200 million.

On some occasions the Responsible Entity may also incur abnormal or infrequent expenses such as costs associated with any meetings of Unitholders, costs of litigation to protect Unitholders' rights, costs to defend claims in relation to the Fund, legal fees, once off or non "business as usual" fees, and termination and wind up costs. These Abnormal Expenses will be paid from the Fund's assets when incurred, or reimbursed from the Fund's assets to the Responsible Entity or Manager (as the case may be) as permitted by the Constitution and Investment Management Agreement. No estimate has been made in respect of abnormal expenses.

For each \$50,000 investment, \$49 would be paid from the Fund's assets for ordinary expenses of the Fund for the annual period.

#### (f) Indirect costs

Indirect costs are fees, costs, expenses and other amounts which the Responsible Entity estimates are paid from, or incurred by the Fund, which (directly or indirectly) reduce the return of Fund. These include amounts incurred in making direct investments and management fees and costs charged by investing in an interposed vehicles. The Responsible Entity estimates the Fund's indirect costs will be nominal.

#### (g) Transactional costs

Transaction costs are costs incurred by the Fund and for dealing with the Fund's assets. These costs include brokerage and Buy Sell Spreads of investments and include the transaction costs of interposed vehicles. The Fund's total gross transaction costs are estimated to be 0% per annum. The transaction costs shown in Section 6 of the PDS are shown net of any amount recovered through the Buy Sell Spread. As stated in Section 6 of the PDS, the Responsible Entity estimates the Fund will not incur any additional transactional costs above the Sell Spread of 0.10%. Any transaction costs not recovered by the Buy Sell Spread will be an additional cost to the Unitholder. Unitholders will be advised of any changes which may take the form of a notice on the Responsible Entity's website.

#### Responsible Entity's retirement or removal fee

The Responsible Entity is entitled to be paid a retirement or removal fee if it is replaced in certain circumstances. This fee equates to the amount of the balance of the responsible entity fee and the balance of the custody fee it would have received if it had remained the Responsible Entity and custodian of the Fund for four years from the date the first Unit is issued pursuant to this PDS if:

- (i) it is removed as the responsible entity of the Fund other than for gross negligence or for a material breach of fiduciary duty to Unitholders which causes them substantial loss; or
- (ii) it retires as the responsible entity of the Fund at the request of the Manager in accordance with the Investment Management Agreement.

The amount of the retirement or removal fee is determined based on the gross value of the Fund's assets at the time the fee becomes payable. If the retirement or removal fee becomes payable, then it will be an expense of the Fund and must be paid out of the Fund assets.

In the following example it is assumed that:

- (i) the retirement or removal fee becomes payable 24 months after July 2024;
- (ii) the minimum responsible entity fee has increased by 3% each year from 1 July 2025;
- (iii) the minimum custody fee has increased by 3% each year from 1 July 2025; and
- (iv) at the time the retirement or removal fee becomes payable, the gross value of the assets of the Fund is \$150,000,000.

Here, the Responsible Entity would be entitled to a retirement or removal fee of \$237,350. Unless stated otherwise, the example above is calculated net of GST and RITC and is provided for illustrative purposes only and does not represent any actual or prospective retirement or removal fee amount. You should not rely on this example in determining whether to invest in the Fund.

## Goods and services tax

Unless otherwise stated, all fees set out in this section and in Section 6 of the PDS are quoted inclusive of any GST and net of any ITCs and RITCs. This includes GST, net of input tax credits or reduced input tax credits as applicable. The Fund may not be entitled to claim a full input tax credit in all instances. Further information on the tax implications associated with an investment in the Fund is set out in Section 7.

## Waiver or deferral of fees

The Responsible Entity and the Manager may, in their discretion, accept lower fees and expenses than they are entitled to receive, or may defer payment of those fees and expenses for any time. If payment is deferred, then the fee will accrue until paid.

## Wholesale Investors

The Manager may negotiate with Wholesale Investors on an individual basis, in relation to rebates on fees in circumstances permitted by the Corporations Act or applicable relief granted by ASIC. In the event rebates are offered, they will be paid by the Manager and therefore will not affect the fees paid by, or any distributions to, other Unitholders.

## Changes to fees and costs

The Responsible Entity (in limited circumstances) may change the fees and expenses of the Fund referred to in this PDS. The Responsible Entity will provide Unitholders at least 30 day's notice of any proposed increase in fees or expense recoveries or introduction of new fees.

Under the Constitution, the Responsible Entity is entitled to an increased responsible entity fee where One Managed Investment Funds Limited is not the responsible entity of the Gryphon Capital Income Trust ARSN 623 308 850. In such a circumstance, the responsible entity fee would be calculated as follows:

- (i) 0.06% per annum on the gross value of the Fund's assets (up to \$150 million); plus
- (ii) 0.03% per annum on the gross value of the Fund's assets (from \$150 million).

Subject to a minimum monthly fee of \$4,000 (increasing to \$5,000 per month after 12 months of the date of the Constitution).

## Other expenses and benefits

When permitted by law the Responsible Entity or the Manager may receive and retain other monetary and non-monetary benefits from third party service providers engaged to provide services to the Fund (such as brokers), including capital introduction services, contributions to marketing campaigns, fee rebates, invitations to events, travel expenses, research and data services, provision of software and/or computer hardware and other information technology related services. These benefits are received pursuant to the appointment of the third party service provider and all such appointments are only made where the Responsible Entity and/or the Manager considers there is a benefit to the Fund for making such appointment and that the quality of the service being provided to the Fund is of a quality that the Responsible and/or the Manager considers is equal to or better than industry standard. Service providers of the Fund may also receive benefits from their own service providers and counter-parties.

You may request particulars of any benefits payable to the Responsible Entity or the Manager in respect of a particular product or service, however, the Responsible Entity will not account to Unitholders for any amounts or benefits received and retained, if in its reasonable opinion, it is not possible to quantify in dollar terms the extent of any such monetary and/or non-monetary benefits.

## 6. Risks

### 6.1 Overview

An investment in the Fund carries risk. Risks can be categorised as being specific to the Fund, broader risks which affect the Fund and general risks associated with investing in the fixed income market. Many of these risks are outside the control of the Responsible Entity, the Manager and their respective directors and officers. Consequently, the Units offered under the PDS carry no guarantee in respect of profitability, distributions or return of capital. Neither the Responsible Entity, the Manager nor their directors nor any party associated with the preparation of the PDS and this AIB warrants that the Investment Objective will be achieved.

In addition, to the extent that statements in the PDS or this AIB constitute forward-looking statements, these statements involve known and unknown risks, uncertainties and other factors that may cause the Fund's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by forward-looking statements. Although the Responsible Entity and the Manager each believes the expectations reflected in any forward-looking statements are reasonable, neither can guarantee future results, levels of activity, performance or achievements, or that historic results will be repeated.

Investors should consider whether the Units offered by the PDS are a suitable investment, having regard to their own individual investment objectives, financial circumstances and the risk factors set out below.

The list below highlights the more significant and material risks; however, the list may not be exhaustive. Other less significant or less probable factors may also impact the Fund's financial performance, financial position or cash flow. Should any or all of these risk factors materialise, the value of Units may be adversely affected.

Investors should read the PDS and this AIB in their entirety and consider the following risk factors and, if necessary, consult their accountant, financial adviser, stockbroker, lawyer or other professional adviser prior to making an investment in the Fund.

Investments are subject to many risks, not all of which can be predicted or foreseen. Some of the more significant risks associated with investing in the Fund, more properly described below, include:

- (a) risks relating to the Investment Strategy and the Manager
- (b) risks relating to the Fund, and
- (c) risks relating to the Portfolio.

### 6.2 Significant risks relating to the Investment Strategy and the Manager

The Investment Strategy adopted by the Manager on behalf of the Fund includes inherent risks. These include, but are not limited to the following:

- (a) The Fund's success and profitability is reliant upon the ability of the Manager to devise and maintain a Portfolio that achieves the Investment Objective and Investment Strategy.
- (b) The ability of the Manager to manage the Portfolio in accordance with the PDS, its mandate and the law which may be compromised by such events as the loss of its AFSL or registrations.
- (c) The Portfolio may not be as diversified as other unlisted investment entities.

There is no guarantee the Investment Strategy will be managed successfully or will meet the Investment Objective. Failure to do so could negatively impact the performance of the Fund. Even if the Manager fails to achieve the Target Returns, it may be difficult to remove the Manager.

The Manager may not manage the Portfolio in a manner that consistently meets the Investment Objective over time. In addition, the Manager may cease to manage the Portfolio, requiring the Responsible Entity to find an alternative replacement manager, and this may affect the Fund's success and profitability.

### 6.3 Significant risks relating to the Fund

#### (a) No guarantee the Manager will find suitably priced investments

There is no guarantee that the Manager will find sufficient investments for the Fund at suitable prices to deliver the Investment Objective.

#### (b) Service provider risk

The operation of the Fund relies on the successful performance of the Responsible Entity's contracts with service providers. Refer to Section 8.3 for details on the material agreements. The Fund could be exposed to the risk of loss if a counterparty does not meet its obligations, including due to insolvency, financial distress or a dispute over the terms of the contract or the termination of any of the material agreements and there can be no assurance that the Responsible Entity would be successful in enforcing its contractual rights. In the case of a counterparty default, the Fund may also be exposed to adverse market movements while the Responsible Entity sources replacement service providers.

In particular, the performance of Gryphon under the sub-management agreement will be integral to the success of the Fund.

#### (c) Distribution risk

Distributions will be paid at the discretion of the Responsible Entity. The Responsible Entity's ability to pay a distribution from the Fund is contingent on the income the Fund receives from the Portfolio. No guarantee can be given concerning the future earnings of the Fund, the earnings or capital appreciation of the Portfolio or the return of your investment. The Manager may make poor investment decisions which may result in the Fund's return being inadequate to pay distributions to Unitholders.

#### (d) Potential conflict of interest

The Manager and Gryphon are also the manager of other client accounts and funds and applies the same investment process in managing each of these mandates as it applies to the Fund. While the Manager and Gryphon have implemented policies and procedures to identify and mitigate conflicts of interest, it is possible the Manager and Gryphon may, in the course of its business, have potential conflicts of interest which may not be managed effectively and may be detrimental to the Fund and its Unitholders. The Manager and Gryphon have developed an allocation policy (see Section 3.6) to provide reasonable assurance that investments will be allocated appropriately and fairly among its clients.

#### (e) Regulatory approvals

All regulatory approvals for the continued operation of the Fund, including licenses or exemptions from licensing for the Manager have been obtained and neither the Responsible Entity nor the Manager are aware of any circumstances which might give rise to the cancellation or suspension of any of those approvals. If any of the approvals are cancelled or suspended, then the Fund may be adversely affected.

#### (f) Redemption risk

The Responsible Entity expects the Fund to be Liquid which means Unitholders are able to submit withdrawal requests and they should be accepted on the same Business Day (provided received prior to 2.00pm on that Business Day), and paid within 5 Business Days (or later if circumstances require).

If at any time the Portfolio comprises 20% or more of illiquid assets, then the Fund will not be considered to be Liquid, in which case Unitholders will only be able to withdraw from the Fund if the Responsible Entity makes a withdrawal offer.

### 6.4 Significant risks relating to the Fund's investments

The following risks relate to an investment in the Fund and may impact the performance of the Fund:

#### (a) Market risk

The underlying investments comprised in the Portfolio are subject to market risk. The Fund is therefore at risk that market events may affect performance and in particular may affect the value of the Fund's investments. Market risk is risk associated with changes in market prices or rates, including interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, national and international political circumstances. While the Fund, through its investments, holds a portfolio of assets, any of these factors including specific market events, such as the global financial crisis and levels of sovereign debt, may be materially detrimental to the performance of the Portfolio.

#### (b) Reinvestment risk

A key determinant of an investment's yield is the price at which an investment is purchased and, therefore, when the market price of securities increases, the yield of the security if it were purchased on that day decreases.

As such, the overall yield of the Portfolio, and therefore the level of distributions payable to Unitholders, would fall to the extent that the market prices of securities generally rise and the proceeds of securities held by the Fund that mature or are sold are not able to be reinvested in securities with a yield comparable to that of the Portfolio as a whole.

#### (c) Asset backed securities

The value of an RMBS and ABS can be affected by a number of factors, including:

- (i) changes in the market's perception of the underlying assets backing the security (for example, RMBS are particularly at risk from a decline in the housing market)
- (ii) economic and political factors such as interest rates and levels of unemployment and taxation which can have an impact on the arrears, foreclosures and losses incurred with respect to the pool of assets backing the security

- (iii) changes in the market's perception of the adequacy of credit support built into the security's structure to protect against losses caused by arrears and foreclosures
- (iv) changes in the perceived creditworthiness of the Originator, of the underlying security or any other third parties to the transaction, and
- (v) the speed at which mortgages or loans within the pool are repaid by the underlying borrowers (whether voluntary or due to arrears or foreclosures).

At times of rapid changes in market conditions it may be difficult to value certain RMBS and ABS and values may fluctuate considerably, with market prices quickly becoming out of date and not reflecting the value which would be realised on a sale of the relevant investments in such market conditions. The value of the Portfolio will be determined regularly based on prices at which its investments trade in the wholesale market and, accordingly, falls in the market price will result in a corresponding fall in the Fund's NAV.

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

Some RMBS and ABS structures contain derivatives and other exposures to third parties that may impact on the credit performance or rating of any given security and a default by such a counterparty or change in the value of the derivative contract may increase the risk of loss given a default of the RMBS/ABS which may impact the Fund's NAV and returns to Unitholders.

The investment characteristics of RMBS and ABS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, very often monthly or quarterly, and that principal may be prepaid at any time because the underlying loans are often capable of being prepaid at any time.

#### **(d) Due diligence process**

The due diligence process the Manager undertakes in connection with its investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, the Manager conducts due diligence to the extent it deems reasonable and appropriate based on the applicable facts and circumstances. The objective of the due diligence process is to identify attractive investment opportunities. When conducting due diligence, the Manager evaluates a number of important issues, which may include business, financial, tax, accounting, environmental, regulatory and legal issues in determining whether or not to proceed with an investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Manager is required to rely on resources available to it, including information provided by internationally recognised rating agencies and other independent sources including issuers, Originators and investment bank analysts. The due diligence process may at times rely on limited or incomplete information.

Accordingly, the Manager cannot guarantee the due diligence investigation it carries out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity.

Any failure by the Manager to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which could have a material adverse effect on the Fund's profitability, NAV and Unit price.

#### **(e) Credit risk**

The Fund may invest in ABSs comprising debt securities issued by companies, trusts or other investment vehicles which, compared to bonds issued or guaranteed by governments, are generally exposed to greater risk of default in the repayment of the capital provided to the issuer or interest payments due to the Fund.

The amount of credit risk is usually measured by the issuer's credit rating which is assigned by one or more internationally recognised rating agencies. This does not amount to a guarantee of the issuer's creditworthiness but is intended to be an indicator of the rating agencies' opinion of the likelihood of default. Securities which have a lower credit rating are generally considered to have a higher credit risk and a greater probability of default than more highly rated securities. There is a risk that an internationally recognised rating agency may assign incorrect or inappropriate credit ratings to issuers. Issuers often issue securities which are ranked in order of seniority which, in the event of default, would be reflected in the priority in which investors might be paid back.

The level of defaults in the Portfolio and the losses suffered on such defaults may increase in the event of adverse financial or credit market conditions. In the event of a default under an ABS, the Fund's right to recover under the ABSs will depend on the ability of the Responsible Entity to exercise any rights that it has against the issuer.

#### **(f) Valuation risk**

ABSs will be valued in accordance with the Fund's valuation policy which includes wherever possible using independent security pricing sourced from third parties. However, estimates of the fair value of such securities are inherently difficult to establish and are the subject of substantial uncertainty.

#### **(g) Hedging risk**

The Manager may use derivatives and other hedging techniques for hedging purposes only and not for market speculative purposes in an attempt to increase returns. The Fund may also be exposed to the risk that the counterparties with which the Fund trades may cease making markets and quoting prices in such instruments, which may render the Fund unable to enter into an offsetting transaction with respect to an open position. Although the Manager will select the counterparties with which it enters into hedging arrangements with due skill and care, the residual risk that the counterparty may default on its obligations remains.

Derivatives (including but not limited to forwards and swaps) are highly specialised instruments that require investment techniques and risk analyses different from those associated with debt securities. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself.



In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative transaction adds to a portfolio. There can be no guarantee or assurance that the use of derivatives will assist in meeting the Investment Objective.

**(h) Economic conditions**

Changes in underlying economic conditions including, for example, interest rates, rates of inflation, industry conditions, house prices, unemployment, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely or favourably affect the Fund's prospects and the value of the Portfolio and the Units.

**(i) Investment risk**

The value of an investment in the Fund and/or the Portfolio may fall over the short or long term for a number of reasons, including the risks set out in this Section and Section 6.2, which means that you may receive less than your original investment when you sell your Units. The price of individual financial instruments may fluctuate or underperform other asset classes over time. A Unitholder is exposed to these risks through the life of their holding of Units and through the Fund's investment strategies and policies.

**(j) Interest rate risk**

The Manager will primarily invest the Fund in floating rate loans meaning that as the underlying base rate rises and falls, the relative attractiveness to other instruments may change. There is a strong correlation between the 1 month Bank Bill Rate and the base rates upon which the floating rate RMBS and ABS monthly interest rates are reset. Absolute returns on floating rate RMBS and ABS therefore rise and fall largely in correlation with the 1 month Bank Bill Rate. It is possible for the 1 month Bank Bill Rate to become negative. Should this occur, the negative amount will be taken into account in calculating the Target Return and therefore Fund distributions.

**(k) Liquidity risk**

The Fund is exposed to liquidity risk in relation to the investments within its Portfolio. If a security cannot be bought or sold quickly enough to minimise potential loss, the value of the Portfolio may be adversely affected.

**(l) Leverage risk**

The Manager does not intend to use long-term debt to enhance returns but may use debt in limited circumstances (see Section 3.5). For example, the Manager does not intend to use debt unless it has also planned to raise new capital from the issue of new Units which will be used to repay any borrowings. If a proposed capital raise is not successful, then any leverage can magnify the gains and losses achieved in the Portfolio.

**(m) Risk Related to Coronavirus Disease (COVID-19)**

Recently the spread of COVID-19 has resulted in a global economic downturn primarily caused from volatility in the global financial markets. Any developments with respect to COVID-19, any pandemic outbreaks or country lockdowns may adversely affect the performance of the Fund and its investments. Any market disruptions may also prevent or delay the Manager from executing valuable investment decisions.

**OTHER RISK FACTORS**

**(a) Litigation risks**

From time to time, the Responsible Entity may be involved in litigation. This litigation may include, but is not limited to, contractual claims. If a claim is pursued against the Responsible Entity, the litigation may adversely impact on the profits and financial performance of the Fund. Any claim, whether successful or not, may adversely impact on the Fund's Unit price and/or the return on your investment.

**(b) Cyber risk**

There is a risk of fraud, data loss, business disruption or damage to the information of the Fund or registry provider or to Unitholders' personal information as a result of a threat or failure to protect this information or data.

**(c) General risks**

The performance and profitability of the Fund may be affected by many factors including the fact that the value of the Portfolio may vary over time. This may result in either an increase or decrease in the value of Units and ultimately the value of your investment, which may result in the loss of income and the principal you initially invested. Other factors which may impact on the value of the Units include asset risk, concentration risk, credit risk, counter-party risk, Manager risk, risks pertaining to the engagement of the Manager, the ability of the Manager to invest in appropriate investments which will meet the Investment Objective. The Responsible Entity and the Manager do not guarantee the return of capital, any rate of return in terms of income or capital or the investment performance of the Fund.

**(d) Timeframe for investment**

Unitholders are strongly advised to regard any investment in the Fund as a medium-term proposition (one year or more) and to be aware that, as with any investment, substantial fluctuations in the value of their investment may occur over that period and beyond. In addition, the above list of risk factors ought not to be taken as exhaustive of the risks faced by the Fund or by Unitholders in the Fund. The above factors, and others not specifically referred to above, may in future materially affect the financial performance of the Fund and the value of the Units. Therefore, there is no guarantee with respect to the payment of distributions, returns of capital or the market value of the Units.

## 7. Taxation

### 7.1 Australian Taxation Implications

The comments in this Section 7 are based on the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, *Taxation Administration Act 1953*, *A New Tax System (Goods and Services Tax) Act 1999* and the relevant stamp duties legislation as at the date of the PDS.

The following information summarises some of the Australian taxation issues you may wish to consider before making an investment in the Fund and assumes that you hold your investment in the Fund on capital account and are not considered to be carrying on a business of investing, trading in investments, or investing for the purpose of profit making by sale. The information should be used as a guide only and does not constitute professional tax advice as individual circumstances may differ.

This summary is based on the taxation laws as at the date of this AIB. Investing in a registered managed investment scheme is likely to have tax consequences. However, it is noted that taxation laws can change at any time, which may have adverse taxation consequences for Unitholders concerned. It is recommended that Unitholders seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Fund.

### 7.2 Australian Taxation Treatment of the Fund

#### (a) General

The Fund currently qualifies as a Managed Investment Fund (MIT) as defined in the income tax law. The Responsible Entity intends to make an irrevocable choice to elect into the Attribution Managed Investment Fund (AMIT) taxation regime.

The AMIT provisions are an elective income tax regime for qualifying MITs that provide for flow-through taxation to Unitholders. The Fund or the Responsible Entity of the Fund should not be subject to tax on the net (tax) income of the Fund for the relevant year. Rather, the Unitholders should be subject to tax on their share of the net (tax) income of the Fund for the relevant year. The share is determined based on the attribution of the different income characters by the Fund to the Unitholders.

#### (b) Attribution Managed Investment Funds

The Responsible Entity intends to make an irrevocable election to apply the AMIT provisions. If the Responsible Entity makes this election, the following will apply in respect of the Fund:

##### (i) Fair and reasonable attribution

Each year, the Fund's determined Fund components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) will be attributed to Unitholders on a "fair and reasonable" basis, having regard to their income and capital entitlements in accordance with the Fund's constituent documents.

##### (ii) AMMA Statement

The amounts attributed to Unitholders each year will be disclosed in an AMIT Member Annual Statement (AMMA Statement). This statement will be provided to Unitholders no later than three months after the end of the relevant income year. The amounts attributed to Unitholders from the Fund as disclosed in the AMMA Statement should be taken into account in their taxable income calculation for the relevant year of income. The amounts attributed to Unitholders should retain the character they had in the Fund for Australian income tax purposes.

##### (iii) Unders or overs adjustments

Where the Fund's determined Fund components for a year are revised in a subsequent year (e.g. due to actual amounts differing to the estimates of income, gains / losses or expenses), then unders and overs may arise. Unders and overs can generally be carried forward and adjusted in the year of discovery.

##### (iv) Cost base adjustments

Where the cash distribution made is less than (or more than) taxable components attributed to Unitholders in respect of an income year, then the cost base of a Unitholder's Units may be increased (or decreased). Details of net annual tax cost base adjustments will be included in a Unitholder's AMMA Statement for the relevant income year.

##### (v) Public trading trust rules

The Fund does not intend to derive income other than from an "eligible investment business". Accordingly, it should not be subject to tax as a public trading trust. Further, the Responsible Entity will seek to ensure it does not control entities that carry on trading activities.

##### (vi) Losses

In the case where the Fund makes a tax loss for Australian tax purposes, the Fund cannot distribute the tax losses to Unitholders. However, the tax loss may be carried forward by the Fund for offset against net tax income of the Fund in subsequent years, subject to satisfaction of any loss utilisation rules that may be applicable for the relevant period.

##### (vi) Taxation of Financial Arrangements (TOFA)

The TOFA rules apply to financial arrangements held by the Fund when calculating its assessable income. Broadly, the TOFA rules may impact the timing of the recognition of gains and losses in the Fund for tax purposes and should generally also treat relevant gains and losses as being on revenue account. On the basis that the Fund will not make any tax timing elections pursuant to the TOFA rules, the income and gains from financial arrangements should be determined on a compounding accruals basis or realisation basis, depending on whether the returns are sufficiently certain. Given the Fund primarily invests in underlying financial instruments and debt arrangements, the assessable components distributed or attributed from the Fund should primarily be in the form of interest income and revenue gains from financial arrangements.

## 7.3 Australian Taxation of Australian Resident Unitholders

### (a) Distributions – AMIT

The AMIT provisions require the determined trust components of the Fund, including assessable components, to be attributed to Unitholders on a fair and reasonable basis, having regard to their income and capital entitlements in accordance with the constituent documents. The Responsible Entity will seek to attribute taxable components having regard to the Units held by Unitholders, entitlements to income and capital, as well as cash distributions made to such Unitholders during the relevant period. Under the AMIT provisions, a Unitholder may be taxable on their share of the Fund's net (tax) income prior to receiving distributions from the Fund.

### (b) Capital gains

Given the Fund primarily invests in underlying financial instruments and debt arrangements, a Unitholder's share of the net (tax) income of the Fund should generally not include any amount of capital gains.

### (c) Non-assessable distribution payments – AMIT

Under the AMIT provisions, a Unitholder's cost base in their Units held is increased where taxable components are allocated to them. The cost base is decreased where cash distribution entitlements are made to the Unitholder in respect of their Units, irrespective of whether the amounts distributed are classified as income or capital.

The net annual tax cost base adjustment amount will be detailed in an AMMA tax statement, which will be sent annually to Unitholders within three months after the end of the relevant income year.

### (d) Disposal of Units by Australian resident Unitholders

If an Australian resident Unitholder transfers or redeems their Units, this will constitute a disposal for tax purposes. Where a Unitholder holds their Units on capital account, a capital gain or loss on the disposal may arise and each Unitholder should calculate their capital gain or loss according to their own particular facts and circumstances. A capital gain is made from the disposal or redemption where the capital proceeds from the disposal or redemption of Units are greater than the cost base of the relevant Unit. A capital loss is made from the disposal or redemption where the capital proceeds from the disposal or redemption of Units are less than the reduced cost base of the Units. In order to determine their capital gain or capital loss position from the disposal or redemption of any Units, Unitholders will need to adjust the tax cost of each Unit in the Fund for any non-assessable distributions or distribution shortfall amounts in respect of that Unit. Note, a discount may be available for certain Unitholders in calculating their net capital gain. Such a discount is available on capital gains made on Units (after the application of capital losses) where the Units have been held for at least 12 months. The discount is 50% for Australian resident individuals and Funds, and 33.33% for complying superannuation funds.

Any capital losses arising from the disposal of the investment may be used to offset other capital gains the Unitholder may have made. Net capital losses may be carried forward for offset against capital gains of subsequent years subject to the satisfaction of any loss utilisation rules but may not be offset against revenue income.

### (e) Goods and Services Tax (GST)

The Fund is registered for GST. The acquisition and disposal of Units by Unitholders should not be subject to GST. Similarly, the distributions paid by the Fund should not be subject to GST. GST is payable on some ongoing expenses, however the Fund may be able to claim a reduced input tax credit (**RITC**) on some of the GST paid, depending on the precise nature of the expenses incurred. All fees and expenses are quoted inclusive of GST.

### (f) Duty

Unitholders should confirm the duty consequences of the issue, redemption or transferring Units with their taxation adviser.

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

As the Fund will be an investment body for income tax purposes, the Fund will be required to obtain a TFN or ABN in certain cases from its Unitholders.

It is not compulsory for a Unitholder to quote their TFN or ABN. If a Unitholder is making this investment in the course of a business or enterprise, the Unitholder may quote an ABN instead of a TFN. Failure by a Unitholder to quote an ABN or TFN or claim an exemption may cause the Responsible Entity to withhold tax at the top marginal rate, plus levies, on gross payments including distributions of income to the Unitholder. The Unitholder may be able to claim a credit in their tax return for any TFN or ABN tax withheld. Collection of TFNs is permitted under taxation and privacy legislation.

### (h) Annual Investment Income Report (AIIR)

The Responsible Entity is required to lodge annually an AIIR for the Fund to the ATO containing Unitholder identity details and investment income paid to Unitholders for the relevant financial year.

## 8. Additional Information

### 8.1 Disclosure of interests

Other than as set out in the PDS and this AIB, there are no existing agreements or arrangements and there are no currently proposed transactions in which the Responsible Entity was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest. The Investment Management Agreement and other material contracts have been entered into on arm's length terms between the Responsible Entity and the Manager.

### 8.2 Conflicts of interests and related party transactions

The Responsible Entity and the Manager may from time-to-time face conflicts between their duties to the Fund as the responsible entity or the manager, their duties to other funds they manage (if applicable) and their own interests. The Responsible Entity and the Manager will manage any conflicts in accordance with its conflicts of interest policy, the Constitution, ASIC policy and the law.

For example, Gryphon currently manages the Gryphon Capital Income Trust (ASX:GCI) and holds mandates for institutional clients to invest funds held in separately managed accounts. It is possible some of the mandates for GCI and institutional clients will be similar to the investment mandate of the Fund. The Manager has developed an allocation policy and a conflicts of interest policy to provide reasonable assurance that investments will be allocated appropriately and fairly among its clients.

Additionally, Massachusetts Mutual Life Insurance Company, the ultimate holding company of both Barings Australia and Gryphon, will provide a seed investment for the Fund of approximately \$50 million. This seed investment will be made through the acquisition of Units which will have the same terms as those issued under this PDS.

The Responsible Entity and Manager each maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest. The policy ensures that any actual or potential conflicts of interest are identified and appropriately dealt with.

The Responsible Entity and Manager may from time-to-time enter into other transactions with related entities. All transactions will be effected at or better than market rates or at no charge, and in accordance with the Corporations Act. By investing in the Fund, to the maximum extent permitted by law, you will be deemed to have acknowledged the existence of such actual and potential conflicts of interest and to have waived any claim with respect to the existence of any such conflict of interest.

### 8.3 Summary of constituent documents

The following is a summary of material documents relevant to the Fund. You should consider whether it is necessary to obtain independent advice on any of the documents.

#### Constitution

The Constitution is the primary document governing the relationship between Unitholders and the Responsible Entity. It contains extensive provisions about the legal obligations of the parties and the rights and powers of each. Subject to the Constitution, a Unitholder has the following rights:

- The right to share in any distributions.
- The right to attend and vote at meetings of Unitholders.
- The right to participate in the proceeds of winding up of the Fund.

The Responsible Entity can amend the Constitution if it secures a special resolution of Unitholders or may do so without Unitholders' approval if the Responsible Entity reasonably considers the changes will not adversely affect Unitholders' rights or terminate the rights of Unitholders to share in the income and capital of the Fund.

A copy of the Constitution is available free of charge by calling the Responsible Entity on (02) 8277 0000.

#### Compliance plan

The Responsible Entity has a compliance plan for the Fund lodged with ASIC. The compliance plan describes the procedures used by the Responsible Entity to ensure it complies with the Corporations Act and Constitution, in the operation of the Fund.

#### Investment Management Agreement

The Responsible Entity has appointed the Manager to provide investment management services to the Fund pursuant to the Investment Management Agreement. The Investment Management Agreement contains provisions dealing with matters such as the Manager's obligations to report to the Responsible Entity.

The Investment Management Agreement will remain in force until the Fund is wound up, unless the agreement is terminated earlier in accordance with its provisions. The agreement can be terminated by the Responsible Entity if the Manager is in material breach of the agreement, and that breach has not been remedied after a certain time. There are also provisions allowing the Responsible Entity to terminate if, for example, the Manager becomes insolvent.

#### Sub-Investment Management Agreement

The Manager has entered into a sub-investment management agreement with Gryphon to appoint Gryphon as its delegate to provide all of the services the Manager is required to provide under the Investment Management Agreement. This agreement is on substantially the same terms as the Investment Management Agreement.

## 8.4 Change of responsible entity

A change of responsible entity for the Fund requires Unitholders to pass an extraordinary resolution to give effect to the replacement. An extraordinary resolution must be passed by at least 50% of the total votes that may be cast by Unitholders entitled to vote (including Unitholders who are not present in person or by proxy).

## 8.5 Privacy and collection and disclosure of personal information

The Privacy Act 1998 (Cth) regulates, among other things, the collection, disclosure and access to personal information.

Certain laws require the Responsible Entity to collect, store and disclose information about you (including personal information), for example, The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (**AML/CTF Law**), the Foreign Account Tax Compliance Act (**FATCA**) and the Tax Laws Amendment (Implementation of the Common Reporting Standard) Act 2016 (**CRS**). The Responsible Entity may be required under the AML/CTF Law to provide information about you (including personal information) to the Australian Transaction Reports and Analysis Centre (**AUSTRAC**), the body responsible for regulating the AML/CTF Law. In respect of Unitholders who are ordinarily resident in a country other than Australia, both FATCA and CRS may require the Responsible Entity to collect and disclose to the Australian Taxation Office (**ATO**) information about you (including personal information) obtained from you (see 'FATCA and CRS' below for more information).

If you do not provide the information requested in the Application Form, the Responsible Entity will not be able to process your application (including any application for additional Units) and your application may be delayed or rejected. Where applications are delayed or refused, the Responsible Entity is not liable for any loss you suffer (including consequential loss) as a result. Alternatively, if the Responsible Entity accepts your application to the Fund when you have not provided all of the requested information, the Responsible Entity may provide information about you to the relevant regulator.

The Responsible Entity will be required to share information about you (including personal information) with its service providers in respect of the Fund (including the Manager) to ensure you receive the appropriate information and assistance in respect of your holding in the Fund.

By applying to invest in the Fund, you consent to your information (including your personal information) being collected, used and disclosed by the registry provider and by the Responsible Entity for the purposes disclosed above and in the respective Privacy Policies.

You are entitled to access, correct and update all personal information the Responsible Entity holds about you. You can contact the Responsible Entity to find out what personal information it holds about you or if you have any concerns about the completeness or accuracy of the information the Responsible Entity holds. If you want the Responsible Entity to correct any personal information it holds, please contact the Responsible Entity using the details in this AIB.

A copy of the Responsible Entity's Privacy Policy is available on its website at [www.oneinvestment.com.au/BLIS](http://www.oneinvestment.com.au/BLIS) and a paper copy will be sent to you free of charge on request.

## 8.6 FATCA and CRS

In compliance with the U.S income tax laws commonly referred to as FATCA and the Intergovernmental Agreement signed with the Australian Government in relation to FATCA, the Fund will be required to provide information to the ATO in relation to:

- Unitholders that are US citizens or residents;
- entities controlled by US persons; and
- financial institutions that do not comply with FATCA.

The Fund intends to comply with FATCA obligations and to conduct appropriate due diligence (as required).

Where Unitholders do not provide appropriate information to the Fund, the Fund will also be required to report those accounts to the ATO.

The CRS is the single global standard for the collection, reporting and exchange of financial account information on non-residents. Under CRS, the Fund may need to collect and report financial account information on non-residents to the ATO. The ATO may exchange this information with the participating foreign tax authorities of those non-residents.

## 8.7 Indemnity

The Responsible Entity is indemnified out of the Fund against all liabilities incurred by it in properly performing or exercising any of its powers in the proper performance of its duties in relation to the Fund. This indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity. Subject to the law, the Responsible Entity may retain or pay out from the assets of the Fund any sum necessary to effect such an indemnity.

## 9. Glossary

TERM	MEANING
<b>\$</b>	Australian dollars. All amounts in this AIB are in Australian dollars unless otherwise stated.
<b>Abnormal Expenses</b>	Abnormal or infrequent expenses such as costs associated with any meetings of Unitholders, costs of litigation to protect Unitholders' rights, costs to defend claims in relation to the Fund, legal fees, once off or non "business as usual" fees, and termination and wind up costs.
<b>ABS</b>	Asset backed security.
<b>ADI</b>	Authorised deposit-taking institution.
<b>Administrator</b>	Unity Fund Services Pty Ltd ACN 146 747 122.
<b>AFSL or AFS licence</b>	Australian financial services licence.
<b>AML/CTF</b>	Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and other applicable anti-money laundering and counter terrorism laws, regulations, rules and policies which apply to the Responsible Entity.
<b>Application</b>	An application for Units under the PDS.
<b>Application Amount or Application Money</b>	Money submitted by applicants for Units under the Offer in cleared funds.
<b>Application Form</b>	The Application Form for investors to apply for Units under the Offer available at <a href="http://www.olivia123.com/applications/BLIS">www.olivia123.com/applications/BLIS</a> .
<b>Application Price</b>	The Unit price at which Units will be issued.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ATO</b>	Australian Taxation Office.
<b>AUSTRAC</b>	The Australian Transaction Reports and Analysis Centre.
<b>Business Day</b>	A day, other than a Saturday, Sunday or public holiday on which Australian banks are open for business in Sydney, Australia.
<b>Buy Spread</b>	The transaction costs associated with purchasing assets of the fund in order to issue units.
<b>CMBS</b>	Commercial mortgage backed security.
<b>Constitution</b>	The constitution of the Fund dated 17 May 2024, as amended from time to time.
<b>Corporations Act</b>	The Corporations Act 2001 (Cth) for the time being in force together with the regulations.
<b>CPI</b>	Consumer Price Index (All Groups) Sydney.
<b>CRS</b>	Common Reporting Standard.
<b>Eligible Investments</b>	<p>The investment products in which the Fund is able to invest, including:</p> <ul style="list-style-type: none"> <li>– RMBS issued by domestic securitisation programmes. This will include both prime and non-conforming RMBS notes;</li> <li>– CMBS issued by domestic securitisation programmes. This will include securities secured by pools of commercial mortgages;</li> <li>– ABS issued by domestic securitisation programmes. This will include securities secured by pools of motor vehicles, small ticket commercial and equipment finance securities;</li> <li>– Private RMBS and ABS are securities issued by warehouse Funds backed by pools of domestic residential mortgages or motor vehicles and equipment finance receivables;</li> <li>– Australian dollar denominated debt instruments issued by corporates, financial instruments or special purpose vehicles;</li> <li>– cash or cash equivalents.</li> </ul>
<b>FATCA</b>	U.S. income tax laws commonly referred to as the Foreign Account Tax Compliance Act.
<b>Fund</b>	Barings Liquidity Investments Strategy ARSN 677 446 034.
<b>Gryphon</b>	Gryphon Capital Investments Pty Ltd ACN 167 850 535 AFSL 454552, a Barings company.
<b>GST</b>	Goods and Services Tax.

TERM	MEANING
<b>Investment Guidelines</b>	The investment guidelines of the Fund as set out in Section 3.5.
<b>Investment Management Agreement</b>	The agreement dated 17 July 2024 between the Fund and the Manager, a summary of which is included in Section 8.3.
<b>Investment Objective</b>	The objectives that the Fund seeks to achieve through its investments, as set out in Section 3.2.
<b>Investment Strategy</b>	The investment strategy of the Fund, as set out in Section 3.3.
<b>Liquid</b>	Has the same meaning as in the Corporations Act, including that the Fund will be liquid if at least 80% of its assets are liquid assets, being: <ul style="list-style-type: none"> <li>– money in a bank account;</li> <li>– bank accepted bills;</li> <li>– marketable securities (as defined in Section 9 of the Corporations Act); or</li> <li>– assets that the Responsible Entity reasonably considers can be realised at market value within the time provided in the Constitution.</li> </ul>
<b>LMI</b>	Lenders mortgage insurance.
<b>LTV</b>	Loan to value which is a measure of the size of the principal outstanding on the loan relative to the value of the underlying security supporting the loan.
<b>Manager or Barings Australia</b>	Barings Australia Pty Ltd ACN 140 045 656 AFSL 342787.
<b>Net Asset Value or NAV</b>	The net asset value of the Fund, being the value of Fund's assets less the Fund's total liabilities, as adjusted in accordance with the Fund's Constitution.
<b>Offer</b>	The offer for Units made under the PDS.
<b>Originator</b>	In respect of a securitisation, the originator is the party who originally held the assets which form the collateral (or security) for the bond issue.
<b>PDS</b>	The product disclosure statement for the Fund dated 23 July 2024 for the Offer.
<b>Portfolio</b>	The portfolio of investments of the Fund from time to time.
<b>Private RMBS and Private ABS</b>	RMBS and ABS funding transactions which are negotiated between a senior financier, a mezzanine financier and the originator of the assets.
<b>RBA Overnight Cash Rate</b>	The interest rate which banks pay to borrow funds from other banks in the money market on an overnight basis as published by the Reserve Bank of Australia.
<b>Registry</b>	One Registry Services Pty Limited ACN 141 757 360.
<b>Responsible Entity</b>	One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042.
<b>Retail Investor</b>	An applicant for Units who is not a Wholesale Investor.
<b>RITC</b>	Reduced input tax credit.
<b>RMBS</b>	Residential mortgaged backed security.
<b>Sell Spread</b>	The transaction costs associated with selling assets in order to pay withdrawal proceeds.
<b>Target Return</b>	RBA Overnight Cash Rate plus 1.50%-2.00% (net of fees and costs) over rolling 12 month periods.
<b>TFN</b>	Tax file number.
<b>Unit</b>	An ordinary unit in the Fund.
<b>Unitholder</b>	A registered holder of a Unit.
<b>Withdrawal Price</b>	The Unit price at which Units will be redeemed.
<b>Wholesale Investors</b>	An applicant for Units to whom offers or invitations in respect of Units can be made without the need for a product disclosure statement under the Corporations Act.

## 10. Corporate Directory

### Responsible Entity

#### One Managed Investment Funds Limited

ACN 117 400 987 AFSL 297042

Level 16 Governor Macquarie Tower  
1 Farrer Place  
Sydney  
New South Wales 2000

### Manager

#### Barings Australia Pty Ltd

ACN 140 045 656 AFSL 342787

Level 19, 60 Castlereagh Street  
Sydney  
New South Wales 2000

### Registry

#### One Registry Services Pty Limited

ABN: 69 141 757 360

Level 16 Governor Macquarie Tower  
1 Farrer Place  
Sydney  
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Visit the Fund's website [www.oneinvestment.com.au/BLIS](http://www.oneinvestment.com.au/BLIS) to view the latest Unit price, monthly Investment Updates, and research reports.

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