

## Specialist Australian Shares Fund

ARSN 115 121 625

Product Disclosure Statement (PDS)

Responsible Entity and Issuer: IOOF Investment Management Limited | ABN 53 006 695 021 | AFSL 230524

Date of Product Disclosure Statement: **30 June 2019**

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### Contact details

If you have any questions or would like more information about the Fund, including hard copies of this PDS and any incorporated materials, please contact Investor Services on:

**Phone:** 1800 002 217

**Address:** Level 6, 161 Collins Street, Melbourne, VIC 3000

### Updated information

Information in this PDS may change. If a change will not be materially adverse to investors, then updated information will be made available at [www.mosaicpa.com.au](http://www.mosaicpa.com.au). A paper copy of new information can be supplied upon request at no charge. Updated information may be obtained using the contact details above.

#### Please note:

Definitions of certain capitalised terms used in this PDS are set out in the glossary of the "Specialist Funds Additional Information Booklet" available at [www.mosaicpa.com.au](http://www.mosaicpa.com.au).

### Important information

This PDS is a summary of significant information about the Specialist Australian Shares Fund (**Fund**) ARSN 115 121 625. It also contains references to important additional information contained in a separate "Specialist Funds Additional Information Booklet (**AIB**)" which forms part of the PDS. The references in the PDS which begin with an important information mark "!", are in bold. You should consider the PDS and the information in the AIB before making a decision about the Fund.

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

## 1. About IOOF Investment Management Limited

### Responsible Entity and investment manager

IOOF Investment Management Limited (IIML) is the Responsible Entity (RE) and investment manager of the Fund and is responsible for the management and administration of the Fund. IIML is also referred to as 'RE', 'we', 'us' and 'our' throughout this document.

IIML is part of the IOOF group. The IOOF group has been helping Australians secure their future since 1846. During that time, the IOOF group has grown substantially to become a leading provider of quality financial services. The IOOF group manages and administers more than \$144.6 billion of client monies (as at 31 March 2019), and is listed on the Australian Securities Exchange (ASX:IFL).

IIML is dedicated to managing the investment assets of the Fund. The responsibilities include establishing, implementing and monitoring the Fund's investment objectives and strategies.

From time to time IIML may appoint other underlying investment managers (or Specialist Managers) to manage all or a portion of the Fund's assets. IIML has the discretion to change underlying investment managers or add or remove underlying managers at any time. For details of the current underlying investment managers/ Specialist Managers, please refer to the fund profile available at [www.mosaicpa.com.au](http://www.mosaicpa.com.au).

### Custodian

IIML has appointed a custodian for certain assets of the Fund. The custodian's role is limited to holding the assets of the Fund as agent of IIML. The custodian has no supervisory role in relation to the operation of the Fund. Under the Constitution for the Fund, IIML has the discretion to change the custodian at any time, subject to the terms of any custody agreement.

## 2. How the Fund works

The Fund is a registered managed investment scheme that is subject to the *Corporations Act 2001* (Cth) (Corporations Act) its constitution and other applicable law.

When you invest your money in the Fund, your money is pooled together with that of other investors and is used to buy investments. We manage the investments on behalf of all Fund members.

So that you know what your share of the Fund is worth, the total value of the assets in the Fund is divided into "units". We will quote you a price for each unit and will keep a record of the number of units you have bought. The price of units will change from time to time as the market value of assets in the Fund rises or falls. We will be able to provide you with information about the current unit price to help you decide whether to retain, buy more, or sell your units. The price of buying and selling units will vary due to the costs of buying and selling the underlying assets in the Fund.

The minimum initial investment is \$1,000,000 and the minimum additional investment is \$10,000 (although IIML may, at its discretion, accept lower amounts). These minimum amounts do not apply if you are investing indirectly, for example through an Investor Directed Portfolio Service (IDPS).

You can increase your investment at any time by buying more units in the Fund. Generally, you can decrease your investment by redeeming some of your units, although in certain circumstances (such as a freeze on withdrawals) you may have to wait a period of time before you can reduce your investment.

Investing in the Fund means you may receive income (such as interest, dividends and realised capital gains) in the form of income distributions or attributable income.

The type of income you receive depends on the underlying asset classes within the Fund.

Income attributed or distributed to you is generally assessable income and can be made up of both income and realised capital gains. Such income is generally calculated based on the Fund's net income at the end of the distribution period divided by the number of units on issue.

The Fund may distribute income, if any, on a half yearly basis in respect of the distribution periods ending each 30 June and 31 December. It is expected that distributions will generally be paid within 30 days after the end of the relevant distribution period, although the Fund's Constitution allows 60 days for the payment of distributions.

There may be times when income distributions may not be made, are lower than expected or are delayed. We may also choose to distribute income and capital at any other time.

**! For more detailed information on the acquisition and disposal of interests in the Fund, go to section 1 of the "Specialist Funds AIB" at [www.mosaicpa.com.au](http://www.mosaicpa.com.au).**

You should read this important information before making a decision. The more detailed information on the acquisition and disposal of interests in the Fund may change between the time when you read this PDS and the day when you sign the application form.

### 3. Benefits of investing in the Fund

The Fund invests in a diversified portfolio of listed Australian securities. The Fund has a goal of achieving long-term capital growth and income.

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

- access to a professionally managed investment portfolio
- exposure to assets and strategies that would ordinarily be difficult for an individual to invest into
- access to regular information on your investment from the website [www.mosaicpa.com.au](http://www.mosaicpa.com.au) and regular investment statements and an Attribution MIT Member Annual (AMMA) statement after 30 June each year.

**!** For more detailed information on the features and benefits of the Fund, go to sections 2, 3 & 4 of the “Specialist Funds AIB” at [www.mosaicpa.com.au](http://www.mosaicpa.com.au).

You should read this important information before making a decision. The more detailed information on the features and benefits of the Fund may change between the time when you read this PDS and the day when you sign the application form.

### 4. Risks of managed investment schemes

All investments carry some level of risk, depending on the assets that make up the investment strategy. Those assets with the highest long-term returns (such as shares) may also carry the highest level of short-term risk.

Risks can be managed but 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
- laws affecting your investment in a managed investment scheme may change in future
- the appropriate level of risk for you will depend on your age, investment timeframe, where other parts of your wealth are invested and what your risk tolerance is.

The significant risks for the Fund are:

#### Market risk

Unexpected conditions such as market sentiment, government regulations and local and international political events may have a negative impact on the returns of all investments within a particular market. Market risk may have different impacts on each type of asset, investment style and investor.

#### Security specific risk

This is the risk of change in the value of a security caused by factors that are specific to a company or security. For example, changes to a company’s operations or management, its business environment or financial position, or market sentiment.

#### Liquidity risk

Liquidity risk arises from the absence of an established market or a shortage of buyers for a security (including a derivative) resulting in an inability to sell that security at the current valuation in a timely fashion. Under abnormal or difficult market conditions, some normally liquid securities may become illiquid.

#### Derivative risk

Derivatives are contracts between two parties that usually derive their value from the amount or value of an underlying asset, rate or index. Derivatives may be used by the Fund to gain, reduce or modify exposure to a particular asset class or currency. Risks associated with using these types of securities might include the values of the derivative failing to move in line with the underlying asset, potential illiquidity of the derivative and counterparty risk (this is where the counterparty to the derivative contract cannot meet its obligations under the contract).

**!** For additional information about the risks relating to registered managed investment schemes go to section 5 of the “Specialist Funds AIB” at [www.mosaicpa.com.au](http://www.mosaicpa.com.au).

You should read this important information before making a decision. The additional information about the Fund may change between the time when you read this PDS and the day when you sign the application form.

## 5. How we invest your money

Set out below is a summary of the key features of the Fund. **You should consider the likely investment return, the risk and your investment timeframe when choosing to invest in the Fund.**

Objective	To provide exposure to a diversified portfolio of Australian shares, and produce investment returns which aim to outperform the S&P/ASX 300 Accumulation Index over rolling five-year periods (after fees and expenses).
Type of investor the Fund is suitable for	The Fund is intended to be suitable for investors seeking a diversified portfolio of Australian shares.
Current Investment Manager	IIML (other underlying investment managers or Specialist Managers may be appointed to manage all or a portion of the Fund).
Principal investment exposure <sup>1</sup>	Securities in companies listed in Australia.
Geographic coverage	Australia
Risk profile <sup>2</sup>	High
Recommended timeframe <sup>2</sup>	7–10 years
Performance of the Fund	Up-to-date performance figures for the Fund can be obtained from <a href="http://www.mosaiccpa.com.au">www.mosaiccpa.com.au</a> .
Changes to the Fund	We may make changes to the Fund from time to time, including adding or removing an underlying investment manager/Specialist Manager, amending the principal investment exposure, and/or geographic coverage of the Fund. We will notify you of any material changes that may impact the nature of the Fund.
Environmental, Social and Governance (ESG) considerations	IIML acknowledges that ESG factors are considered by underlying investment managers in investment decision making processes in order to protect and manage investments for the long-term. All other things being equal, entities that best manage ESG factors are more likely to be financially sustainable in the long-term. ESG, especially good corporate governance, is a key contributor to sustainable positive outcomes for investors. The underlying investment managers generally take ESG considerations into account when making investment decisions, where the investment manager believes these ESG considerations affect valuation of securities.

- 1 To achieve its objective, the Fund may gain some or all of its investment exposure by investing in underlying funds managed by IIML or other fund manager(s).
- 2 The risk profile and recommended timeframe for investors are a guide only and not a recommendation. Each prospective investor should discuss their investment in the Fund with their financial adviser to ensure it is a suitable investment given their individual objectives, financial situation and needs.

**!** For additional information about the Fund, go to section 2 of the “Specialist Funds AIB” at [www.mosaiccpa.com.au](http://www.mosaiccpa.com.au).

You should read this important information before making a decision. The additional information about the Fund may change between the time when you read this PDS and the day when you sign the application form.

## 6. Fees and costs

### DID YOU KNOW?

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

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

### TO FIND OUT MORE

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

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns of your investments or from the assets of the Fund as a whole.

Taxes are set out in another part of the 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 with those of other managed investment schemes.

The fees are inclusive of the goods and services tax (GST) and take into account any expected reduced input tax credits (RITCs). Where fees have been quoted to two decimal places, the actual fee may have been rounded.

TYPE OF FEE OR COST	AMOUNT
<b>Fees when your money moves in or out of the Fund<sup>1</sup></b>	
Establishment Fee	Nil
Contribution Fee	Nil
Withdrawal Fee	Nil
Exit Fee	Nil
<b>Management costs<sup>2, 3</sup></b>	
The fees and costs for managing your investment	Estimated to be 0.80% pa of the Fund's net assets; and an estimated performance-related fee of 0.28% pa <sup>4</sup> .

1 When money moves into or out of the Fund, you may incur transaction costs (such as a buy-sell spread) which are included in the entry and exit price of the Fund. For more information on the estimated transaction costs, please refer to page 6 of the PDS.

2 Please refer to 'Differential fees' in the Specialist Funds AIB, for circumstances in which the management cost may be negotiated. The management cost shown is a reasonable estimate only.

3 For more information, please refer to the 'Total management costs' section on page 6. The estimated total management cost includes the management fee, indirect costs, underlying investment manager (or Specialist Manager) fees, any applicable performance-related fees and expense recoveries (excluding any unusual or non-recurrent expenses). The actual total management cost may vary from the estimated management cost depending on changes to the Fund's underlying assets, changes to underlying investment managers and their fees including the charging of any performance-related fees, where any unusual or non-recurrent expenses are incurred or any changes to other related expenses.

4 Some underlying investment managers or Specialist Managers may charge performance-related fees from time to time. Estimated performance-related fees are subject to change without notice and may be lower or higher than the figures listed. The performance-related fees listed are indicative and based on the 30 June 2018 annualised performance-related fees provided by the underlying investment managers of the Fund. Refer to page 6 for further information on performance-related fees.

**Please note:** There is no switching facility.

## Example of annual fees and costs for the Fund

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

EXAMPLE Specialist Australian Shares Fund	BALANCE OF \$1,000,000 WITH A CONTRIBUTION OF \$10,000 DURING THE YEAR	
<b>Contribution fees</b>	Nil	For every additional \$10,000 you invest, you will be charged \$0.
<b>Plus Total management costs</b> (comprised of estimated management costs plus estimated performance-related fees)	<b>1.08% pa</b>  (0.80% pa + 0.28% pa)	<b>And</b> for every \$1,000,000 you have in the Fund, you will be charged \$10,800 (\$8,000+ \$2,800) each year.
<b>Equals cost of fund</b>		If you had an investment of \$1,000,000 at the beginning of the year and you put in an additional \$10,000 during that year, you would be charged fees of \$10,800 <sup>1</sup> .  <b>What it costs you will depend on the fees you negotiate.</b>

<sup>1</sup> Additional fees may apply. This example assumes the \$10,000 contribution occurred at the end of the first year, therefore it does not include the management cost on the additional \$10,000 invested, nor any market movement on the total amount invested. You may incur a buy-sell spread whenever you make an investment or withdrawal. The estimated sell spread on withdrawing from the Fund is 0.20% (this may equate to up to \$20 on each \$10,000 you withdraw).

### Total management costs

The estimated total management cost includes the management fee<sup>2</sup>, indirect costs, underlying investment/Specialist Manager fees and expense recoveries (excluding any unusual or non-recurrent expenses) and any applicable performance-related fees incurred.

This fee is not deducted from your account directly but from the assets of the Fund. The fee is calculated on the net asset value of the Fund. It is accrued daily and paid monthly and the accrued amount is incorporated into the daily unit price of the Fund.

### Transaction costs

Certain transaction costs may be incurred in managing the underlying investments of the Fund.

Total transaction costs include the buy-sell spread recovery and other transaction costs.

### Buy-sell spread

The difference between the entry price and the exit price is known as the buy-sell spread. It is an adjustment determined by the RE to take into consideration the costs incurred when buying and selling the underlying securities in the Fund.

The estimated buy-sell spread applicable to the Fund is 0.20%–0.20% on investments and withdrawals made to the Fund.

The actual buy-sell spread is subject to change from time to time, without prior notice, depending on changes to the composition of the Fund's underlying assets and exposure to various underlying investment managers/Specialist Managers.

Refer to the Specialist Funds AIB for further information on transaction costs and the buy-sell spread allowance.

### Performance-Related Fee

The Fund has exposure to underlying Specialist Managers who may charge performance-related fees from time to time. It is important to note that it is the underlying manager who charges the performance-related fee, not the Fund itself or the RE.

Performance-related fees (if incurred) will be charged in addition to the estimated management cost listed and will form part of the total management cost of the Fund.

The table in section 6 of the Specialist Funds AIB provides the estimated performance-related fee as at the date of this PDS and the estimated total management cost (including estimated performance-related fees) for indicative purposes.

### Fee changes

We have the right to increase the management costs or to charge fees not currently levied, up to the maximum limits set out in the Constitution governing the Fund without your consent. If we choose to exercise this right, we will provide you with 30 days' prior written notice or otherwise notify as the law requires.

At the date of this PDS, no contribution, withdrawal or switching fees apply.

**!** For more detailed information about Fees and costs, go to section 6 of the "Specialist Funds AIB" at [www.mosaicpa.com.au](http://www.mosaicpa.com.au).

You should read this important information before making a decision. The more detailed information about complaints and dispute resolution may change between the time when you read this PDS and the day when you sign the application form.

<sup>2</sup> Up to the maximum management fee permitted under the constitution of 1.10% pa (excluding GST).

## 7. How managed investment schemes are taxed

**Investing in a registered managed investment scheme is likely to have tax consequences and you are strongly advised to seek your own professional tax advice. The information provided in this PDS is of a general nature only.**

The taxation implications from an investment in the Fund can be complex and depend on a number of factors including whether you are a resident or non-resident of Australia for taxation purposes and whether you hold the units as a long-term investment or for short-term purposes.

The following is a brief summary of taxation information relating to Australian tax residents for income tax purposes:

- Managed investment schemes will generally attribute all their tax assessable income to unitholders each year, so that the Fund itself is not subject to Australian income tax.
- The Fund does not pay the tax liability on behalf of Australian resident unitholders. Instead, as a unitholder you will generally be assessed for tax purposes, on your share of income and/or net capital gains generated by the Fund that has been attributed to you.
- In normal circumstances, you may expect that some income (and/or capital gains) will be generated each year.

**!** For additional information about taxation matters relating to registered managed investment schemes go to section 7 of the “Specialist Funds AIB” at [www.mosaicpa.com.au](http://www.mosaicpa.com.au).

You should read this important information before making a decision. The additional information about taxation matters may change between the time when you read this PDS and the day when you sign the application form.

## 8. How to apply

- 1 Read this PDS together with the additional information referred to throughout.
- 2 Direct investors (those not applying through an IDPS or other such service) should complete the application form accompanying this PDS.

### Cooling-off

Retail investors who invest in the Fund directly can request in writing to have their investment in the Fund cancelled within the 14-day cooling-off period under the Corporations Act. The cooling-off period begins when you receive a transaction confirmation or five days after the units are issued, whichever is earlier. If you cancel your investment, you may not receive the same amount that was invested due to negative market movements and applicable transaction costs. There is no cooling-off period with respect to units issued under the distribution reinvestment plan.

Persons investing through an IDPS or master trust (Investor Service) should consult the operator of that Investor Service regarding applications and the cooling-off rights (if any) that may apply to their investment through the service.

### How to make a complaint

If you have a complaint (or wish to obtain further information about the status of an existing complaint), please contact the Manager, Customer Care on 1800 002 217 or write to Manager, Customer Care, IOOF Investment Management Limited, GPO Box 264, Melbourne, VIC 3001. We are required by law to respond to your complaint within 45 days.

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority, or AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers.

**Website:** [www.afca.org.au](http://www.afca.org.au)

**Email:** [info@afca.org.au](mailto:info@afca.org.au)

**Telephone:** 1800 931 678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

**!** For more detailed information about complaints and dispute resolution, go to section 2 of the “Specialist Funds AIB” at [www.mosaicpa.com.au](http://www.mosaicpa.com.au).

You should read this important information before making a decision. The more detailed information about complaints and dispute resolution may change between the time when you read this PDS and the day when you sign the application form.

## 9. Other information

### Privacy

We are committed to protecting your privacy. Any personal information we collect about you will be handled in accordance with our privacy policy, which outlines how we manage your personal information, how you may access or correct your personal information, and how you may complain about a breach of your privacy. To obtain a copy of our privacy policy, please contact Investor Services on 1800 002 217 or visit our website at [www.mosaicpa.com.au](http://www.mosaicpa.com.au)

### Related party contracts

IIML has investment and service contracts with related parties within the IOOF group, including IOOF Service Co Pty Ltd ABN 99 074 572 919 (IOOF Service Co).

IOOF Service Co has been engaged to provide certain ongoing administration and operational services and is entitled to a monthly fee paid by IIML in consideration of IOOF Service Co providing those services.

### Constitution

The Fund is governed by a Constitution. The Constitution, Corporations Act and certain other laws govern our relationship with investors.

The Constitution of the Fund may be inspected at our registered office or we can provide you with a copy on request.

### Compliance plan

The Fund is governed by a compliance plan that details how the RE will comply with the Fund's Constitution and the Corporations Act.

The compliance plan of the Fund can be inspected at our registered office during normal business hours or alternatively, we can provide you with a copy on request.