

Pendal MicroCap Opportunities Fund Product Disclosure Statement

APIR Code: RFA0061AU



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Updated information

Information in this Product Disclosure Statement (PDS) is subject to change from time to time. Information that is not materially adverse information can be updated by us. Updated information can be obtained by contacting your master trust or wrap account operator (for indirect investors), your financial adviser, going to our website, or calling us. You may request a paper copy of any updated information at any time, free of charge.

Pendal Fund Services Limited ABN 13 161 249 332, AFSL 431426 is the responsible entity of, and issuer of units in, the Pendal MicroCap Opportunities Fund ARSN 118 585 354 (Fund) and has prepared this PDS.

The information in this PDS is general information only and does not take into account your personal financial situation or needs. You may wish to consult a licensed financial adviser to obtain financial advice that is tailored to suit your personal circumstances.



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1. Pental MicroCap Opportunities Fund at a glance

| Product features | |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fund inception date | March 2006 |
| Fund objective | The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX Small Ordinaries (TR) Index over the medium to long term. |
| Suggested investment timeframe | 5 years or more |
| Costs of investing in the Fund | |
| Management fees and costs ¹ | 1.20% p.a. |
| Performance fees | 20% of the Fund's performance (before management fees) in excess of the performance hurdle ² . |
| Transaction costs | 0.00% p.a. |
| Establishment fee | Nil |
| Contribution fee | Nil |
| Buy-sell spread ³ | 1.10% |
| Withdrawal fee | Nil |
| Exit fee | Nil |
| Switching fee | Nil |
| Minimum investment requirements | |
| Minimum initial investment | \$25,000 |
| Distributions | |
| Frequency | Annually |
| Payment method | Automatically reinvested into additional units in the Fund; or paid directly into your nominated Bank Account. |
| Reporting | |
| Regular reporting | <ul style="list-style-type: none"> Confirmation of all applications and withdrawals A quarterly investment statement providing your account balance, transaction summary and distribution details (if any) |
| Annual tax reporting | <ul style="list-style-type: none"> Annual tax statement if the Fund has paid a distribution during the financial year |
| Annual Fund reporting | <ul style="list-style-type: none"> Annual investment statement Annual report for the Fund |
| Other information | |
| Unit pricing | Calculated each Business Day for the preceding Business Day |
| APIR code | RFA0061AU |

¹ There may be other fees and costs associated with an investment in the Fund. Please refer to 'Fees and other costs' section for full details.

² Please refer to 'Performance fee' in 'Fees and other costs' section for full details.

³ Please refer to 'Buy-sell spread' in 'Fees and other costs' section for full details.

2. About the Pental MicroCap Opportunities Fund

Investment objective and timeframe

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX Small Ordinaries (TR) Index over the medium to long term.

The suggested investment timeframe is five years or more.

Investment strategy

The Fund is actively managed and invests primarily in a portfolio of 40-60 Australian companies with market capitalisation or free float of generally less than \$250 million⁴ at initial investment that we believe are trading below their assessed valuation. The Fund may also invest in equivalent companies listed on the New Zealand Stock Exchange.

The Fund's holdings that become constituents of the S&P/ASX 200 Index will generally be sold within 18 months, having regard to the interests of investors.

Investment guidelines

| Asset classes ⁵ | Asset allocation ranges | | Benchmark |
|----------------------------|-------------------------|-----------|-------------------------------------|
| | Minimum % | Maximum % | |
| Australian Shares | 75 | 100 | S&P/ASX Small Ordinaries (TR) Index |
| Cash | 0 | 25 | |

Historical and current asset allocations are available on request.

Key benefits of the Fund

Investing in the Fund provides investors with:

- access to a professionally managed portfolio of micro cap shares
- potential for strong long-term capital growth and some income
- opportunity for diversification within their Australian equities portfolio.

Investors should be aware that due to the nature of micro cap companies there is some additional risk involved in investing in the Fund compared to a conventional Australian equities Fund. Please refer to page 5 for more information.

Fund performance

For up-to-date information on the performance of this Fund, including performance history and details of how we calculate performance, please visit www.pentalgroup.com, click on 'Products' and select the Fund. A copy of up-to-date Fund performance information is also available from our Client Services team free of charge on request.

Currency management

The Fund may have assets denominated in foreign currencies. This means that changes in the value of the Australian dollar relative to foreign currencies may affect the value of the assets of the Fund. Currency markets

can be extremely volatile and are subject to a range of unpredictable forces.

The Fund's foreign currency exposure may be hedged from time to time, in whole or part.

Derivatives

These are investments whose value is derived from other assets, such as shares and may be used as part of the portfolio management process. Futures contracts and options are examples of derivatives.

Derivatives may be used to reduce risk and can act as a hedge against adverse movements in a particular market and/or in the underlying asset. Derivatives can also be used to gain exposure to assets and markets.

While derivatives offer the opportunity for significantly higher gains from a smaller investment (because of the effective exposure obtained) they can also produce significantly higher losses, sometimes in excess of the amount invested.

Pental has policies and procedures on the use of the derivatives and is not permitted to use derivatives to gear the Fund.

Labour, environmental, social and ethical considerations

Pental does not have a predetermined view about what it regards as environmental, social (including labour standards), corporate governance and ethical factors (ESG factors). However, Pental incorporates an assessment of ESG factors in the Fund's investment process and portfolio construction to the extent that such factors are deemed material to the financial performance of an investment.

Our investment analysis may include ESG considerations such as board composition and skills, workplace health and safety, diversity and inclusion, stakeholder relations, exposure to environmental factors, regulatory risk, ethical conduct and culture.

Pental does not have a set approach or time frame to monitoring or reviewing the process of incorporating ESG factors in the Fund's investment process and portfolio construction. Where an ESG factor negatively impacts the current or future financial performance of an investment, we will consider whether to select, retain or sell it on a case by case basis.

Changes to Fund details

We have the right to close or terminate the Fund and change the Fund's investment return objective and strategy, benchmark, asset classes and asset allocation ranges and limits, without prior notice in some cases. We will inform investors of any material change to the Fund's details as required by law, which in some circumstances, may require prior notice to investors. Material changes notices are also available on our website at www.pentalgroup.com by clicking on 'Products', selecting the Fund and clicking on 'View fund information'. Refer to the 'Important Updates' section.

4 We consider micro cap companies to be those with a market capitalisation of generally less than \$250 million at the time they are first acquired on behalf of the Fund.

5 The reference to the Fund investing in an asset class includes all types of investments which give exposure to that asset and the related asset class, directly or indirectly, including through derivatives and investment in other funds (including other Pental funds), and through any type of investment which would ordinarily be understood in financial markets to be included in that class. For example,

investment in 'Australian shares' includes investment in Australian share futures, derivatives based on an index of Australian shares, or funds which invest primarily in Australian shares. 'Australian shares' also includes any shares, units or other securities listed on an Australian exchange or issued or guaranteed by an Australian entity. A statement that the Fund invests in a particular class of asset does not preclude investment in other types of assets where the responsible entity considers it appropriate to do so in the interests of investors.

3. About Pental Fund Services Limited

PENTAL

The future is worth investing in

Pental Fund Services Limited is the responsible entity for the Pental MicroCap Opportunities Fund (**Fund**). As responsible entity, it is responsible for overseeing the operations of the Fund.

Pental Institutional Limited (ABN 17 126 390 627) is the investment manager of the Fund. As the investment manager, it selects and manages the assets of the Fund and may appoint other managers to manage some or all of the Fund's assets.

4. Risks of investing in the Pental MicroCap Opportunities Fund

Understanding risks

All investments carry risk. The likely investment return and the risk of losing money is different for each managed investment scheme as different strategies carry different levels of risk depending on the underlying mix of assets that make up each fund. Those assets with potentially the highest long term return (such as shares) may also have the highest risk of losing money in the shorter term.

The significant risks for the Fund are:

| Type of risk | Explained |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest rate risk | Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets. Interest rates may directly or indirectly affect a company's cost of borrowings as well as the value of fixed interest securities. |
| Legal and regulatory risk | The risk that a change in laws and regulations governing a security, sector or financial markets could have an adverse impact on an investment. A change in laws or regulations can increase the costs of operating a business and/or change the competitive landscape. For example, a country may nationalise a business or industry which may result in investors losing some or all of their investment. |
| Liquidity risk | The risk that an investment may not be easily converted into cash with little or no loss of capital and minimum delay, because of either inadequate market depth or disruptions in the market place. Securities of small and microcap companies in particular may, from time to time, and especially in falling markets become less liquid. This means that it may not be possible to sell these investments or to do so within a particular timeframe to pay withdrawals. If this occurs, there can be delays in the payment of withdrawals. |
| Manager risk | The risk that the investment professionals employed to manage the Fund's investments will not perform to expectation or that changes to key investment personnel may have a material impact on the Fund's investment performance. |
| Market risk | The risk that the market price of an asset will fluctuate as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events and environmental and technological issues. Market risk may have different impacts on each type of asset, investment style and investor. |
| Operational and cyber security risk | <p>The Funds' operations may be adversely impacted by breakdowns in internal/external administrative processes or circumstances beyond our reasonable control, such as failure of technology or infrastructure, or natural disasters.</p> <p>Despite security measures, fraud, data loss/damage or business disruption may result from cyber threats against or unauthorised infiltration of our technology systems and networks or those of our service providers.</p> |
| Security risk | The risk that a particular asset that a Fund invests in may fall in value. When an investment in a company is made, an investor is exposed to risks such as a change in management or the loss of a significant customer. The value of fixed interest securities can also be affected by specific events such as changes in the perceived or actual creditworthiness of a particular issuer. The risks to which the company or issuer is exposed can result in a reduction in the value of your investment. |
| Small company risk | Shares in smaller companies may trade less frequently and in smaller volumes and may experience greater price volatility than shares in larger companies. Smaller companies may also have limited operating histories, markets, product lines or financial resources than larger companies. They may also depend heavily on key personnel. |

Risk can be managed but it cannot be completely eliminated. It is important to understand that:

- the value of your investment will go up and down;
- investment returns will vary and future returns may be different from past returns;
- returns are not guaranteed and there is always the chance that you may lose money on any investment you make; and
- laws affecting your investment in a managed investment scheme may change over time.

The appropriate level of risk for you will depend on your age, investment time frame, where other parts of your wealth are invested and how comfortable you are with the possibility of losing some of your money in some years.

5. Investing in the Pental MicroCap Opportunities Fund

Who can invest in the Pental MicroCap Opportunities Fund?

This Fund is available for investment by direct and indirect investors. Persons who invest in the Fund through a master trust or wrap account are referred to as indirect investors in this PDS.

The offer made in this PDS is generally only available to persons receiving this PDS (electronically or otherwise) within Australia. Other than as permitted by law, interests in the Fund will only be issued on receipt of an Application Form issued with this PDS. If you have received this PDS electronically, we will provide a free paper copy on request. Applications from outside Australia will generally not be accepted. This PDS does not constitute an offer or recommendation in any jurisdiction, or to any person to whom it would be unlawful to make such an offer or recommendation.

Direct investors

How to invest

Direct investors should complete the Application Form and relevant Form(s). You may request an Application Form by completing a form at www.pentalgroup.com (click 'Products', select the Fund and then click 'Apply') and an issuer representative will contact you. Payment details and methods are included in the Application Form. All other relevant forms can be obtained by clicking on Apply at www.pentalgroup.com/products.

If you are a non-advised investor (an investor without a financial adviser) investing directly in the Fund, the issuer representative will ask you a series of questions in order for us to understand whether you are likely to be within the target market for the Fund (**Target Market Assessment**) as described in the Fund's target market determination (TMD).

Once your Target Market Assessment is completed, we will inform you of the outcome of the assessment:

- if you are assessed as being likely to be in the target market for the Fund, an Application Form for the Fund will be issued to you
- if you are assessed as being unlikely to be in the target market for the Fund, you will not be issued an Application Form and will be unable to apply for units in the Fund.

Application money is paid into a non-interest bearing account upon receipt.

If we are unable to process an application because it is invalid (eg the Application Form is not signed), the transaction will not be processed and the application money will remain in the account until the correct documentation is received. For information on how we process invalid requests, see 'Processing – Invalid transaction requests'. If correct documentation is not received within one month, the application money will be returned to you by cheque – with no interest payable.

We have the right to reject any application or to accept only part of an application.

Minimum initial investment

The minimum initial investment amount is \$25,000.

Cooling-off period

If you are a retail client (as defined in the Corporations Act) investing directly in the Fund, you have a 14 day cooling-off period to confirm that your investment in the Fund meets your needs. If you exercise your cooling-off rights, we will return your money to you and no fees will apply. However, the amount you receive will reflect any movement (either up or down) in the unit price of the Fund which means that there may be tax implications for you.

The 14 day cooling-off period commences on the earlier of the end of the fifth Business Day after we issue the units to you or from the date you receive confirmation of your transaction.

Indirect investors

We authorise the use of this PDS as disclosure to persons who wish to access the Fund indirectly through an Investor Directed Portfolio Service (IDPS), IDPS-like scheme or a nominee or custody service (collectively referred to as master trusts or wrap accounts).

An investment in the Fund offered under this PDS through a master trust or wrap account does not entitle you to a direct interest in the Fund. This means that the rights that apply to a person who invests directly in the Fund are not available to you but rather to the operator or custodian of the master trust or wrap account.

The operator or custodian of the master trust or wrap account will be recorded in the register as the investor and will be the person who exercises the rights and receives the benefits of an investor.

Persons who invest through a master trust or wrap account may be subject to different conditions from those referred to in this PDS, particularly in regard to:

- how to transact on your investment (eg initial and additional investments and withdrawals)
- cooling-off period and rights (no cooling-off rights apply to any investments in the Fund acquired through a master trust or wrap account operator)
- distribution, processing and withdrawal timing
- cut-off times for transacting (eg applications and withdrawals)
- fund reporting and other documentation including notices about fee increases and other significant events (Fund reports and investor notices are sent to the master trust or wrap account operator who then provide information to indirect investors)
- fees and other costs (additional fees and expenses may be charged by the operator or custodian of the master trust or wrap account).

Investors in the master trust or wrap account should contact their financial adviser or master trust or wrap account operator for any investor queries.

How the Fund operates

Unit prices

How we calculate unit prices

Generally unit prices are calculated each Business Day for the preceding Business Day in accordance with the Fund constitution. The total value of the assets held in the Fund is divided into 'units' and a 'unit' price is calculated based on the value of the Fund's assets. Each unit carries an equal beneficial interest in the Fund as a whole but does not give an investor an interest in any particular assets of the Fund.

We have also adopted a unit pricing discretion policy setting out the principles that apply when we exercise discretions under the constitution. You can request a copy of the policy free of charge by calling our Client Services team or by downloading a copy at www.pendalgroup.com/UnitPriceDiscretionPolicy.

The overall effect for the Fund is that:

- prices are based on the value of the Fund's assets, generally as next calculated by us after each cut-off time
- asset values will usually be based on closing prices, where appropriate, other price quotes most recently available to us at the time we make the calculation
- entry prices are usually higher than exit prices. The difference is called a 'buy-sell spread'. Please refer to the 'Fees and other costs' section in this PDS for further information.

Entry and exit prices for each Business Day will be available at www.pendalgroup.com by clicking on 'Products' and selecting the Fund. Prices will usually be posted by the end of the next Business Day.

Distributions will be reinvested using the entry price for the last Business Day of the distribution period, adjusted to exclude the income to be distributed for the period and any buy-sell spread that would otherwise be included in the entry price.

Changes to unit pricing

We can change the way in which we calculate unit prices. Information regarding any such change will be available on our website or by calling our Client Services team. Prior notice will not ordinarily be provided.

Processing

Processing times

An application or withdrawal request will usually receive an entry price or an exit price (as applicable) calculated for the Business Day on which we accept the request. Entry and exit prices for each Business Day will be available at www.pendalgroup.com by clicking on 'Products' and selecting the Fund. Prices will usually be posted by the end of the next Business Day.

Requests received on or after the cut-off time of 2.00pm (Sydney time) on a Business Day, or on a non-Business Day, will generally be treated as having been received before the cut-off time on the next Business Day. Please note that we can change this cut-off time by giving written notice to direct investors.

Processing – invalid transaction requests

Application, withdrawal and other transaction requests may be invalid for various reasons (eg not signing the appropriate form or not including all required information on the form). In such cases, the transaction will not be processed until valid documentation is received and will be processed using the unit price applying on the day that we receive the correct documentation. The usual rules about cut-off times apply. In cases where documentation is invalid, we will aim to contact you, generally within seven Business Days.

Additional investments

You can add to your investment by completing the additional investment form and sending this form to us via mail, email or fax. Investors also have the ability to transact online and use BPAY®. For more information, please refer to the BPAY® user guide at www.pendalgroup.com/forms.

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How to withdraw

You can withdraw some or all of your investment by completing the withdrawal form and sending this form to us via mail, email or fax. Investors also have the ability to transact online. For more information, please refer to www.pendalgroup.com/forms.

Withdrawals will generally be paid to your nominated Bank Account within 5 Business Days.

Please note these times are a guide only and as specified in the Fund's constitution we may take up to 30 days to process your withdrawal request.

The constitution of the Fund may also contain specific provisions that provide us with certain powers in relation to withdrawal procedures. Please refer to 'Restrictions on withdrawals' in this section for further information.

Restrictions on withdrawals

There may be circumstances where your ability to withdraw from the Fund is restricted. The following text contains further information on restrictions on withdrawals.

If the Fund is illiquid (as defined in the Corporations Act), withdrawals from the Fund will only be possible if we make a withdrawal offer in accordance with the Corporations Act. We are not obliged to make such an offer. However, if we do, you are only able to withdraw your investment in accordance with the terms of a current withdrawal offer. If an insufficient amount of money is available from the assets specified in the withdrawal offer to satisfy withdrawal requests, the requests will be satisfied proportionately amongst those investors wishing to withdraw from the Fund. Under the Corporations Act, a trust is illiquid if it has less than 80% liquid assets (generally cash and marketable securities).

The constitution of the Fund also contains specific provisions that provide us with powers in relation to withdrawals. The specific provisions in the constitution are summarised below.

| Provision | Explained |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Payment of withdrawals by transfer of assets | We may transfer assets to you rather than pay cash in satisfaction of all or any part of your withdrawal request. These assets (together with any cash paid to you) must be of the same value as the amount of your withdrawal. We may require you to pay for the costs involved in the transfer of the assets or we may deduct such costs from the amount payable to you. |
| Large withdrawals from a single investor | If we receive a large withdrawal request from a single investor on a day which, in our view, would be likely to result in a withdrawal payment exceeding the specified limit (currently 5% of the Fund's value) we can sell selected assets of the Fund that have a total value (as at the time the exit price is calculated) equal to the withdrawal amount and pay the net proceeds of the sale instead of the withdrawal amount to the investor, even if those proceeds do not equal the withdrawal amount. |
| Large withdrawals from multiple investors | If we receive a large amount of withdrawal requests in a single day which exceed the specified limit (currently 10% of the Fund's value), a proportion of the withdrawal requests may not receive the exit price for that day and may be deemed to be received on the next Business Day. |
| Suspension of withdrawals | We may suspend withdrawal requests at any time and for such period as we consider appropriate in the circumstances. If we do so, the period we take to satisfy withdrawal requests will be extended by the period of the suspension. The exit price will be determined as at the next time we value the Fund after the suspension is lifted. |
| Net asset value falls by 5% | If we consider that the net asset value of the Fund has fallen by 5% or more after the exit price for a withdrawal request has been calculated (but before the unit has been redeemed), we may recalculate the exit price as at a valuation time determined by us. |

Distributions

The Fund generally distributes at the end of June each year. In some circumstances, we may also pay distributions at other times during the year where we consider it appropriate.

Distributions that you receive are generally assessable income and may include both income and net realised capital gain components. The distribution amount will depend on the Fund's distributable income.

The Fund's distributable income is generally calculated based on the Fund's net income at the end of the distribution period. The amount of your distribution will be proportionate to the number of units held by you relative to the number of units on issue. In certain circumstances, some income and/or net realised capital gains may be held back until the final distribution at the end of June to allow for market volatility. The Fund may also distribute a payment out of the capital invested.

The Fund's distributable income will vary and sometimes there might not be any distribution. Losses arising from the realisation of a derivative position may adversely impact the Fund's distributable income.

Distribution payment options

You can choose to have your distributions:

- automatically reinvested into additional units in the Fund
- paid directly into your nominated Bank Account.

If you do not instruct us to pay your distribution directly into your nominated bank account or you do not nominate a Bank Account for payment of distributions, we will treat this as a request to reinvest your distributions. Distribution payments to your nominated Bank Account are generally made within 12 Business Days after the end of the distribution period.

Reinvestment of distributions

Reinvesting distributions compounds your returns.

If we attempt to pay a distribution by your nominated method and the payment fails (eg we are unable to credit your nominated Bank Account), we will attempt to contact you to arrange payment. When you invest, you agree that if this happens and we have been unable to contact you after reasonable attempts have been made, you will be taken to have requested us to reinvest the failed distribution and all future distributions to which you are entitled (until we receive alternative instructions from you). Where we make this change, any amounts we have been holding will be reinvested at the price that applies on the day we reinvest them.

Reinvestment of distributions will normally be effective the first day following the end of the distribution period. For details of the unit price used for reinvestments, please refer to 'Unit prices' in this section of the PDS.

Additional disclosure information

As a disclosing entity, the Fund will also be subject to regular reporting and continuous disclosure obligations. For continuous disclosure notices regarding the Fund please visit www.pendalgroup.com, click on 'Products', select the Fund and click 'View fund information'. Refer to the 'Important Updates' section.

Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office. You can also call us to obtain copies of the following documents, free of charge:

- the Fund's Annual Report most recently lodged with ASIC;
- any half-year report lodged with ASIC after the lodgement of the Annual Report and before the date of this PDS;
- any continuous disclosure notices given by the Fund after lodgement of the Annual Report and before the date of this PDS.

6. Fees and other costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower fees. Ask the Fund or your financial adviser.

TO FIND OUT MORE

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

This section shows fees and other costs that you may be charged for the Fund. The fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole. Taxes are set out in another part of this document.

You should read all of the information about fees and costs because it is important to understand their impact on your investment.

You can also use this information to compare the fees and costs of the Fund with those of other funds. Unless otherwise stated, all fees and costs disclosed in the PDS are on a GST inclusive basis and net of any applicable Reduced Input Tax Credits.

| Pandal MicroCap Opportunities Fund | | |
|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type of Fee or Costs | Amount | How and when paid |
| Ongoing annual fees and costs | | |
| Management fees and costs⁶ The fees and costs for managing your investment | Estimated to be 1.20% p.a. of the assets of the Fund, comprised of: 1. Management fee of 1.20% p.a. 2. Estimated indirect costs of 0.00% ⁷ 3. Estimated expense recoveries of Nil ⁸ | The management fees and costs are deducted from the Fund's assets and are reflected in its unit price. 1. The management fee is payable monthly in arrears. 2. Indirect costs are deducted from the Fund's assets as and when incurred. 3. Expense recoveries are deducted from the Fund's assets as and when incurred. ⁹ |
| Performance fees Amounts deducted from your investment in relation to the performance of the Fund | The estimated performance fee is 2.10% p.a. of the assets of the Fund based upon the average of the past five financial years The performance fee is 20% of the Fund's performance (before management fees) in excess of the performance hurdle. The performance hurdle is the performance of the Fund's benchmark (S&P/ASX Small Ordinaries (TR) Index) plus the management fee. | Performance fees are calculated daily and reflected in the unit price. If we are entitled to a performance fee, it is paid to us as at 30 June each year. The performance fee is an amount paid or payable if the Fund's investment performance exceeds its performance hurdle, and any performance deficit has been recouped. |
| Transaction costs The costs incurred by the Fund when buying or selling assets | Estimated to be 0.00% p.a. of the assets of the Fund ⁹ | All transaction costs are paid out of the Fund's assets as incurred and are reflected in its unit price. |
| Member activity related fees and costs (fees for services or when your money moves in or out of the Fund) | | |
| Establishment fee The fee to open your investment | Nil | Not applicable |
| Contribution fee The fee on each amount contributed to your investment | Nil | Not applicable |

⁶ The management fees in this PDS can be individually negotiated if you are a wholesale client under the Corporations Act.

⁷ Based on information available to us as at the date of this PDS, the Fund did not incur any indirect costs in the previous financial year although the Fund may incur these costs in the future.

⁸ We currently pay recoverable expenses (if any, excluding any GST payable on our fees) out of our management fee and do not separately recover expenses from the Fund. However, if we decide to deduct these expenses from the Fund in addition to the management fee in the future, we will give you 30 days' written notice.

⁹ Transaction costs are shown net of any amounts recovered by the Fund from the buy-sell spread charged to transacting investors.

| | | |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Buy-sell spread An amount deducted from your investment representing costs incurred in transactions by the Fund | Estimated to be 0.55% of the application amount on application and 0.55% of the withdrawal amount on withdrawal | These are the amounts recovered by the Fund when you transact. Buy-sell spreads are included in the application and withdrawal prices and effectively increase the amount you pay when you buy units and reduce the amount you receive when you sell units. |
| Withdrawal fee The fee on each amount you take out of your investment | Nil | Not applicable |
| Exit fee The fee to close your investment | Nil | Not applicable |
| Switching fee The fee for changing investment options | Nil | Not applicable |

The fees and costs set out above can change. In particular, subject to the Fund's constitution, we can change the fees noted above without the consent of the Fund's investors. If we do increase the fees, or our approach to expense recoveries, we will give you 30 days' written notice.

Warning

In addition to the fees set out above, fees may be payable to your financial adviser. Any such fees would be payable by you in addition to those set out above, and set out in the Statement of Advice your financial adviser provides.

Example of annual fees and costs for the Fund

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

| Example – Pental MicroCap Opportunities Fund | | Balance of \$50,000 with a contribution of \$5,000 during year¹⁰ |
|-----------------------------------------------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Contribution fees | Nil | For every additional \$5,000 you put in, you will be charged \$0 |
| PLUS Management fees and costs | 1.20% p.a. | And, for every \$50,000 you have in the Fund you will be charged or have deducted from your investment \$600 each year |
| PLUS Performance fees | 2.10% p.a. | And, you will be charged or have deducted from your investment \$1,050 in performance fees each year |
| PLUS Transaction costs | 0.00% p.a. | And, you will be charged or have deducted from your investment \$0 in transaction costs |
| EQUALS Cost of Fund | | If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of \$1,650¹¹ |

What it costs you will depend on the fees you negotiate

Additional explanation of fees and costs

The following section provides further information about the fees and costs that you may be charged in relation to your investment in the Fund.

Except as otherwise set out in the PDS, any estimated costs are calculated based on our reasonable estimates of these costs using the actual costs incurred for the first 11 months in the previous financial year and annualising these actual costs for the 12 month period in the full financial year. The performance fee is based upon the average for the past five financial years.

Management fees and costs

Management fees and costs are comprised of the Fund's management fee and any indirect costs and expense recoveries.

Management fee

The management fee is the fee we charge for managing the assets and overseeing the operations of the Fund. Although we have the power to change our fees without your consent, we have no present intention to do so. If we increase the management fee, we will give you 30 days' written notice.

The maximum management fee we are entitled to charge for the Fund is set out in the Fund's Constitution. The Constitution allows us to charge a maximum management fee of 2% p.a. (ex GST) of the value of the assets of the Fund. The management fees charged for this Fund may be less than the maximum. Please refer to the Fees and other costs table on the previous page for the actual management fees being charged for the Fund.

Indirect costs

Indirect costs are certain costs which we reasonably estimate will reduce, directly or indirectly, the Fund's return. Indirect costs may include underlying investment manager fees and costs and certain derivative costs. If any indirect costs are incurred, they would be reflected in the unit price of the Fund and would not be charged to you as a fee nor retained by us.

Based on information available to us as at the date of this PDS and having regarded to the previous financial year, the Fund incurred no indirect costs.

This information may change from year to year and prior notice will not ordinarily be provided. For the latest indirect costs, please visit www.pentalgroup.com, click on 'Products,' and refer to the 'Fees and Costs' document under 'Important Information.'

¹⁰ This example assumes the \$5,000 contribution occurs at the end of the first year, therefore management costs are calculated using the \$50,000 balance only.

¹¹ Please note that this example does not capture all the fees and costs that may apply to your investment, such as the buy-sell spread.

Expense recoveries

We are entitled to be reimbursed for expenses we incur in the proper performance of our duties and in connection with the day-to-day operation of the Fund.

As at the date of this PDS, we pay these recoverable expenses (excluding any GST payable on our fees) out of our management fee and do not recover them from the Fund. However, if we decide to recover these expenses, in addition to the management fee in the future, we will give you 30 days' written notice.

Performance fee

The performance fee is the fee we charge if the Fund's investment performance exceeds its performance hurdle, and any performance deficit has been recouped.

The performance fee of 2.10% p.a., is the Fund's average performance fee for the last five financial years and is an estimate of the ongoing performance fee charged to the Fund. Based on this estimate, an investment of \$50,000 in the Fund the performance fee would be \$50,000 multiplied by 2.10% p.a. = \$1,050.

The actual performance fee is likely to vary from this estimate. For the latest performance fees, please visit www.pendalgroupp.com, click on 'Products' and refer to the 'Fees and Costs' document under 'Important Information.'

How and when is the performance fee calculated?

The Fund's performance fee is 20% of the Fund's performance (before management fees) in excess of the performance hurdle. The performance hurdle is the performance of the benchmark (S&P/ASX Small Ordinaries (TR) Index) for that day, plus the management fee. If a performance fee is payable, it is charged in addition to the management fee.

The performance fee is calculated in dollar terms each Business Day based on the daily performance and value of the Fund compared to its performance hurdle. This daily fee can be a positive or negative amount depending on whether the Fund has exceeded the performance hurdle on that day.

Each day's performance fee is added to the previous days' fee. When the total amount is positive, the performance fee is accrued and reflected in the Fund's unit price. When the total amount is negative, it is carried forward as a 'performance deficit.' The performance deficit must first be recovered in dollar terms before any performance fee can be accrued and reflected in the unit price.

The maximum performance fee we are entitled to charge for the Fund is set out in the Fund's Constitution. The Constitution allows us to charge a maximum performance fee of 40% (ex GST) of the Fund's performance (before management fees) in excess of the performance hurdle.

When is the performance fee paid?

If a performance fee has accrued in the unit price as at 30 June, then the fee is paid to us as at that date. The performance fee is payable in relation to the performance of the Fund as a whole during the year and does not necessarily reflect the performance of any individual unitholder's investment.

The performance fee is based on the daily performance and value of the Fund, taking into account applications, withdrawals and market movements, this may mean that the performance fee in dollar terms for the year may not be equivalent to 20% of the Fund's performance in excess of the performance hurdle in percentage terms. In some circumstances, this could mean that we are paid a performance fee for a year where the Fund underperforms its performance hurdle in percentage terms.

What happens when there is a performance deficit?

Any performance deficit as at 30 June is carried forward to the next year. If there is a performance deficit for three consecutive years, then the performance deficit is reset to zero at the end of the third year (performance reset date). Despite the reset to zero, we may determine that we will not charge a performance fee until the deficit has been recovered or the next performance reset date arises.

Any performance deficit is shared across all investors including those investors who join the Fund after the performance deficit has arisen. Similarly, any performance deficit is not reduced as a result of investors leaving the Fund. We do not have to reimburse the Fund for any performance deficit fees.

It is possible that the performance of the Fund may exceed the relevant hurdle rate (and therefore we are entitled to a performance fee), even when the total return of the Fund is negative for the one-year period to 30 June.

Transaction costs

Transaction costs are the cost of buying and selling the Fund's assets. Transaction costs such as brokerage, bid-offer spreads on securities traded, settlement costs, clearing costs, over-the-counter (OTC) option costs and government charges may be incurred as a result of changes in a Fund's investment portfolio, either in relation to implementing the Fund's investment strategy or investors entering or exiting the Fund.

When the Fund changes its investment portfolio, transaction costs are paid out of the Fund's assets and are reflected in the daily unit price. They are not charged to you as an additional fee.

If you choose to enter or exit the Fund (to buy or sell units) some or all of the associated transaction costs will be recouped via the Fund's buy-sell spread (being the difference between the Fund's entry and exit unit prices). The transaction costs set out in the PDS are net of any amount recovered by the buy-sell spread.

For the previous financial year, the estimated total transaction costs for the Fund were 0.12%¹². Of this amount, we estimate that the full amount was recouped via the buy-sell spread. Transaction costs and buy-sell spreads may vary from year to year depending upon market conditions, the market impact of transacting and volumes traded.

The Fund's estimated OTC derivative costs may also include our reasonable estimates where we are unable to determine the exact amount or where information is unavailable to us.

¹² These costs are expressed as a percentage of the Fund's unit price and are based on a one-year period for the previous financial year.

Buy-sell spread

The buy-sell spread is an additional cost to you and is generally incurred whenever you transact in the Fund. The buy-sell spread is retained by the Fund (it is not a fee paid to us) and represents a contribution to the transaction costs incurred by the Fund such as brokerage, stamp duty and other costs of execution, when the Fund is purchasing and selling assets. There is no buy-sell spread on distributions that are reinvested. GST is not applicable to any buy-sell spread incurred by transacting investors.

The current total buy-sell spread is 1.10% of the amount that you transact, represented as the difference between the entry and exit price. A buy spread of 0.55% is applied on each application and a sell spread of 0.55% is applied on each withdrawal. For example, if you invested \$50,000 in the Fund the cost of your buy spread would be \$275, and the cost of your sell spread on withdrawing \$50,000 from the Fund would be \$275.

We may vary the buy-sell spread from time to time and prior notice will not ordinarily be provided. For current buy-sell spread information, visit www.pendalgroup.com, click on 'Products', select the Fund and click on 'View fund information'.

Rebates/waivers for interfunding arrangements

The Fund may invest from time to time in other funds that we, or a related entity manage (related fund). Our current policy is:

- no contribution fee is payable to the related fund
- management fees are either not collected by the related fund or if they are, they are rebated in full to the Fund
- where the related fund charges expense recoveries outside the management fee, these will also be rebated to the Fund.

However, we may change these arrangements at any time, in which case, we will give you 30 days' notice.

Differential fees

We may negotiate a rebate on all or part of our management fee with wholesale clients (as defined by the Corporations Act). The payment and terms of rebates are negotiated with wholesale clients and are at our discretion subject to the Corporation Act and ASIC policy.

Some funds may have a separate class of units to facilitate the negotiation of the management fee amount and means of payment by relevant investors.

Fees paid to master trusts, wrap accounts, financial advisers and other persons

Indirect investors – additional master trust or wrap account fees

For indirect investors accessing the Fund through a master trust or wrap account, additional fees and costs may apply. These fees and costs are stated in the offer document provided to you by your master trust or wrap account operator.

Product access payments and fund manager payments

From the fees we receive, we may pay product access payments (as a flat dollar amount each year) to wrap platforms, master trusts or other investment administration services (Platforms) for making the Fund available on their investment menus.

The amount of these payments may change during the life of the PDS. As these amounts are paid by us out of our own resources, they are not an additional cost to you.

Direct remuneration – financial advisers

Pendal does not pay commissions to financial advisers who provide financial product advice to retail investors.

Other benefits

We may make certain payments or other non-monetary benefits (including sponsorships, gifts, and entertainment) to financial advisers, dealer groups and platform providers who provide financial product advice to retail investors. The provision of such payments or benefits will be made in accordance with applicable law and are not an additional cost to you.

Incidental fees and costs

Standard Government fees, duties and bank charges may also apply to your investments and withdrawals including dishonour fees and conversion costs.

7. General information

Taxation

Investing in a managed investment scheme is likely to have tax consequences. Managed investment schemes generally do not pay tax on behalf of investors. However, we (or your master trust or wrap account provider) may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. As an investor, you will generally be subject to tax on your share of any taxable income and net realised capital gains generated by the Fund and attributed to you.

The tax information provided in this PDS is intended to be a brief guide only and should not be relied upon. It is based on our interpretation of current laws at the date of this PDS and is a general overview of how these laws may apply to you. Because the Australian taxation system is complex and different investors have different circumstances, you should seek professional tax advice before investing in the Fund.

Attribution Managed Investment Trust (AMIT) Regime

We have elected that the Fund be an AMIT.

As an investor in the Fund, you will be taxed on the income of the Fund that has been attributed to you on a 'fair and reasonable' basis for each financial year that the Fund qualifies as an AMIT. Where the Fund's determined trust components are revised in a subsequent year (eg. due to actual amounts differing to the estimates of income, gains/losses or expenses), then differences (referred to as 'unders and overs') will arise. Unders and overs will generally be taken into account in the year they are discovered.

In certain circumstances, we may attribute income and gains of the Fund to specific redeeming investors.

The AMIT Member Annual (AMMA) statement provided to you after the end of the financial year will set out the details of taxable income that has been attributed to you.

Taxation of the Fund

We intend to manage the Fund so that it is not subject to Australian tax.

We do not expect the Fund to be subject to tax on the income of the Fund (other than in relation to withholding tax on foreign income or other taxes in respect of non-resident investors) as we intend that all taxable income of the Fund will be attributed to investors on a 'fair and reasonable' basis in each financial year and this attribution be reflected in the AMMA statement provided to investors.

As the Fund is an AMIT, we have the discretion to accumulate income in the Fund (instead of, or in addition to, distributing income to investors). If we do, the Fund's unit price will only fall by the amount of the actual distribution and the accumulated income will be reflected in the Fund's unit price.

If you are investing indirectly through a master trust or wrap account, you should also refer to your provider for further information about the tax treatment of your investment in the Fund through their master trust or wrap account service.

Withholding taxes

The Fund may derive income from foreign sources which is subject to foreign withholding taxes in those jurisdictions.

The benefit of foreign taxes paid by the Fund in foreign jurisdictions will be attributed/allocated to investors as foreign tax credits to the extent permitted by Australian tax laws.

Quoting your Tax File Number (TFN) or Australian Business Number (ABN)

Investors are not obliged to provide their TFN or ABN (if applicable), but if you are an Australian resident for tax purposes and you do not provide a TFN, ABN or a valid exemption, we or your master trust or wrap account provider are required to deduct tax from distributions that are paid as cash, reinvested or amounts attributed to you, at the highest marginal tax rate, plus Medicare levy and any other applicable levies.

Australian companies and other entities may provide us with their ABN instead of their TFN if their investment in the Fund is made as part of an enterprise.

Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

Foreign Tax Residency Information

We or your master trust or wrap account provider must obtain details about any other countries where you are a resident for tax purposes (including your taxpayer identification number) as the Fund may be required to report information about your investment in the Fund (including investment balances and any payments made) to the ATO each year for provision to the relevant overseas tax authority under rules designed to combat tax evasion in that country. We may request that you provide us with further information. We will then determine whether the Fund is required to report your details to the ATO for this purpose based on our assessment of the relevant information received.

The constitution of the Fund

What is the constitution of the Fund?

The Fund is a registered managed investment scheme established under a document called a constitution. Under the constitution, the responsible entity of the Fund is responsible for operating the Fund and selecting investments in accordance with the constitution. The Corporations Act, the constitution and the general law set out the framework under which the Fund operates. The constitution (including any amendments) has been lodged with ASIC.

If you wish to inspect a copy of the constitution, please contact your master trust or wrap account operator or contact our Client Services team.

What are the main rights of investors under the constitution?

The rights and obligations of investors in the Fund are governed by the constitution for the Fund, this PDS, the Corporations Act (as varied by ASIC) and the general law relating to trusts. Some of the provisions of the constitution are discussed elsewhere in this PDS. Others affecting your rights include:

- the nature of the units and whether classes of units are authorised. Every unit confers a beneficial interest in the Fund as a whole (but not a specific interest in any particular asset of the Fund)
- how we must calculate unit prices and the value of the Fund
- what you are entitled to receive when you withdraw or the Fund is wound up
- your right to share in any income and how we calculate it.

The constitution is designed to limit your liability to the value of your units, but the courts are yet to determine the effectiveness of limits of this kind.

Your rights to requisition, attend and vote at meetings of unitholders are mainly contained in the Corporations Act.

What are our main duties and rights under the constitution?

There are also provisions governing our powers and duties as responsible entity, including that we:

- can issue units to you before your application money is received, as long as you pay interest on the outstanding amount of application money to the Fund
- have wide powers to invest, borrow and generally manage the Fund
- have discretion to refuse transfers and applications
- can change the constitution, but we need approval at a meeting of unitholders if the change will adversely affect rights
- can terminate the Fund at any time and will give you notice of any intention to do so. If we terminate the Fund, you share pro rata in the net proceeds available from the sale of investments
- can retire, in which case a new responsible entity will be appointed.

As responsible entity of the Fund we must comply with all obligations set out in the constitution. We are also subject to duties under the law including duties to act honestly, exercise care and diligence, and treat investors of the same class equally.

What are our liabilities and indemnities under the constitution?

The constitution limits our liabilities in relation to the Fund. For example:

- we are not liable for acting in reliance in good faith on professional advice
- if we comply with our duties and act in accordance with the relevant laws and the constitution, we are not liable to you for any loss in connection with the Fund.
- In addition, we are entitled to be indemnified out of the assets of the Fund for liabilities we incur in connection with the proper performance of our duties for the Fund.

8. More about the Fund

Can the Fund borrow money?

Yes. However, it is not intended that the Fund will undertake long-term borrowings. Short-term borrowings may occur in the daily management of the Fund.

Target market determination for the Fund

A TMD describes the class of investors for whom the Fund is likely to be suitable based on their investment objectives, financial situation and needs. For more information, please refer to the Fund's TMD at www.pendalgroup.com/ddo.

Related party transactions and conflicts of interests

The Fund may, without limit, invest in other funds of which we, or a related entity, are trustee, responsible entity or manager (related funds).

We may appoint any of our related entities to provide services or perform functions in relation to the Fund, including acting as our delegate. We may also enter into financial or other transactions with related entities in relation to the assets of the Fund and may sell assets or purchase assets from, a related entity. A related entity is entitled to earn fees, commissions or other benefits in relation to any such appointment or transaction and to retain them for its own account. Such arrangements will be based on arm's length commercial terms.

In the course of managing the Fund, we may face conflicts in respect of our duties in relation to the Fund, related funds and our own interests. We have policies and procedures in place to manage these appropriately. We will resolve such conflict fairly and reasonably and in accordance with the law, ASIC policy and our policies.

Complaints

If you have any concerns or complaints, as a first step, please contact Pandal Client Services. Our contact details are on the front cover of this PDS.

We are committed to dealing with your complaint fairly and as quickly as we can and within the maximum response time, which is 30 days. If we are unable to respond to your complaint within 30 days, we will write to you and let you know.

If you believe that your complaint or concern has not been dealt with satisfactorily, the Australian Financial Complaints Authority (AFCA) may be able to help you. AFCA has been established by the Commonwealth Government to help consumers and small businesses deal with complaints about financial services firms. AFCA's service is free of charge to you.

Please see www.afca.org.au for information about AFCA and how to raise a complaint with them. Alternatively, you can call AFCA on 1800 931 678 or email AFCA at info@afca.org.au or write to them by letter, addressed to The Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001.

For more information on how we deal with complaints, you can access our complaints handling policy at www.pendalgroup.com/contact/concerns-or-complaints.

Terms used in this PDS

In this PDS:

'ASIC' means the Australian Securities and Investments Commission;

'ATO' means the Australian Taxation Office;

'Bank Account' means an account with an Australian Authorised Deposit Taking Institution (which includes a building society and credit union);

'Business Day' means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney;

'Corporations Act' means the *Corporations Act 2001* (Cth);

'Derivative' is an instrument whose value is derived from the value of an underlying asset (such as a share) or reference index;

'Fund' means the Pandal MicroCap Opportunities Fund ARSN 118 585 354;

'GST' means Goods and Services Tax;

'responsible entity' means Pandal Fund Services Limited ABN 13 161 249 332, AFSL 431426;

'we', 'our', 'us' or 'Pandal' means the responsible entity of the Fund and, where appropriate, Pandal Institutional Limited;

Asset values of the Fund for the purposes described in this PDS are determined in accordance with the Fund's constitution.

