



**FORTITUDE CAPITAL**

# **Fortitude Capital Australian Absolute Return Fund**

## **Information Memorandum**

Fortitude Capital Pty Limited ACN 100 306 723  
Australian Financial Service Licence number 221131  
July 2010

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## DIRECTORY

### Trustee/Manager

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Australian Financial Services  
Licence Number: 221131  
TEL: +61 2 9376 9800

### The Fund Administrator

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PO Box A2224  
Sydney NSW 1235  
TEL: +61 2 9232 2746  
FAX: +61 2 8915 1620

### Auditors

Ernst & Young  
680 George Street  
Sydney NSW 2000  
TEL: +612 8245 6472

### Australian and New Zealand Legal Advisers

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201 Elizabeth Street  
Sydney NSW 2000  
TEL: +61 2 9286 8000  
FAX: + 61 2 9283 4144

### The Custodian

UBS Nominees Pty Ltd  
Level 16 Chifley Tower  
2 Chifley Square  
Sydney NSW 2000  
TEL: +61 2 9324 2139  
FAX: +61 2 9324 2033  
TEL: +61 2 9324 2000 (switchboard)

### The Prime Broker

UBS AG, Australia Branch  
Level 16 Chifley Tower  
2 Chifley Square  
Sydney NSW 2000  
TEL: +61 2 9324 2139  
FAX: +61 2 9324 2033  
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## IMPORTANT INFORMATION

### Status of Offer

This Information Memorandum has been prepared by Fortitude Capital Pty Limited to provide background information for investors considering applying for Units in the Fortitude Capital Australian Absolute Return Fund ("**Fund**").

This Information Memorandum is dated 30th July 2010. It has not been nor will be lodged with the Australian Securities and Investments Commission ("**ASIC**"). It does not constitute a product disclosure statement, prospectus or other disclosure document within the meaning of the Corporations Act.

Any offer of Units contained in this Information Memorandum is an offer of Units to a wholesale client only (as defined in section 761G of the Corporations Act). In addition, this Information Memorandum may only be distributed in New Zealand to selected institutional clients whose business is the investment of money or persons who, in the course of and for the purpose of their business, habitually invest money (defined for the purposes of this Information Memorandum as "**NZ Eligible Investors**"). This Information Memorandum is not a registered prospectus or investment statement under New Zealand law and does not constitute an offer of securities to the public for the purposes of the New Zealand Securities Act 1978.

The minimum initial investment amount is \$100,000.<sup>1</sup>

The Fund is a managed investment scheme that is not required to be registered under the Corporations Act. Accordingly, this Information Memorandum is not required to and does not include all of the information that would be required to be included in a product disclosure statement. Nor is an Applicant provided with the protections afforded to an investor in a managed investment scheme that has been registered under the Corporations Act.

### Investor Enquiries

This Information Memorandum does not purport to provide all of the information the recipient may require in order to evaluate an investment in the Fund. Recipients should make their own enquiries and evaluations they consider appropriate to verify the information contained in the Information Memorandum and to determine the suitability of an investment in the Fund (including regarding their investment objectives, financial situation, and particular needs) and should seek all necessary financial, legal, tax and investment advice.

### Status of Information Memorandum

The information contained in this Information Memorandum or subsequently provided to the recipient whether orally or in writing by, or on behalf of the Fund Administrator, the Manager, or any of their respective related bodies corporate or any of their respective directors, officers, employees, agents, representatives and advisers (the "**Parties**") is provided to the recipient on the terms and conditions set out in this document.

The information obtained in this Information Memorandum has been furnished by the Manager and other sources considered reliable as at the issue date of this Information Memorandum, being 30th July 2010, but no assurance can be given by these Parties as to the accuracy or completeness of this information.

To the full extent permitted by law, the delivery of this Information Memorandum does not under any circumstances imply that the affairs or prospects of the Fund or any information affecting it have been fully or correctly stated in this Information Memorandum or have not changed since the date of this Information Memorandum or since the date at which the information is expressed to be applicable. No responsibility or liability (including negligence)

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<sup>1</sup> Refer to page 17 for more information.

is assumed by the Parties for updating any such information or to inform the recipient of any new information of which the Parties may become aware.

The return of capital and the performance of the Fund is not guaranteed by the Parties. Investments in this Fund are subject to risk and market fluctuations.

#### **No Recommendation or Personal Advice**

The provision of this Information Memorandum is not and should not be considered as a recommendation in relation to an investment in the Fund or that an investment in the Fund is a suitable investment for the recipient.

By making available a copy of this Information Memorandum no Party is providing any general advice or personal advice regarding the Fund, any potential investment in the Fund or any potential investments of the Fund within the meaning of section 766B(1) of the Corporations Act.

#### **No Financial Services Guide**

The Manager is not presently required to comply with Part 7.7 of the Corporations Act which would otherwise require it to provide a financial services guide in respect of financial services that it offers before delivering a copy of this Information Memorandum to a potential investor.

#### **Confidentiality**

The information contained in this Information Memorandum is being provided on a confidential basis to the recipient solely for the purpose of evaluating an investment in the Fund.

By accepting a copy of this Information Memorandum the recipient agrees, for itself and its related bodies corporate and each of their directors, officers, employees, agents, representatives and advisers, to maintain the confidentiality of this information. Any disclosure of its contents, or use of any information contained in this Information Memorandum to any other persons or for any purpose other than to evaluate an investment in the Fund, is prohibited.

#### **No Listing**

No application for quotation of the Units offered under this Information Memorandum on ASX will be made.

Liquidity of the Units offered under this Information Memorandum cannot be guaranteed.

#### **Overseas Unit holders**

This offer is only principally available to investors who receive this Information Memorandum in Australia or NZ Eligible Investors who receive this Information Memorandum in New Zealand. Applications from outside Australia and New Zealand will generally not be accepted.

This offer does not constitute an offer of Units for issue or sale or an invitation to apply for the issue of Units or to purchase Units in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

Unless otherwise indicated, all fees quoted in this Information Memorandum are exclusive of the effect of GST and any Input Tax Credit, and all dollar amounts refer to Australian dollars.

# 1. Fund Overview

## 1.1 Overview of Fund

Trustee/Manager	Fortitude Capital Pty Limited ACN 100 306 723
Inception Date:	15th February 2005
Investment Focus:	Australian equities and exchange traded derivatives
Minimum Initial Investment: <sup>1</sup>	\$100,000
Minimum Additional Investment: <sup>1</sup>	\$100,000
Minimum Redemption:	\$100,000
Minimum Holding:	\$50,000, subject to the Manager's discretion to accept a lower amount.
Unit Valuations:	Unit valuations will be received from the Fund Administrator on a monthly basis.
Entry & Exit Fee:	Nil entry/exit fees.
Ongoing Base Management Fee:	1.5% per annum of Net Asset Value of the Fund at the end of the month, payable out of the Assets monthly in arrears.
Performance Fee:	Payable twice yearly and calculated in arrears and accrued monthly as an amount equal to 20% of the amount by which the increase of the Net Asset Value of the Fund exceeds the Benchmark Performance during the relevant Performance Period, subject to it being above the High Water Mark.
Applications:	Monthly. Applications must be received prior to 2.00pm on the third last Business Day of the month, to be processed that month.
Withdrawals or redemptions:	The last Business Day of each month with 30 days notice of intention to withdraw prior to the next Redemption Day.
Distribution:	The Fund's net income (if any) will be distributed annually after 30 June. Unless a Unit Holder elects otherwise, any distributions will be reinvested into additional Units.

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<sup>1</sup> Refer to page 17 for more information.

## 1.2 Investment Objectives

The investment objectives of the Fund are to:

- (a) achieve a high rate of return, comprising both income and capital growth; and
- (b) preserve the capital of the Fund.

The Fund aims to achieve absolute returns (i.e. positive returns in both rising and falling equity markets) by using a number of different investment strategies that allow the Fund to have very little correlation to the stock market index. The Fund's investment strategies are detailed in section 2 of this Information Memorandum.

## 1.3 Absolute Returns

Hedge funds, which are focused on absolute returns, differ from traditional funds in that their goal is to produce strong returns regardless of equity market conditions. The adoption of a range of strategies means that hedge fund returns are not necessarily dependent on the stock market's direction.

The ability to achieve absolute returns depends on the Manager's ability to implement a variety of skill based strategies not always available to large equity funds.

## 1.4 Investor Profile

We suggest the Fund may suit wholesale clients who:

- (a) are seeking consistent long term absolute returns;
- (b) aim to protect their capital in the case of declining equity markets; and
- (c) are seeking to diversify their portfolio.

## 1.5 Investment Philosophy

At the core of the investment philosophy, net market exposure is expected to be in the range of +/-25%.

## 1.6 Risk Profile

The Fund aims to produce double digit strong returns with lower risk and less volatility than the Australian Securities Exchange.<sup>1</sup> The Fund should suit investors who are willing to diversify their asset base away from the directional risk associated with traditional equity funds. However, returns are not guaranteed and the value of any investment in the Fund is subject to a number of risks, some of which are outlined in section 5 of this Information Memorandum.

## 1.7 Investment Mandate

The Constitution gives the Manager full power over the Assets and places no limitations or restrictions on authorised investments or investment ranges.

The Manager has a defined investment mandate which is available for inspection by investors if requested.

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<sup>1</sup> This is not intended to be a forecast.

## **1.8 Authorised Investments**

The Constitution permits the Fund to give the Manager full discretion over investments of the Assets and accordingly the Manager may invest in a broad range of securities in accordance with the investment mandate outlined in this Information Memorandum.

The Manager may invest in;

1. Common stock, preferred stock, preference shares, warrants or rights to subscribe to or purchase such securities or other equity instruments in relation to entities that are listed (or about to be listed) on the ASX, NZX and other authorised foreign markets as described below;
2. Derivative instruments including futures and options listed on the ASX, NZX and Sydney Futures Exchange.

## **1.9 Authorised Foreign Markets**

The Manager may invest in, but is not limited to, the following foreign markets in which Australian companies are listed.

- New Zealand
- USA
- UK
- Hong Kong
- Japan
- Singapore
- Germany
- Canada

The Manager may trade in foreign listed securities for the purpose of M&A and arbitrage trades against listed Australian securities.

The Manager's investment strategies are likely to include the use of derivatives, short selling and leverage.

## 2. Investment Strategies

The Fund's Constitution gives the Manager a wide discretion over the Assets and formulation of investment strategies. These investment strategies may change from time to time to reflect market conditions and although the Manager may, it is not obligated to advise changes in investment strategies from time to time to Units Holders. The Manager sees continuing opportunities within the following investment strategies.

### Long/Short Equities

The Manager will purchase equities with a view to short term and medium term capital gains. The Manager will focus on equities listed (or about to be listed) on the Australian Securities Exchange. The investment mandate may at times include international listed securities involved in a merger and acquisition transaction with an Australian listed company.

The ability to "short sell" securities should enable the Fund to distinguish itself from the more traditional "buy and hold" equity funds. The strategy of "short selling" involves the sale of borrowed securities that the Manager considers are overpriced in the anticipation of purchasing them later for a profit at lower prices.

The Manager will identify companies which exhibit deteriorating fundamentals or which appear to have become significantly overpriced relative to their prospects. Successful short selling will enable the Manager to capitalise on such opportunities and to profit in cases of falling share prices.

The use of short selling enables the Manager to balance the directional exposure of the portfolio in order to adopt a more market neutral bias.

### Derivative Strategies

The Manager's use of derivatives will be confined to purchasing exchange traded futures and options and or writing derivatives strictly with stock protection. The Fund may use derivatives in order to:

- (a) hedge short term risks;
- (b) hedge overall portfolio exposure;
- (c) enhance the return profile of an individual security; and
- (d) as a stock substitute.

The derivative strategy does not include short volatility strategies, that is the unprotected selling of listed call and or put options. All derivatives traded by the Fund are exchange traded. The Fund will not trade over-the-counter contracts.

### Convergence Trading

Many companies listed within the S&P/ASX 200 Index also have their securities listed on international exchanges. The Fund may seek to exploit any price arbitrage which exists from the multiple listing of these securities.

This strategy will also include any short term fungible deals whereby an arbitrage exists between chess depositary interests, rights issues, new shares, company options, and deferred delivery securities.

This strategy also includes convertible arbitrage trades.

**Merger and Acquisition trading opportunities**

The Fund will seek to take advantage of merger and takeover opportunities that arise within the Australian equity market. The portfolio will deal in announced deals only, inclusive of cash and scrip deals, and agreed mergers. The portfolio will trade both discounted and premium bids.

**Convertible & Yield Arbitrage**

The Fund will seek to take advantage of the yield profile of convertible and yielding securities and hedge where appropriate the equity component associated with those securities.

**Leverage**

The Constitution permits the Manager to leverage the Assets to enhance returns to the Fund. A margin is required to fund both long stock positions and short stock positions.

The Fund can be up to five times leveraged. That is, the sum total of the long market value and short market value positions cannot exceed five times the Net Asset Value of the Fund.

A more detailed explanation and demonstration of the use of leverage by the Fund can be provided by way of an investor presentation upon request.

### **3. Management Team**

#### **John Corr - B.Comm - Managing Director**

John Corr is the Managing Director and founder of Fortitude Capital. John was also the seed investor in the Fortitude Capital Australian Absolute Return Fund and to date remains one of the largest investors after significant growth of the fund.

John has over 23 years experience in the financial markets. Prior to establishing Fortitude Capital, John was a Director at Citigroup Global Markets Australia. He worked in proprietary trading for eight years, trading local and overseas equities and equity derivatives, and was responsible for the management and development of a team of equity proprietary traders. John was profitable in each of the eight years he was a proprietary trader with Citigroup and was recognized as a trader that was successful through the many different stages of the market cycle.

John is responsible for the overall portfolio at Fortitude Capital. John, as the Head of Risk Management, determines the appropriate portfolio structure to provide offsetting risks and a low volatility return profile. John works closely with all traders, providing direction and assessment of optimal risk opportunities.

John has and continues to conduct a risk management program in Market Neutral and Derivative Strategies for the Executive Support Team. The objective is to educate and implement a systematic, repeatable process for disciplined trading strategies and portfolio management. Business management skills are also a focus for development.

John holds a Bachelor of Commerce from the University of Wollongong.

#### **Sheriden Hure - B.Fin, F.Fin - Senior Portfolio Manager**

Sheriden Hure joined Fortitude Capital as the first employee in 2005. Sheriden has trained in Fortitude Capital's risk management and Market Neutral trading program to date, covering all strategies. Sheriden had focused her attention within the Mergers and Acquisitions strategy over the last 2 years, in consultation with John Corr. This involves deal-risk assessment, modeling, execution and overall portfolio risk assessment.

Sheriden works closely with John Corr as part of the Executive Support Team. This involves portfolio supervision and risk management. It also involves business evaluation and development.

Prior to Fortitude Capital, Sheriden worked as a Graduate Analyst for Loftus Capital Partners Limited, a listed investment company. Her role focused on investment approach and bottom-up company analysis.

Sheriden holds a Bachelor of Finance (Newcastle) and is a Fellow of the Financial Services Institute of Australasia having completed her Graduate Diploma of Applied Finance and Investments in 2006.

#### **Andrew Ward - C.A. (S.A) - Senior Portfolio Manager**

Andrew Ward joined Fortitude Capital in 2006 during the early growth of the business. As such, he has a thorough understanding of the business objectives and operations. Andrew has trained in the risk management and Market Neutral trading program and now specialises in the Derivatives Overlay and Convergence strategies.

Andrew is a member of the Executive Support Team. This involves both portfolio management and business development responsibilities.

Prior to joining Fortitude Capital Andrew worked as a senior auditor for Ernst and Young Sydney.

Andrew holds a Bachelor of Commerce and a Post Graduate in Accounting from the University of Cape Town.

**Darren Raward - B.Bus - Senior Trader**

Darren Raward joined Fortitude Capital in 2008, capitalising on his credit and equity market experience. Darren primarily manages yield research, trading & investments. This involves an in-depth understanding of the unique Australian listed credit market and any appropriate hedging techniques. The yield strategy can be an area of concentration within the portfolio and hence it requires disciplined assessment of risk and consultation across the portfolio structure.

Darren has over 21 years experience as a senior Credit Analyst. Prior to joining Fortitude Capital, Darren was the Director of Capital Market Origination with Nab Capital. He has an extensive quantitative skill set which allows him to analyse and manage credit, interest rate and equity risk associated with high yield and convertible arbitrage portfolios.

During his career Darren has been responsible for educating and marketing hybrid securities, pricing securities, managing a trading book of listed and unlisted credit instruments, & managing portfolio risk.

Darren Raward holds a Bachelor of Business Major in Economics and Finance from the Queensland University of Technology and a Graduate Diploma in Applied Finance and Investment from the Financial Securities Institute of Australasia.

**Donna Dwyer - Senior Operations Manager**

Donna Dwyer joined Fortitude in 2008 as an experienced back-office manager. Donna has in-depth experience in systems, processes and post-trade management, ensuring accuracy and reliability of portfolio reporting and reconciliations. Donna liaises with brokers, custodians and investors to provide timely information.

Donna has over 17 years experience in administration and operations of major trading and stock broking companies in the Australian Market. These include: Ord Minnett, E-Trade, Salomon Smith Barney and Citigroup; where she was Vice President of Operations for a period of three years.

**Philip Cornet - B.S.Sc - Product Development Manager**

Phil Cornet joined Fortitude in 2009 in a product and business development role. Phil has been working towards raising the profile of Fortitude's existing funds whilst exploring new avenues for growth. This has resulted in the launch of the Fortitude Capital Australian Equities Income Fund.

Fortitude's derivative skill set and Phil's market experience are well coupled. Over time Phil will transition to manage this new fund in line with the risk management and disciplined trading principle applied within Fortitude's existing funds.

Phil has 13 years experience in financial markets having worked for major investment banks in both derivative and equity sales trading. During this time he engaged a range of investors from both traditional and alternative institutions and provided market research and commentary.

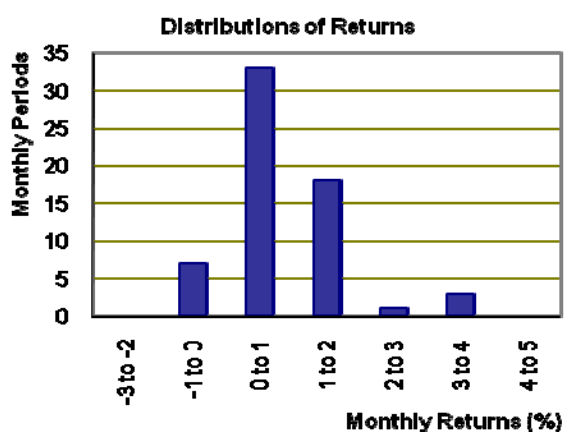
Phil has a Bachelor of Sports Science from the University of New South Wales.

## 4. Fund Performance<sup>4</sup>

Performance after fees (%)													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	0.44	-0.13	-0.73	0.43									0.01
2009	0.21	0.01	0.28	0.26	1.20	1.55	0.55	0.67	-0.58	0.82	-0.02	0.82	5.93
2008	1.34	0.17	0.27	1.21	0.63	0.18	0.45	1.14	2.61	3.12	0.21	0.37	12.29
2007	1.14	0.52	0.32	1.40	0.21	0.36	0.63	3.06	-0.30	0.71	1.32	-0.23	9.48
2006	1.71	1.82	1.38	1.82	3.63	0.57	1.55	0.27	1.30	0.61	0.14	0.80	16.71
2005			1.02	0.96	1.50	1.58	0.92	0.18	0.52	1.34	0.28	-0.50	8.06

	Fortitude	RBA Cash
1 Month Return	0.43%	0.35%
YTD	0.01%	1.32%
Annualised Return p.a.	10.08%	5.58%
Std Deviation	2.98%	0.39%
Max. Drawdown	-0.73%	0.00%
Sharpe	1.51	-
Sortino	4.40	-

Performance Statistics		
	Fortitude	RBA Cash
Last 12 months	5.14%	3.50%
Last 24 months	15.5%	9.3%
% positive mths	88.7%	100%
Best month	3.63%	0.60%
Worst month	-0.73%	0.00%
Avg positive return	0.96%	0.45%
Avg negative return	-0.35%	0.00%



<sup>4</sup> Unaudited returns after all fees (including performance fees) and charges, and before income tax (inclusive of GST less any applicable reduced Input Tax Credits).

## 5. Risk Factors

When making any investment, the potential risks, and how they can affect the investor, need to be considered carefully. Every investment is influenced by many factors that can affect both its value and the income it produces and the investment can decline as well as increase in value.

The principal risks to which investors are exposed through an investment in this Fund include, but are not limited to:

- **Derivative risk:** the Manager may utilize derivatives to hedge against changes in the share price of an underlying security or as part of its overall investment strategy. The risks of using derivatives might include the value of the derivative failing to move in line with the underlying security, potential illiquidity of the derivative, possibility that the derivative position is different or costly to reverse, that it does not perform as expected, and counterparty risk.
- **Short selling:** short selling can increase risk when the position is directional, because a short position has limited upside and unlimited downside.
- **Leverage:** The Fund may leverage its capital because the Manager believes that the use of leverage may enable the Fund to achieve a higher rate of return. The amount of borrowings which the Fund may have outstanding at any time may be substantial in relation to its capital. Leverage can magnify both the gains and losses and investors may experience increased volatility in the value of their investments.
- **Liquidity:** Under certain conditions liquidity of a particular market or security may be restricted, thus affecting the performance of the Fund. Lack of liquidity or market depth can affect the valuation of the Fund's Assets as it looks to realise securities at quoted prices.
- **Economic Conditions:** Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, political and diplomatic events and trends, and tax laws can affect substantially and adversely the business and prospects of the Fund.
- **Market Risk:** Any investment made in a specific group of securities is exposed to the universal risks of the securities market. However, there can be no guarantee that losses equivalent to or greater than the overall market will not be incurred as a result of investing in such securities.
- **Limited Diversifications:** The Manager intends to seek to diversify the Fund's investments as it deems appropriate and consistent with the Fund's investment objective. If the Fund's investment portfolio is concentrated in a small number of investments, the portfolio will be subject to a greater level of volatility.
- **Speculative Nature of Certain Investments:** Certain investments by the Fund may be regarded as speculative in nature and involve increased levels of investment risk. An inherent part of a strategy may be to identify securities which are undervalued (or, in the case of short positions, overvalued) by the marketplace. Success of such strategy necessarily depends upon the market eventually recognising such value in the price of the security, which may not necessarily occur. Equity positions, including IPOs, may involve highly speculative securities.

- Maintenance of AFS License: the ability of the Manager to continue to manage the investment portfolio in accordance with this Information Memorandum and the Corporations Act is dependent on the maintenance of the Manager's AFS License and its continued solvency. Maintenance of the AFS License depends, among other things, on the Manager continuing to comply with the ASIC imposed license conditions and the Corporations Act;
- No guarantee: no guarantee can be provided by the Manager that the Fund will be able to distribute income to Unit Holders as this will depend on the extent to which income is derived by the Fund from the underlying securities in the investment portfolio.

This list is not exhaustive and potential investors should read this Information Memorandum in full and, if they require further information on material risks of such investments, seek all necessary financial, legal, tax and investment advice.

The Fund's investment process should be evaluated on the basis that there can be no assurance that the Manager's assessment of the short term or long term prospects of investments will prove accurate or that the Fund will achieve its investment objectives.

## 6. Fees

The fees listed below are currently applicable for all investments in the Fund as at the date of this Information Memorandum. The Manager will give investors prior written notice of any variation of fees or charges by the Fund.

### 6.1 Ongoing Base Management Fee

The Manager will receive an ongoing base management fee of 1.5% per annum (exclusive of GST) of the Net Asset Value of the Fund. The ongoing base management fee is calculated and paid monthly in arrears out of the Assets.

### 6.2 Performance Fee

The Manager will also be entitled to receive twice annually a performance fee of 20% (excluding GST) of the amount by which the increase of Net Asset Value of the Fund exceeds the Benchmark Performance during the relevant Performance Period, subject to it being above the High Water Mark.

The Performance Fee is calculated and accrued monthly as follows:

$$\text{Performance Fee} = (\text{FP} - \text{BP}) \times 20\%$$

Where:

$$\text{FP} = \text{CV} - \text{OV}$$

$$\text{BP or Benchmark Performance} = \text{B} \times \text{OV}$$

CV = the Net Asset Value of the Fund at the close of the month (after other fees and expenses have been accrued but before accrued performance fees)

OV = the Net Asset Value of the Fund at the opening of the month (pre performance fee accrued Net Asset Value of the Fund but post paid performance fees)

B = the percentage return of the Benchmark (RBA Cash Rate) at the commencement of the month.

The Performance Period means:

- (a) the period from the first day of the next month following each 6 month period ending either at the end of the Financial Year or 31 December each year (i.e. every 6 months); and
- (b) if the Fund terminates on a day other than the last day of a 6 calendar month Performance Period, then the last Performance Period will expire on the termination date.

If the Manager is entitled to a Performance Fee, it will be entitled to be paid as at 1 January and 1 July in each calendar year directly from the Fund (in the same way the ongoing base management fee is paid).

The High Water Mark means the Net Asset Value of the Fund at the end of the preceding Performance Period (adjusted for subsequent Application, redemptions and distributions).

If the accrued Performance Fee at the end of each Performance Period is a negative number, then no Performance Fee is payable for that Performance Period. The accrued Performance Fee will be carried forward into the next Performance Period. Any negative performance (adjusted for any redemptions) must be recouped in full before the Manager is entitled to be paid a further Performance Fee.

There are circumstances where the Manager will not accrue Performance Fees even though an individual Unit Holder's investment is out-performing. For example, if an investment is made

during a time when performance is behind the Benchmark and the Fund out-performs subsequently (that is from the date of the new investment inflow), the Manager is not entitled to a Performance Fee until the Fund's performance exceeds the Benchmark since the investment date.

In these instances, the Manager reserves the right to invoice the Unit Holder separately for Performance Fees on funds invested in the Fund based on 20% of the out-performance from the date the investment was first made by that Unit Holder. Direct invoices to a Unit Holder will be raised half yearly until the Unit Holder is in the same position as all other Unit Holders when any Performance Fee would then be payable direct from the Fund.

### **6.3 Entry and Exit Fees**

No entry or exit fees are applied to the Fund.

### **6.4 Other Expenses**

The Constitution allows for all operating expenses to be paid directly from the Fund. The Manager is entitled to be reimbursed out of the Fund's assets for all proper operating expenses connected with the Fund. Such expenses include, but are not limited to, custodian fees, registry fees, audit fees, taxation advice fees, use of an external consultant, prime brokerage, administration, accounts, legal, postage and compliance expenses.

### **6.5 Commissions**

Any commission the Manager pays to financial intermediaries is paid out of the ongoing base management fee and is not an extra amount paid from the Fund, nor is it an amount the investor pays.

## 7. Applications

### 7.1 Minimum Investment

The minimum initial investment is \$100,000 and the minimum subsequent investment is \$100,000.

Additional Unit Holders may be admitted to the Fund upon such terms and conditions as are permitted by the Manager (without the consent of any other Unit Holders), which terms and conditions may differ from those applicable to other Unit Holders on matters relating to, without limitation, notice periods, fee waivers, rebates or reductions and information rights. New classes of Units in the Fund may be established by the Manager without the approval of the existing Unit Holders.

By lodging an Application in respect of the offer to subscribe for Units in the Fund contained in this Information Memorandum you declare and warrant to the Manager that you are a wholesale client as defined in the Corporations Act and, in the case of offers in New Zealand, that you are also a NZ Eligible Investor.

The Application form for an investment in the Fortitude Capital Australian Absolute Return Fund is the accompanying form at the back of this Information Memorandum. Subsequent additional investments may be effected by completing the accompanying Additional application form at the back of this Information Memorandum.

Some of the criteria for a wholesale client are listed in summary as follows:

- An investment of \$100,000 or more is made in the Fund.
- The interests in the Fund are not provided for use in connection with a business, and the person who acquires the interests gives the Manager, before the provision of the interests, a copy of a certificate given within the preceding 2 years by a qualified accountant that states that the person:
  - (a) has net assets of at least \$2.5 million; or
  - (b) has a gross income for each of the last 2 financial years of at least \$250,000 gross a year.
- The interests in the Fund are provided for use in connection with a business that is not a small business. A 'small business' means a business employing less than:
  - (a) if the business is or includes the manufacture of goods – 100 people; or
  - (b) otherwise – 20 people.
- A financial services licensee.
- A body regulated by APRA.
- A trustee of a regulated superannuation fund with net assets of at least \$10 million.
- A trustee of an approved deposit fund with net assets of at least \$10 million.
- A trustee of a pooled superannuation trust with net assets of at least \$10 million.
- A trustee of a public sector superannuation scheme with net assets of at least \$10 million.
- A person who controls at least \$10 million (including any amount held by an

associate or under a trust that the person manages).

- A body registered under the Financial Corporations Act 1974
- A listed entity, or a related body corporate of a listed entity.
- An exempt public authority.
- A body corporate, or an unincorporated body, that:
  - (a) carries on a business of investment in financial products, interests in land or other investments; and
  - (b) for those purposes, invests funds received (directly or indirectly) following an 'offer or invitation to the public', (as defined in the Corporations Act) the terms of which provided for the funds subscribed to be invested for those purposes
- A foreign entity that, if established or incorporated in Australia, would be covered by one of the above.
- A "sophisticated investor" within the meaning of section 761GA of the Corporations Act whereby the Manager can certify that the investor has sufficient experience to be treated as a wholesale client.

In referring to the word "person" above, we are also referring to corporations and institutional investors.

The above list only provides a summary of the relevant wholesale client criteria in the Corporations Act. Please contact the Manager if you would like any assistance in determining whether you are a wholesale client.

### **Subscriptions**

Units will be available for subscription at the relevant Issue Price on each Subscription Day (the last Business Day of each calendar month).

The Issue Price will be equal to the Net Asset Value plus transaction costs per Unit as at the Valuation Day (the last Business Day of each calendar month) (see page 23). Units are issued at a "par value" of \$1.00 per share. Unit holders participate equally in gains and losses from the Subscription Day. Equalisation accounting is applied to subscriptions after the inception of a performance period to ensure equal participation.

Units are not certificated. The Fund's Administrator will keep a register of Unit holdings and will issue a statement of holdings to Unit Holders.

### **7.2 Applications for Units**

Applicants for Units, and Unit Holders wishing to apply for Units, must send their completed Application form (for initial investments) or Additional application form (for additional investments) by mail (with a copy by facsimile) together with the application monies so as to be received by the Fund Administrator by no later than 2:00pm on the third last Business Day of each month. If Applications are not received by this time, the Fund Administrator will hold the Application over to the following Subscription Day and Units will then be issued at the relevant Issue Price on that Subscription Day. The Fund receives any interest earned on unallocated application monies. Applications may be accepted after this period where authorised in writing by the Responsible Entity.

**Cheques in respect of Applications should be crossed not negotiable, and made payable to:**

**“Fortitude Capital Absolute Return Trust”**

**C/- Kingsway Taitz Fund Administration Pty Limited**

**And posted to;**

**PO BOX A2224, Sydney, NSW 1235, Australia**

**Electronic Fund Transfers may be made to the following bank account:**

<b>BSB</b>	332-002
<b>Account Number</b>	0000552570191
<b>Account Name</b>	Fortitude Capital – Australian Absolute Return Fund
<b>Bank</b>	St George Bank

The Manager reserves the right to reject any Application in whole or in part at its absolute discretion, in which event the amount paid on Application or the balance thereof (as the case may be) will be returned (without interest) as soon as practicable to the Applicant.

**The Fund Administrator will issue a letter to successful applicants confirming acceptance of their Application. A subscription note will be issued following calculation of the Net Asset Value per Unit. Once completed Applications have been received by the Fund Administrator, they are irrevocable (except as required by law).**

Applications for Units will not be dealt with and Units will not be issued until receipt of notification that an Applicant’s funds have been cleared in the full amount of the subscription. Subject to this, Units will be deemed to be issued on the relevant Subscription Day. Fractions of Units may, if necessary, be issued.

The Manager reserves the right from time to time to resolve to close the Fund to new subscriptions by potential investors and/or additional subscriptions by existing Unit Holders, including reinvestment of distributions, at any time, either for a specified period or until they otherwise determine. During any such period Units will not be available for subscription.

### **7.3 No Cooling Off Period**

No cooling off period is required to be provided by the Manager. An Application lodged with the Manager is irrevocable, except as required by law.

### **7.4 Money Laundering**

In order to comply with current or future regulations aimed at the prevention of money laundering, the Manager and the Fund Administrator, or their respective subsidiaries, affiliates, directors, officers, shareholders, employees, agents, permitted delegates and sub-delegates may require you to provide verification of your identity, the underlying beneficial owner(s), and/or the source of the funds being invested.

The Manager and/or the Fund Administrator will notify Applicants if proof of identity is required. By way of example an individual may be required to produce a copy of a passport or other identification card duly certified by a public authority such as a notary public, the police or the ambassador in his or her country of residence, together with evidence of his or her address such as a utility bill or bank statement. In the case of corporate Applicants this

may require production of a certified copy of the certificate of incorporation (and any change of name), the constitution and the names, residential and business addresses of all directors and beneficial owners.

The details given above are by way of example only and the Manager and/or Fund Administrator will request such information and documentation as is necessary to verify the identity of an Applicant. In the event of delay or failure by the Applicant to produce any requested information, the Manager may refuse to accept the Application and return any funds received with the Application without interest.

Each Applicant for Units acknowledges that the Manager and Fund Administrator will be held harmless against any loss arising as a result of a failure to process his or her Application for Units or redemption request if such information and documentation as has been requested by the Manager and/or the Fund Administrator has not been provided by the Applicant.

## 8. Other Information

### 8.1 Redemption of Units

Units will be redeemable at the option of the Unit Holder and are undertaken monthly. If requesting redemption of only a portion of your Unit holding, the redemption will be affected on a "first-in-first-out" basis unless you request otherwise.

To redeem any or all of their Units, Unit Holders should send a completed redemption request in the form available from the Fund Administrator. The redemption request should be received by the Fund Administrator no later than 2:00pm on the Business Day falling at least 30 days before the relevant Redemption Day. If a redemption request is not received within the prescribed period, it will be held over until the next following Redemption Day and the Units will be redeemed at the relevant Redemption Price applicable on that Redemption Day (see page 22). Redemptions may be processed within the 30 day period where authorised by a resolution of the Responsible Entity.

Redemption requests may be sent by facsimile, but redemption proceeds will not be remitted until the Fund Administrator has received the original of the redemption request.

Redemption requests will be paid on any date but generally they will be paid within 20 Business Days after the redemption date.

If a redemption request relates to an amount that exceeds 10% of the then market value of the Net Asset Value of the Fund, the Manager may elect to satisfy the request by redeeming the Units worth not more than 10% of the market value of the Net Asset Value of the Fund on each Redemption Day following acceptance of redemption request until that request is satisfied. This is to enable an orderly exit of investments held to satisfy any large redemption.

A faxed / scanned copy of the redemption form is to be sent to the Fund Administrator at +61 2 8915 1620 or [info@kingswaytaitz.com.au](mailto:info@kingswaytaitz.com.au)

Original redemption forms are required to be sent to;

#### **The Fund Administrator**

Kingsway Taitz Fund Administration Pty Limited  
PO BOX A2224 Sydney NSW 1235 Australia  
PHONE: +61 2 9232 2746  
FAX: +61 2 8915 1620

### 8.2 Minimum Redemption

The minimum Redemption Amount is \$100,000. A requested partial redemption which would cause the Unit Holder's investment to fall below the minimum holding of \$50,000 (subject to the Manager's discretion to accept a lower amount) will not be permitted.

### 8.3 Suspensions

In certain emergency situations or other state of affairs, where the realisation of investments are not able to be effected at prices which would be realised if investments were realised in an orderly fashion over a reasonable period in a stable market, where the Manager otherwise believes it to be in the best interest of Unit Holders and as otherwise provided for in the Constitution, the Manager is permitted to suspend for a reasonable period ("**Suspension Period**") the redemption or issue or both of Units and the payment for the redemption of Units during the Suspension Period. The Issue and Redemption Price for Units the subject of an Application or a redemption request received or deemed received during the Suspension Period shall be the value of the Issue or Redemption Price next determined after the end of the Suspension Period. An investor's redemption request lodged during the Suspension Period is deemed to be lodged immediately after the end of the Suspension Period.

#### **8.4 Facsimile Arrangements**

A facsimile redemption request is currently accepted, provided there is no reason to believe the request is not genuine. The Fund Administrator will not accept facsimile requests for cheques made payable to third parties or deposits to bank, building society or credit union accounts which have not been previously nominated by the Unit Holder. Facsimile redemption requests must be sent to +61 2 8915 1620 or info@kingswaytaitz.com.au. Conditions apply to the use of the facsimile redemption facility.

By using facsimile instructions, you agree with the Fund, the Manager and the Fund Administrator (including for the purposes of this section our respective affiliates, directors and other officers, shareholders, servants, employees, agents, permitted delegates and sub-delegates) to the following terms and conditions:

1 Each of the Fund, the Manager and the Fund Administrator is not responsible to you for any fraudulently completed communications and each of the Fund, the Manager and the Fund Administrator will not compensate you for any losses.

2 Should such a fraud take place, you release and will indemnify the Fund, the Manager and the Fund Administrator against any liabilities whatsoever arising from our acting on any communication received by fax in respect of your investment.

3 The Fund, the Manager and the Fund Administrator will only act on completed communications. A transmission certificate from your fax machine is not sufficient evidence that your fax was received. Each of the Fund, the Manager and the Fund Administrator will not be liable for any loss or delay resulting from the non-receipt of any transmission.

4 These terms and conditions are in addition to any other requirements that may form part of your instructions relating to the completion of a particular authority.

The Fund Administrator will process redemption requests which are initially received by facsimile, but no part of the redemption proceeds will be paid to redeeming Unit Holders until the Fund Administrator has received the original redemption request signed by the redeeming Unit Holder or by an authorised signatory of the redeeming Unit Holder. Neither the Fund, the Manager nor the Fund Administrator shall be responsible for any mis-delivery or non-receipt of any facsimile. Facsimiles sent to the Fund Administrator shall only be effective when actually received by the Fund Administrator. Unit Holders who submit redemption requests initially by facsimile to the Fund Administrator are advised to contact the Administrator by telephone on +61 2 9232 2746 to confirm that it has received the facsimile redemption request.

#### **8.5 Transfer of Units**

Unit Holders may transfer Units in the Fund by returning a transfer form which has been stamped for duty by the appropriate Stamp Duties office (if applicable), together with an Application form accompanying the current Information Memorandum, completed by the new owner. Transferring Units may have tax implications (including the payment of stamp duty in New South Wales) and Unit Holders should consult their taxation adviser before arranging any transfer of Units.

The Manager may refuse to register any transfer of Units in its absolute discretion. Generally, transfers will be permitted provided the transfer will not result in a Unit Holder holding less than the minimum holding.

## **8.6 Valuation of Units**

Unit prices are calculated monthly as at the Valuation Day by the Fund Administrator based on the Net Asset Value of the Fund divided by the number of Units on issue. All Unit prices are calculated to 6 decimal places.

## **8.7 Income Distribution and Re-Investment**

At the end of the Financial Year, the Unit Holders will be entitled to all of the Fund's net income in proportion to the number of Units held by them at the end of that Financial Year.

The Fund will distribute income (if any) annually after June 30 in proportion to an investor's Unit Holding. Distributions, net of any performance fees payable will be automatically reinvested in additional Units in the Fund on the next Business Day after the end of a distribution period, unless a Unit Holder elects to receive a Cash distribution.

Cash distributions will only be paid in Australian dollars to an Australian bank account on the condition that they are net of any performance fees and will normally be paid within 30 Business Days from the end of the distribution period. The Constitution allows the Fund to vary the distribution frequency without notice.

You may elect to have your distributions paid to you by completing the relevant section of the Application form. If you do not so nominate or otherwise elect by notice in writing to the Manager within 30 Business Days of the end of a Financial Year that you wish to receive your income distributions in Cash, your distribution will be automatically reinvested as additional Units in the Fund. Such re-invested Units will be issued at the applicable Unit price on the first Business Day of the next distribution period. No buy/sell spread is applied in respect of such re-invested Units.

Your distributions are calculated on the basis of your per Unit share of distributable income and realised capital gains of the Fund for the entire distribution period and not just for the period your investment is held.

Unit prices fall after the end of the distribution period to reflect the distribution entitlements. If you invest just before the end of a distribution period, you may find that you receive an immediate return of some of your investment capital as income and this may, depending on your circumstances, give rise to a tax liability. Therefore, you should carefully consider the timing of your investment in this Fund. Similarly, if you withdraw your investment before the last day of the distribution period, you may receive your share of any accrued income as capital.

In certain circumstances, the Manager may choose to allocate undistributed income and any net realised capital gains to withdrawing investors based on a pro-rata allocation with reference to the number of Units being redeemed. This would only be utilised to ensure a fair and reasonable allocation of any undistributed income and net realised capital gains amongst investors.

We recommend you speak with a financial adviser or tax adviser to determine your own situation.

A distribution statement will be dispatched to all Unit Holders detailing the taxable income and available credits, as soon as possible after the end of the Financial Year. It is anticipated that the statement will be available after 1 August of each year.

## **8.8 Reporting**

As an investor in the Fund you will receive regular reports, including:

- (1) a monthly Unit price;
- (2) a monthly investment and performance report;
- (3) an income distribution statement after each distribution;

- (4) an annual taxation statement;
- (5) a transaction statement each time you make an investment or withdrawal.

## **8.9 Taxation**

The following summary is for Australian tax residents investing in the Fund. The tax laws are subject to continual change and the tax consequences of investing in the Fund differ between Unit Holders. The following is neither exhaustive nor definitive and all investors should satisfy themselves as to their possible tax consequences, by consulting their own professional tax advisers.

It is our intention to distribute all net taxable income (including net capital gains) earned by the Fund. Therefore under current Australian tax legislation, the Fund should not be liable for income tax.

The net income from your investment, whether paid to you or re-invested in additional Units, is to be included as assessable income for tax purposes. Any net income earned in a Financial Year (regardless of when it is received or re-invested) is to be included in your taxation return for that same year. At the end of the Fund's tax year we will send to you the details of assessable income, capital gains tax, credits and any other relevant tax information to include in your tax return.

If you hold your investment in the Fund on revenue account, as trading stock or carry on a business of investment, your investment in this Fund may have income tax consequences and you should obtain your own tax advice before investing.

This tax information is current as at the date of this Information Memorandum.

### **Capital Gains Tax**

The two sources of capital gains that may arise are from:

- \* a component of the distribution made by the Fund to you;
- \* withdrawing units from the Fund.

Individuals, trusts and complying superannuation entities may be eligible for partial capital gains tax exemptions in relation to the disposal of Units and the capital gains portion of distributions where they have held the Units for at least 12 months.

### **Franking Credits and Foreign Tax Credits**

The Fund will seek to pass on any benefits of franking credits in respect of distributions including franked dividends from the Fund. Investors receiving distributions including franked dividends will be required to include their share of dividend income and franking credits in their assessable income.

Australian residents are required to include in their assessable income their share of any foreign taxes paid by the Fund. Investors will normally be entitled to a tax credit for foreign taxes paid by the Fund.

### **Tax File Number ("TFN") or Australian Business Number ("ABN") (Australian Investors Only)**

The Application form accompanying this Information Memorandum provides for submitting your TFN, TFN exemption or ABN (if investing as a company). You are not obliged to provide us with your TFN, TFN exemption or ABN, however if you do not, tax will be deducted from your distributions at the highest marginal tax rate plus Medicare levy.

## **Goods and Services Tax (“GST”)**

The Fund is or will be registered for GST. The issue or withdrawal of Units in the Fund and receipt of distributions will not be subject to GST. All fees quoted within this Information Memorandum are exclusive of GST. GST will be charged on each of the fees, charges and costs incurred by the Fund. The charge will be deducted from the Assets of the Fund and the Fund will in many cases receive a credit from the Australian Tax Office of 75% of the GST amount paid. The impact of GST payments and credits will be reflected in the Unit price of the Fund.

### **8.10 Custodian**

An independent professional custodian will hold the Assets (including documents of title or certificates evidencing title to investments of the Fund. The Manager has appointed UBS Nominees Pty Limited (a member of the UBS Warburg group of companies) as Custodian of the Fund.

### **8.11 Fund Administrator**

Kingsway Taitz Fund Administration Pty Limited (“**KTFA**”) has been appointed to provide independent fund administration and accounting services for each Fund. The Fund Administrator is responsible for assisting the the Manager to maintain the Fund’s register of Unit Holders, for arranging the issue, redemption, transfer and valuation of Units, for the preparation of unaudited statements for the Fund and for providing certain other administrative services in respect of the Fund in accordance with the terms and conditions of the Administration Agreement entered into between KTFA and the Manager.

The Administration Agreement provides, inter alia, that the Fund Administrator shall not be liable to the Fund or its investors for any acts or omissions in the performance of its services except for its own material breach of its obligations under the Administration Agreement and the Fund Administrator is indemnified in acting as administrator except in the case of its own gross negligence, willful misconduct or fraud. It is not the role of the Fund Administrator to protect the rights and interests of the Fund’s investors. The Fund Administrator does not guarantee the return of any investment, any tax deduction availability or the performance of the Fund. The Fund Administrator has no interest in relation to the Fund and has not received any inducements from the Manager other than the remuneration it is entitled to receive under the Administration Agreement by way of administration fees.

### **8.12 Constitution**

The Fund’s Constitution governs the rights and obligations of the Manager and you as a Unit Holder. Unit Holders are bound by provisions of the Constitution and by this Information Memorandum. The Constitution and the Corporations Act and its regulations, regulate the operations of the Fund and set out rights and liabilities of Unit Holders and responsibilities and duties of the Manager and the Fund Administrator.

The Constitution may be amended if:

- (a) approved by a special resolution of Unit holders; or
- (b) the Manager reasonably considers the amendment will not adversely affect the rights of Unit Holders and allows the Manager to amend the Constitution and requires that the Manager promptly inform all Unit Holders of any amendment.

The Manager will promptly inform all Unit Holders of any amendment to the Constitution.

A copy of the Fund’s Constitution will be made available to you on request.

### **8.13 Changes To The Investment Approach**

Subject to the Constitution and the Manager's discretion, the investment approach for the Fund may be changed from time to time, but (where practicable) reasonable notice will be given to you if the approach is to materially change.

### **8.14 Complaints**

If you have any queries or complaints, please write to the Manager. We will acknowledge your query or complaint in writing within 14 Business Days. We will then give proper consideration to the complaint and advise you of the outcome within the time period set out in the Constitution.

### **8.15 Privacy**

We respect your privacy. Any personal details provided to the Manager when you invest or at any other time in relation to your investment, will be used to administer and report on your investment with us, and for purposes related to that. For example, your details may be used to establish your initial investment, process ongoing transactions, respond to any queries you may have, provide you with transaction, distribution, tax and annual statements, and to provide you with information on the performance of your investment, change in product features, fund commentary and other topical information.

As well as using your personal details within the Manager, we may disclose it to other persons to enable us to provide services to you. Such people include:

- (a) Third parties we appoint as advisers, agents or service providers such as auditors, custodians, administrators or legal advisers or any of their affiliates; and
- (b) Third parties you authorise to act on your behalf in relation to your investment such as your investment consultant, financial adviser, broker or solicitor or any of their affiliates.

If you provide incomplete or inaccurate information, the Manager may not be able to process your Application.

We may also disclose your personal information to other persons and entities as permitted under the Privacy Act 1988.

We aim to keep your personal details as up to date and accurate as possible. If any of your personal details are incorrect or have changed please write to us.

Each investor will be required to acknowledge in the Application form that the Fund, the Fund Administrator and/or the Manager may disclose to each other, to any other service provider to the Fund or to any regulatory body in any applicable jurisdiction copies of the investor's Application and any information concerning the investor provided by the investor to the Fund, the Fund Administrator and/or the Manager and any such disclosure shall not be treated as a breach of any restriction upon the disclosure of information imposed on such person by law or otherwise.

If you wish to find out what personal details we hold with respect to you, please contact us.

### **8.16 Appointing an Authorised Representative**

If you wish to appoint someone else to operate your investment on your behalf, the following conditions apply:

- (a) Your authorised representative can do everything you can do with your investment except appoint another authorised representative.
- (b) To cancel your authorised representative you must give us 7 Business Days written notice.

- (c) You release and indemnify the Manager (including for the purposes of this section each of its respective affiliates, directors and other officers, shareholders, employees, agents, permitted delegates and sub-delegates) from and against all liability which may be suffered by you or by the Manager or brought against the Manager in respect of any acts or omission of your authorised representative, whether authorised by you or not.

To appoint an authorised representative complete the relevant sections in the Application form.

#### **8.17 Further Information**

The preceding information is only a summary of some of the general features of the Fund and should be considered by investors in the context of and subject to any further information made available upon request by the Manager.

For further information about the Fund and its investments, please contact the Managing Director, John Corr on + 61 2 9376 9800.

**Definitions in this Information Memorandum:**

"**Applicant**" means an applicant for a Unit.

"**Application**" means an application for a Unit in a form approved by the Manager.

"**ASIC**" means the Australian Securities and Investments Commission and any body succeeding it with regulatory authority over the Fund.

"**Assets**" means from time to time, all the Property, assets, rights and income of the Fund excluding any subscription money in respect of an Application that has not been accepted by the Manager.

"**ASX**" means the Australian Securities Exchange.

"**Benchmark**" means the Reserve Bank of Australia official cash rate.

"**Business Day**" means a day other than a Saturday, Sunday or public holiday on which banks are generally open for business in New South Wales.

"**Cash**" means a cheque, bank cheque, payment order or electronic transfer of funds (but not currency unless the Manager otherwise determines).

"**Constitution**" means the trust deed establishing the Fund and includes any supplementary deeds.

"**Corporations Act**" means the Corporations Act 2001 (Cth).

"**Custodian**" means UBS Nominees Pty Limited ACN 001 450 522.

"**Financial Year**" means the 12 months period ending 30 June in each year.

"**Fund Administrator**" means Kingsway Taitz Fund Administration Pty Limited (**KTFA**).

"**GST**" means any goods and services tax including the tax imposed under A New Tax System (Goods and Services Tax) Act 1999 (Cth).

"**includes**" means includes, without limitation.

"**Information Memorandum**" means this information memorandum as modified or varied by any supplementary information memorandum issued by the Manager from time to time.

"**Input Tax Credit**" has the meaning ascribed to that term in section 195-1 of A New Tax System (Goods and Services Tax) Act 1999 (Cth).

"**Issue Price**" the issue price per Unit calculated as follows:

$$\frac{\text{Net Asset Value plus transaction costs}}{\text{Total number of issued Units}}$$

"**Liabilities**" means all liabilities of the Fund including all liabilities accrued but not yet paid, borrowings, unpaid costs, charges, expenses, outgoings, fees, Taxes, contingent liabilities, unpaid amounts due to a Unit Holder including Redemption Amounts or distributions, unpaid remuneration due to the Manager and any provision which the Manager determines should be taken into account in determining the liabilities of the Fund.

"**Manager**" means Fortitude Capital Pty Limited ACN 100 306 723.

"**Net Asset Value**" means the total current market value of the Assets less the total value of the Liabilities as calculated by the Manager on any relevant date.

"**NZ Eligible Investors**" means selected New Zealand institutional clients whose business is the investment of money or persons who, in the course of and for the purpose of their business, habitually invest money and who are not members of the public for the purposes of the New Zealand Securities Act 1978.

"**Performance Fee**" has the meaning given in section 6.2 of this Information Memorandum.

"**Performance Period**" has the meaning given in section 6.2 of this Information Memorandum.

"**Property**" means property or assets of any kind including real, personal, moveable and immoveable property of any nature, wherever situated, including insurance policies, currency, bank accounts and choses in action.

"**Redemption Amount**" means the total amount payable to a Unit Holder as a result of the redemption or buy back of Units pursuant to a redemption or buy back request, being the relevant Redemption Price multiplied by the number of Units redeemed or bought back.

"**Redemption Day**" means the last Business Day of each calendar month.

"**Redemption Price**" means the redemption or buy back price of a Unit calculated as follows:

$$\frac{\text{Net Asset Value minus transaction costs}}{\text{Total number of issued Units}}$$

"**Register**" means the register of Unit Holders maintained by, or on behalf of the Fund by, the Fund Administrator.

"**Subscription Day**" means the last Business Day of each calendar month.

"**Taxes**" means every kind of tax, duty, rate, levy, deduction and charge imposed by any fiscal, national, state or local authority or entity and whether presently imposed or novel, together with interest and penalties including, for the avoidance of doubt, any GST.

"**Trust Fund**" means at any time, all of the Assets but subject to the Liabilities at that time.

"**Unit**" means an undivided beneficial interest in the Trust Fund as provided for in the Constitution.

"**Unit Holder**" means a person whose name for the time being is entered in the Register as the holder of a Unit.

"**Valuation Day**" means a day on which the Manager calculates the Net Asset Value, unless the Manager decides otherwise, will be the last Business Day of each calendar month.

**APPLICATION FORM FOR UNIT SUBSCRIPTION**

Is this an additional investment to an existing account **YES** **NO**

**NAME OF ACCOUNT** **Investor 1** **Investor 2**

Company Name (if applicable):

Trustee Name (if applicable):

Partnership Name (if applicable):

Individual Name (if applicable):

ACN, ARBN or ABN (companies only):

Nationality / Place of Incorporation:

Date of Birth (if an individual):

*Joint applicants will be assumed to be joint tenants unless otherwise specified.*

**REGISTERED ADDRESS** **Investor 1** **Investor 2**

Suburb:

State and Post Code:

Country:

Postal Address, if different

Suburb:

State and Post Code:

Country:

**CONTACT DETAILS**

Contact name:

Telephone (Work):

Facsimile:

E-mail address\*:

Telephone (Home):

\*If you provide us with an email address, you agree that we may use the email address to provide you with information about your investment (such as transaction statements, monthly Unit prices, monthly investment and performance reports, annual income distribution statements, annual taxation statements and annual audited financial statements and other material).

**ADVISER DETAILS (if applicable)**

Adviser Name: Telephone no:

Adviser E-mail address:

**TAXATION** **Investor 1** **Investor 2**Are you an Australian resident for taxation purposes: **YES/NO** **YES/NO**

If no, country of residence:

I/We authorize the application and future use of my tax file number/ Australian Business Number to all investments in my/our name in the Fortitude Capital Australian Absolute Return Fund **YES/NO** **YES/NO**

Please provide your tax file number or Australian Business Number as appropriate.

My tax file number or exemption number is:

**OR**

My Australian Business Number is:

**Tax Type Codes**

Please circle one of the types listed below.

I=Individual	C=Company	S=Superannuation Fund	T=Trust
P=Partnership	O=Other	EI=Exempt	EC=Exempt Company

You are not obliged by law to provide your tax file number, Australian Business Number or exemption. However, if you do not, you will be taxed at the highest marginal tax rate plus Medicare levy. If you believe yourself to be a "Sophisticated Investor" as defined by section 761GA of the Corporations Act please contact Kingsway Taitz as additional information may be required.

**TOTAL APPLICATION AMOUNT:** \$

Please make cheque payable to:

Fortitude Capital Absolute Return Trust  
C/- Kingsway Taitz Fund Administration Pty Limited  
PO Box A2224, Sydney, NSW 1235 Australia

Note: the above address can be utilised for courier deliveries.

For Electronic Fund Transfers, please pay to the following account:

Bank:	St George Bank
BSB:	332-002
Account Name:	UBS AG, Fortitude Capital – Australian Absolute Return Fund
Account Number:	0000552570191
Quoting:	Full Name of applicant

A faxed / scanned copy of the application form is to be sent to the Fund Administrator at +61 2 8915 1620 or [info@kingswaytaitz.com.au](mailto:info@kingswaytaitz.com.au) at the time of investing if a direct deposit is made. Original application forms are still required to be sent to the address at the end of the form.



Securities Act 1978, including in respect of each future application (unless I/we notify the Manager otherwise).

I/We acknowledge that due to anti-money laundering requirements, the Manager and the Fund Administrator may require proof of identity and source of funds before the application can be processed and the Manager and/or the Fund Administrator and each of their respective subsidiaries, affiliates, directors and other officers, shareholders, servants, employees, agents, permitted delegates and sub-delegates be held harmless and indemnified against any loss ensuing due to the failure to process this application, if such information required by the parties hereto has not been provided by me/us.

I/We agree that if I/we are executing this application form as a record holder in my/our capacity as agent, representative or nominee on behalf of one or more investors ("the **Underlying Investors**"), I/We further agree and confirm that the representations, warranties, and covenants made in this application form are made by me/us on behalf of myself/ourselves and the Underlying Investors. I/We have all requisite power and authority from the Underlying Investors to execute and perform the obligations under the application form and will provide the Manager and/or the Fund Administrator any information reasonably requested by them or required by any applicable law or regulations with respect to the Underlying Investors.

Signature

Signature

Director/Secretary

Director/Secretary

Company Seal (if required)

Date

Date

Please send your completed application form to:

**The Fund Administrator**

Kingsway Taitz Fund Administration Pty Limited

Level 16, 201 Elizabeth Street

Sydney NSW 2000

PHONE: +61 2 9232 2746

FAX: +61 2 8915 1620

**ADDITIONAL APPLICATION FORM FOR UNIT SUBSCRIPTION**

*This one (1) page form should be used for additional applications only*

**NAME OF ACCOUNT**

Entity (Account) Name:	
ACN, ARBN or ABN:	

**Funds Transfer via:**      EFT/Cheque (circle)

Please note that cut-off times apply. Funds received after the cut-off times for any particular Subscription Day may be processed at the next relevant Subscription Day.

<b>TOTAL APPLICATION AMOUNT:</b>	<b>\$</b>
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**\*\*Note**

- *A signed and completed Additional application form together with the application monies must be received by the Fund Administrator no later than 2pm on the third last Business Day of each month.*

**Declaration:**

I/We instruct the Fund Administrator to effect an investment in accordance with the completed instructions set out above.

I/We acknowledge and agree that I/We are making this additional application on the same terms and conditions as those contained in the Application form previously executed by me/us and accepted by the Fund.

Signature                      Signature

Director/Secretary

Director/Secretary

Company Seal (if required)

Date

Date

Please send your completed Additional application form to:

**The Fund Administrator**

Kingsway Taitz Fund Administration Pty Limited

Level 16, 201 Elizabeth Street

Sydney NSW 2000

PHONE: +61 2 9232 2746

FAX: +61 2 8915 1620