



# Trilogy Enhanced Income Fund

Product Disclosure Statement  
30 September 2022

**Trilogy Enhanced Income Fund**

ARSN 614 682 469

Responsible Entity:

**Trilogy Funds Management Limited**

ABN 59 080 383 679

AFSL 261425

**Investment Manager:**

Trilogy Financing Pty Ltd

ABN 16 615 429 386

(AR Number: 1253178)



**Trilogy Funds**



Trilogy Funds is pleased to invite you to invest in Trilogy Enhanced Income Fund (Fund).

The Fund invests in a portfolio of cash, cash-style investments and other financial assets with returns “enhanced” by a participation in the Trilogy Monthly Income Trust which holds a direct portfolio of registered first mortgages over Australian property. The Fund aims to provide a regular and stable income from these investments and to distribute this income monthly to investors in the Fund.

The Fund is designed to provide you with an income focussed investment and access to your money within 30 days, while the Fund is liquid.

As with any investments there are risks which should be noted carefully. It is also important to note that past performance is not a reliable indicator of future performance.

When considering the Fund for potential inclusion in your investment portfolio, we recommend that you read this PDS and the TMD in full. This, in combination with advice from a licensed adviser, is designed to help you understand and assess the potential risks and benefits involved in an investment in this Fund.

We have an Investor Relations team and product specialists available during business hours to answer any questions you may have. You may reach them by free call to 1800 230 099 (New Zealand callers +800 5510 1230) between 8:30am and 5:00pm (AEST). Alternatively you can email [investorrelations@trilogyfunds.com.au](mailto:investorrelations@trilogyfunds.com.au). You may also access further information about the Fund on our website [www.trilogyfunds.com.au/enhanced](http://www.trilogyfunds.com.au/enhanced), such as any updates on information in the PDS, TMD and current performance information.

We look forward to discussing this opportunity with you further.

Yours sincerely,

**Rodger Bacon**  
Executive Deputy Chairman  
Trilogy Funds Management Limited



# Contents

<b>Section 1. Key Features of the Fund .....</b>	<b>3</b>
<b>Section 2. About the Fund .....</b>	<b>7</b>
<b>Section 3. Your investment in the Fund.....</b>	<b>9</b>
<b>Section 4. Fees and other costs .....</b>	<b>13</b>
<b>Section 5. Risks.....</b>	<b>19</b>
<b>Section 6. About Trilogy Funds Management Limited .....</b>	<b>25</b>
<b>Section 7. Additional information .....</b>	<b>29</b>
<b>Section 8. Glossary.....</b>	<b>39</b>

The fund offered under this Product Disclosure Statement (PDS) is the Trilogy Enhanced Income Fund ARSN 614 682 469 (Fund).

This PDS is dated 30 September 2022 and is issued by Trilogy Funds Management Limited ACN 080 383 679 AFSL 261425 in its capacity as responsible entity of the Fund (Trilogy Funds or Responsible Entity). No other member of the Trilogy Funds group makes any statement or representation in this document. Trilogy Funds takes responsibility for this PDS. This PDS contains some general investment advice. It does not take into account your individual objectives, financial situation or needs. You should take these and your personal circumstances into account when considering whether the information contained in this PDS is appropriate for you. It is important that you read the PDS and the Target Market Determination (TMD) for the Fund before investing in the Fund. You should also seek your own financial advice from a licensed adviser before investing.

In this PDS, 'we', 'us' and 'our' refer to Trilogy Funds and 'you' and 'your' refer to individual Investors, both as potential Investors reviewing this PDS and as existing Investors with a holding in the Fund, as the context requires.

No interest in the Fund offered under this PDS is guaranteed or otherwise supported by Trilogy Funds or any of its Directors or any other party associated with the preparation of this PDS. You should consider this when assessing the suitability of the investment and particular aspects of risk.

This document can only be used by Investors receiving it (electronically or otherwise) in Australia. This PDS does not constitute and should not be construed as an offer, invitation or recommendation by Trilogy Funds to apply for units in the Fund in any state, country, or jurisdiction where such offer, invitation or recommendation may not be lawfully made. Units in the Fund are not intended to be offered or issued to US Persons as defined under Regulations of the US federal securities laws.

This PDS is available in electronic format and can be accessed via our website [www.trilogyfunds.com.au](http://www.trilogyfunds.com.au). If you receive it electronically, please ensure that you have received the entire PDS and the Application Form as well as the TMD. If you are unsure whether the electronic document you have received is complete, please contact us on 1800 230 099. A printed copy is available free of charge.

All dollar amounts referred to in this PDS are in Australian dollars. In Section 8 we have included a glossary of terms that are used in the PDS.

## **Obtaining further information before making a decision**

The information in the PDS and the TMD may change from time to time.

Visit our website [www.trilogyfunds.com.au/enhanced](http://www.trilogyfunds.com.au/enhanced) regularly for further information about the Fund, including continuous disclosure, Fund updates and the latest TMD.

## **Important**

Historical returns are not a reliable guide to future returns. Any returns noted in this PDS represent past performance only and may not reflect the current and future returns of the Fund. You should not base your decision to invest in the Fund on past returns.

This PDS supersedes all previous PDSs issued for the Fund. No investments will be accepted on the basis of this document once it is replaced by a later PDS. Investors who invested in the Fund under a previous PDS should read this PDS in full to ensure that this Fund continues to meet their investment objectives.









# Section 1.

## Key Features of the Fund

The information in the table below provides a snapshot of the Fund as at the date of this PDS. Please read the whole PDS, the latest TMD and seek any advice you need before deciding to invest.

NAME	TRILOGY ENHANCED INCOME FUND	SECTIONS/S
ARSN	614 682 469	
APIR Code	TGY9789AU	
Inception	November 2016	
Responsible Entity	Trilogy Funds Management Limited	6
Investment Manager	Trilogy Financing Pty Ltd	2.3
Custodian	The Trust Company Limited, an independent specialist custodian, provides custody of the Fund's assets.	7.12
Investment strategy	To invest directly and indirectly in a portfolio of cash, cash-style investments and other financial assets such as a range of short to medium bank term deposits, bills of exchange, promissory notes, bonds, fixed or floating rate debt securities as well as income securities and to enhance returns via exposure to the pooled mortgage portfolio of the Trilogy Monthly Income Trust.	2.3
Minimum investment	\$5,000	3.2
Minimum additional investment	No minimum additional investment.	3.3
Distributions	Distributions are paid monthly in arrears at a variable rate.	3.6
Distribution reinvestment	Distributions will be made by automatic reinvestment into the Fund as additional units on the date the distribution is made. However, Investors may choose that their distribution income is paid into their nominated bank account.	3.6
Withdrawals	Accepted each day. As at the date of this PDS, a 30 days' notice period is required for withdrawals, but they may be processed and paid in a shorter time at the discretion of Trilogy Funds (while the Fund is liquid). You must note that up to 6 months is allowed under the Constitution.	3.7
Minimum balance	\$1,000	3.7
Cooling off	A cooling off period applies to an investment by a retail Investor in the Fund while the Fund is liquid.	3.4
Investors	The Fund is open to both retail and wholesale Investors. Wholesale Investors should consider Section 3.5.	





NAME	TRILOGY ENHANCED INCOME FUND	SECTIONS/S
<b>Management Fees and Costs</b>	Fees and other management costs apply to an investment in the Fund and you should read the Fees and Other Costs section for full details. Trilogy Funds is entitled to be paid ongoing management fees for its role in managing the Fund. Although it currently meets day-to day expenses of the Fund from its own funds, the Responsible Entity may also be entitled to be reimbursed for expenses it incurs in operating the Fund, and may pay directly from the Fund assets the costs of third party and related service providers to the Fund.	4
<b>Risks</b>	An investment in the Fund is subject to general investment risks, specific risks of investing in a managed fund such as the Fund, risks of investing in cash and cash style investments, as well as all the risks of investing indirectly in a portfolio of first ranking mortgages over real property and other assets in which the Fund may invest in from time to time.	5
<b>Reporting and investor communications</b>	Investors receive the following information regarding their Fund investment: <ul style="list-style-type: none"><li>• receipt of funds notification;</li><li>• monthly distribution statements;</li><li>• annual tax statement (AMIT member annual (AMMA) statement);</li><li>• annual periodic (transaction) statement; and</li><li>• annual financial report (if requested).</li></ul>	3.10
<b>Access to current information</b>	You can obtain up to date information in relation to the Fund's performance, continuous disclosure material and other information about the Fund or Trilogy Funds at <a href="http://www.trilogyfunds.com.au">www.trilogyfunds.com.au</a> . This includes any updates of this PDS and the latest TMD.	7.1













# Section 2. About the Fund

## 2.1 Structure of the Fund

The Fund is a registered managed investment scheme, also known as a 'managed fund', 'pooled investment', or a 'collective investment', which is operated as a unit trust for investors as beneficiaries. Investors are entitled to participate in the Fund in accordance with the provisions of the Constitution of the Fund, the Corporations Act, and any other applicable law.

When you invest in the Fund, your money is pooled with that of other investors and invested to generate returns. Investors acquire units which entitle them to a beneficial interest in the Fund as a whole, but not in any particular asset of the Fund. Investors do not have the right to participate in the day to day management or operation of the Fund.

## 2.2 Investment Objective

The investment objective adopted by the Responsible Entity for the Fund is to provide a regular and stable income from the Fund through investing primarily in a range of cash, cash-style investments and other financial assets but also through Fund investments in registered managed investment schemes operated by the Responsible Entity or other trustees or responsible entities, the assets of which are cash, bonds, or other income producing securities, or mortgages over real estate which may include residential, commercial, retail and industrial property, in Australia.

The target benchmark for the Fund is the Official Cash Rate plus 1.50%p.a. assuming reinvestment of distributions but before fees and expenses and taxes, over a rolling 12 months period. However, it is important to note that this is a benchmark only.

The Responsible Entity does not guarantee the frequency or level of any returns. It aims to make monthly distributions to Investors but does not guarantee that it will always be able to do so.

## 2.3 Investment Strategy

Trilogy Funds has appointed the Investment Manager to provide investment strategy and implementation advice to the Responsible Entity.

The investment strategy of the Investment Manager, as implemented by the Responsible Entity, is to:

- invest in a range of cash, cash-style investments and other financial assets; and

- enhance returns from those investments by investing in loans secured by first mortgages over real estate, as explained further below.

It is intended that this investment strategy will allow for further flexibility at the portfolio management level in times of rebalancing exposures across different managers due to the prevailing market conditions at the time.

The Fund itself has no borrowings and there is no intention to borrow on behalf of the Fund.

### **Cash, cash-style investments and other financial assets:**

As at the date of this PDS the strategy is to invest approximately 65% of the Fund's assets in cash, cash-style investments and other financial assets such as a range of short to medium term bank deposits, bills of exchange, promissory notes, bonds, fixed or floating rate debt securities as well as income securities. These may be held directly or indirectly through listed or unlisted managed investment schemes, or other investment vehicles or portfolio arrangements.

As at the date of the PDS, the underlying cash, cash-style investments and other financial assets of the Trust are primarily comprised of floating rate notes, directly and through unlisted managed investment schemes, indirect government bond exposure through another unlisted managed investment schemes and cash. Floating rate notes held directly are operated under an investment mandate with a specialised manager of fixed income securities. All bonds and floating rate notes held under this mandate are investment grade.

### **Mortgage investments:**

As at the date of this PDS the strategy is also to invest approximately 35% of the Fund's assets in another registered managed investment scheme operated by Trilogy Funds, the Trilogy Monthly Income Trust ARSN 121 846 722, a registered pooled mortgage fund which makes loans secured by registered first mortgages.

It is important to note that at any time the Fund's investments in each of the class of assets is approximate only. There is no obligation on the Responsible Entity to rebalance the portfolio of assets at or within a particular time.

In addition, Investors should be aware that the strategy may change during the life of this PDS. If the intended approximate allocations to each of the above asset classes were to change, the Responsible Entity will notify Investors.









# Section 3.

## Your investment in the Fund

### 3.1 How to invest

There are three steps to make an investment in the Fund. You should read the guidance on the Application Form for information on how to fill it out and refer to our website at [www.trilogyfunds.com.au](http://www.trilogyfunds.com.au).

#### Step 1 – Read this document, and consider the offer

You should read this PDS and the TMD in full before deciding whether to invest in the Fund. Pay particular attention to the risks set out in Section 5 and other information concerning units, the Fund and its assets. The risks need to be considered in light of your particular investment objectives, financial situation and needs. You should seek your own financial advice from a licensed adviser before investing.

#### Step 2 – Complete the Application Form

To make an investment, complete and lodge the Application Form with your application money. Please take care to ensure that you complete the Application Form correctly and return it together with documentation required.

We will accept the payment methods listed on our Application Form.

#### Step 3 – Lodge your Application Form

**Please see the instructions on the Application Form for details about lodging the form with us.**

### 3.2 Minimum investment amount

The minimum investment for an initial application is \$5,000. Any interest earned on application money will form part of the assets of the Fund.

Trilogy Funds reserves the right to reject any application, or to allocate a lesser number of units than applied for by the Investor. If this occurs then any application money not accepted will be returned to the Investor without interest.

### 3.3 Adding to your investment

Current Investors wishing to add to their investment may do so at any time. Please use your investor ID in any electronic transfers. There is no minimum additional investment amount.

Before making or deciding to make an additional investment in the Fund, you should check [www.trilogyfunds.com.au/enhanced](http://www.trilogyfunds.com.au/enhanced) for any new or supplemental product disclosure statement, for any updates to this PDS, for any replacement TMD and for other updates about the Fund.

### 3.4 Cooling off for retail investors

For so long as the Fund is a 'liquid' fund the cooling off rights apply to the Fund. Those Investors who are 'wholesale clients' within the meaning of the Corporations Act do not have any cooling off rights.

If you are investing directly then to exercise this right, if available, an investor must do so within 14 days after the earlier of receiving a confirmation of their investment with Trilogy Funds, or the end of the fifth day after the date units were issued.

Trilogy Funds must receive instructions before the end of the 14 day period for the exercise of cooling off rights to be effective. Repayment of application money under cooling off rights is subject to an adjustment if Trilogy Funds has re-valued the assets of the Fund (leading to a compulsory redemption of units) during the period the investment is held.





As a wholesale Investor or an operator of the master trust, wrap account or IDPS you do not have any cooling off rights under the Corporations Act. Platform Investors should contact the operator of the master trust, wrap account or IDPS through which they are investing to obtain details of the cooling off rights, if any, that they have.

### 3.5 Wholesale Investors and investing through investment platforms

Trilogy Funds has the discretion to waive or reduce fees for wholesale Investors. Any waiver or reduction is available only to those who are “wholesale” investors within the meaning of the Corporations Act on an individual basis, and only in accordance with the Corporations Act requirements and the ASIC class order relief relating to differential fees.

You may invest in the Fund through an investment platform, also referred to as wraps and investor directed portfolio services (IDPS). Trilogy Funds authorises the use of this PDS as disclosure to investors who wish to access the Fund through investment platforms (Platform Investors). Trilogy Funds charges Platform Investors a reduced management fee (see Section 4.2). Platform Investors who gain exposure to this Fund through a master trust, wrap account or IDPS are indirect investors and therefore do not:

- become unit holders in the Fund, nor do they acquire the rights of a unit holder in the Fund. The operator of the master trust, wrap account or IDPS has those rights and can exercise, or decline to exercise, them on behalf of the Platform Investors; and
- receive interest distributions or reports directly from Trilogy Funds, nor do they directly participate in Investor meetings or the winding up of the Fund. Withdrawal timeframes for Platform Investors are dependent on their master trust, wrap account or IDPS operator.

Platform Investors in master trusts, wrap accounts or IDPS should consult their operator to obtain information on how their operator deals with applications, withdrawals, transfers, income distributions and timing, fees and expenses and monitoring of their investments. Such Platform Investors should also read the disclosure document issued by the operator of the relevant master trust, wrap account or IDPS. Platform Investors who are retail clients are able to access Trilogy Funds internal dispute resolution procedures in some cases. For further details about complaints handling see Section 7.4 of this PDS.

### 3.6 Distributions

#### Calculation of distribution per unit

Income distributions are calculated daily and paid monthly in arrears. The amount you receive will be proportionate to the number of units you held each day during the distribution period. The amount will vary and it is possible that sometimes there may be no distribution.

#### Source of distributions

In calculating distributions, Trilogy Funds may, in its discretion, include in income any amount of management fees to which it is entitled but wishes to waive or defer for the period, in order to achieve a particular rate of return. Generally, Trilogy Funds will do this to smooth returns to Investors, based on the expectation generated by historical returns, and only after Trilogy Funds analyses the Fund’s position, including the current market conditions, anticipated investment income, the Fund’s liquidity needs and the total of fees and costs received for the relevant period.

#### Timing of distribution payment

Income distributions are generally paid to investors on or shortly after the 8th business day following the end of each month. Payments will be made by automatic reinvestment into the Fund as additional units on the date the distribution is made. Units will be issued at the amount of \$1.00 each unit. Where there is a delay in the valuing of assets of the Fund to ascertain the net asset value of units, and subsequently a delay of distribution, we will delay the reinvestment of units.

All distributions will be automatically reinvested in the Fund as additional unit holdings unless you notify Trilogy Funds by using the application form available on our website at [www.trilogyfunds.com.au/enhanced](http://www.trilogyfunds.com.au/enhanced) (or, after you become an Investor by notifying us via email or through written correspondence).

We must receive notification of the change before the end of the month for it to operate for that month’s distribution.

You will be sent a monthly statement detailing your income distributions and how it was paid to you.

### 3.7 Withdrawals

#### How to make a withdrawal

Investors who wish to withdraw all or part of their investment in the Fund should provide notice of their request by completing and signing a Withdrawal Form and lodging it with us as advised on the form. Currently, a minimum balance requirement for each unit holder is 1,000 but we reserve the right to change or waive this minimum balance requirement at any time at our discretion.



### Notice of withdrawals and processing times

The Fund is not an 'at call' cash account and should not be treated as such.

As at the time of this PDS, 30 days' notice is generally required for processing withdrawals.

However, withdrawals may be processed earlier than the end of the 30 days notice period at the discretion of Trilogy Funds, and if the liquidity position of the Fund allows this to occur. This is solely at the discretion of Trilogy Funds. You must also note that withdrawal processing may take longer than the 30 days and that 6 months is allowed under the Constitution.

### Withdrawals and Fund liquidity

The Trilogy Enhanced Income Fund has a withdrawal process designed to safeguard its liquidity levels and to protect the interest of all its Investors.

The liquidity of the Fund affects withdrawals in two ways:

1. The first is that for the Fund to meet withdrawal requests from Investors, the Fund must be a 'liquid' scheme. To be a 'liquid' scheme, not less than 80% of the assets of the Fund must be able to be realised within the period specified in the Constitution, which is 6 months. The nature of the assets held by the Fund are considered to be reasonably liquid in normal market conditions and can be realised within a shorter timeframe than that as specified in the Constitution. However, should market conditions not permit or be susceptible to realising underlying assets at a fair market value then a longer period may be required to realise these assets which may or may not impact the Fund's liquidity and consequent withdrawal timeframe.
2. The second relates to the projected cash needs of the Fund to pay fees, expenses and any other costs.

## 3.8 Suspension of applications and withdrawals and compulsory redemptions of units

The Investment Manager aims to maintain a unit value of \$1.00 per unit for applications and withdrawals. The net asset value of the Fund at any time is derived from the value of the cash related investments and the investments in other trusts, plus the income that is received or accumulated less the expenses and distributions that are payable from the Fund and any losses that have been realised in the month on investments of the Fund. The unit value is determined by dividing the net asset value of the assets of the Fund by the total number of units on issue at the relevant time. The net asset value per unit (referred to as the 'unit value') must be determined as at the end of each month by Trilogy Funds applying its valuation

methods and policies to the assets of the Fund.

The Constitution of the Fund allows for appropriate adjustments to be made to the distribution of income or gains to the investors of the Fund that are sourced from income and gains made from the underlying assets of the Fund, in order to ensure that a unit value of \$1.00 per unit is maintained at the end of each month for the units in the Fund.

If, in any month, after bringing to account any realised losses and making any adjustments to the distribution of income or gains to the investors of the Fund, there is insufficient income to meet expenses or to compensate for any reduction in the value of the Assets of the Fund, the unit value (or the net asset backing of a unit) may be less than \$1.00 per unit. In such a case the Constitution provides a mechanism under which the following may occur, depending on the unit value:

If the unit value is less than \$1.00 per unit but equal to or more than 99.5 cents, then applications and redemptions may be suspended until income received or accrued brings the net asset value back up to \$1.00.

If the unit value is between 98 cents and 99.5 cents per unit then:

- applications and redemptions must be suspended until income received or accrued brings the net asset value per unit back up to \$1.00 per unit;
- if six months passes without the net asset value returning to \$1.00, then the compulsory redemption provisions of the Constitution will apply; or
- the Responsible Entity implements the compulsory redemption mechanism allowed in the Fund's Constitution (see below).

If the net asset value of each unit is less than 98 cents as at the end of a month, Trilogy Funds must suspend applications and redemptions until it has compulsorily redeemed units.

Trilogy Funds has the ability to change the amounts listed above in the Constitution in its discretion, but only if it is acting in the interests of unit holders, if at least 30 days' notice are provided to unit holders and also if the unit value of a unit is not less than \$1.00 at the time that the notice is provided.

Importantly, the ability of Trilogy Funds to invoke the compulsory redemption mechanism means that the total number of units that you hold can be reduced and cancelled without your instruction. The purpose is for a sufficient number of units to be compulsorily redeemed to make up the shortfall between the unit value and \$1.00, in order to restore the value of the remaining units to \$1.00 per unit.





In a compulsory redemption, units will be redeemed pro rata from all unit holders. For example, if the Fund had negative income in a particular month that reduced the unit value to 98 cents, after making any adjustments to the distribution of income or gains to the investors of the Fund, then 2% of the units on issue would be redeemed at a nil unit value and cancelled. This would leave the remaining 98% of units on issue re-valued at \$1.00 per unit.

As at the date of this PDS no units have ever been compulsorily redeemed under this mechanism during the term of the Fund. However, Investors must be aware that past events are not indicative of future events and there is no guarantee that compulsory redemption may not be required at some future time.

### 3.9 Transferring units

Units may be transferred in accordance with the provisions of the Constitution. A transfer of units must be in writing, signed by both the seller and the buyer and transfer duty paid (if applicable) before it is given to Trilogy Funds.

### 3.10 Reporting

Details about the reporting and communications we provide you are set out at [www.trilogyfunds.com.au](http://www.trilogyfunds.com.au). Upon becoming a member of the Fund, you will be provided with an acknowledgement letter confirming receipt of application money and the number of units issued.

Other reporting will generally be via the website and email and will include the following:

- monthly distribution statements;
- an annual statement of taxable income, providing a summary of distributions earned for inclusion in the Investor's income tax return (AMIT member annual (AMMA) statement);
- annual periodic statement, which details all transactions on each Investor's account, together with balances on the number of units held in the Fund; and
- annual financial report of the Fund in accordance with regulatory requirements, if requested.

If you do not have an email address or access to the internet to receive this information then please contact Investor Relations to update your communication preferences.

# Section 4.

## Fees and other costs

### 4.1 Consumer advisory warning

#### Did you know

**Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.**

**For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).**

**You should consider whether features such as superior investment performance or the provision of better member services, justify higher fees and costs.**

**You may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.**

#### To find out more

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

The above warning is prescribed for inclusion in product disclosure statements and aims to alert Investors to the importance of value for money; and the compounding value of fees and other costs as well as their impact over time on ultimate benefits. The example given is not intended to represent an investment in this Fund. For a description of the fees and other costs charged by this Fund, please read this section in full.





## 4.2 Fee and Other Costs

The table below shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Information about taxes is set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment. The following amounts are stated inclusive of GST and net of RITCs.

### Fees and Costs Summary

TYPE OF FEE OR COST (Note 1):	AMOUNT	HOW AND WHEN PAID
<b>ONGOING ANNUAL FEES AND COSTS</b>		
<b>Management Fees and Costs</b> The fees and costs for managing your investment <b>(Note 2)</b>	Direct investor - 0.96% p.a. Platform and adviser assisted investor - 0.86% p.a. <b>(Note 3)</b>	Management fees are calculated and accrued daily and is paid to Trilogy Funds monthly. Management fees are deducted directly from the Fund's assets.  The amount of this fee can be negotiated. <b>(Note 4)</b>  Management costs are calculated as and when they become payable to Trilogy Funds and are deducted directly from the Fund's assets.
<b>Performance Fee</b> Amounts deducted from your investment in relation to the performance of the Fund	Nil	Not applicable
<b>Transaction costs</b> The costs incurred by the scheme when buying or selling assets	Nil	Not applicable
<b>MEMBER ACTIVITY RELATED FEES AND COSTS (FEES FOR SERVICES OR WHEN YOUR MONEY MOVES IN OR OUT OF THE FUND)</b>		
<b>Establishment Fee</b> The fee to open your investment	Nil	Not applicable
<b>Contribution Fee</b> The fee on each amount contribute to your investment	Nil	Not applicable
<b>Buy-Sell spread</b> An amount deducted from your investment representing costs incurred in transactions by the scheme.	Nil	Not applicable
<b>Withdrawal Fee</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Exit Fee</b> The fee to close your investment	Nil	Not applicable
<b>Switching Fee</b> The fee for changing investment options	Nil	Not applicable



Note 1: All figures have been rounded to the nearest two decimal places where appropriate.

Note 2: Management fees and costs include the Responsible Entity management fees and the indirect costs of investing in interposed entities. The figures in this table are based on the indirect costs divided by the average funds under management over the year ended 30 June 2022, plus the management fee. Some or all of these fees may be waived in part or in full. See Section 4.4 for further information as to day to day Fund management costs that are payable by the Responsible Entity and Section 4.5 as to abnormal expenses that may be charged to the Fund.

Note 3: See Section 4.11 Direct investor and adviser assisted investor, and section 4.12 Adviser fees for further information.

Note 4: Wholesale investors may negotiate lower fees by way of a rebate from the Responsible Entity. For further information see Section 4.9.

## Example of Annual Fees and Costs

This table gives an example of how the ongoing annual fees and costs in the Fund can affect your investment over a 1-year period. You should use this table to compare this product with other products offered by managed investment schemes.

EXAMPLE: TRILOGY ENHANCED INCOME FUND		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR (NOTE 1)
Contribution fees	0% p.a.	For every additional \$5,000 you put in, you will be charged \$0.
<b>PLUS</b> Management fees and costs	Direct investor – 0.61% p.a. Platform and adviser assisted investor – 0.51% p.a. (Note 2)	<b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment each year: <ul style="list-style-type: none"> <li>• Direct Investor \$305</li> <li>• Platform and adviser assisted investor \$255</li> </ul>
<b>PLUS</b> Performance fees	Nil	<b>Not applicable</b>
<b>PLUS</b> Transaction costs	Nil	<b>Not applicable</b>
<b>EQUALS</b> Cost of the Fund		If you had an investment of \$50 000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged the following fees and costs : <ul style="list-style-type: none"> <li>• \$305</li> </ul> <b>(Note 3)</b> <b>What it costs you will depend on the investment option you choose and the fees you negotiate*</b>

The fees you pay depend on your investor type and, for certain investors, any rebates that might apply.

Note 1 – This example assumes the contribution of \$5,000 during the year is made at the end of the year, and therefore fees and costs have been calculated on the balance of \$50,000 only.

Note 2 – The figures in this table are based on the total management fees and costs charged for the year ended 30 June 2022 divided by the average funds under management over the year ended 30 June 2022 and have been rounded to two decimal places where appropriate. This has been calculated based on the actual fees and costs (including indirect costs such as interposed entities) that will be payable by Investors as set out in the Table in Section 4.2. The Responsible Entity may reduce or waive management fees at its discretion including to smooth distribution payments to Investors (see Section 3.6) and therefore this amount may vary. See section 4.11 Direct investor and adviser assisted investor, and section 4.12 Adviser service fee for further information.

Note 3 – The cost of the Fund has been calculated based on the highest fee (to Direct investors).

\*Additional fees may apply, for example, Investors may choose to pay their advisers an adviser service fee in some circumstances.





# Additional Explanation of Fees and Costs

The following additional information applies to the fees and other costs relating to an investment in the Fund. All fees and costs stated are inclusive of GST and less any available RITCs:

## 4.3 Management fees

Management fees and costs of the Fund comprise:

- Management fees;
- Indirect costs; and
- Costs and expenses

Trilogy Funds receives a management fee of 0.35%p.a. (inclusive of GST and less RITCs) on the gross asset value of the Fund for managing your investments in the Fund, calculated daily and paid monthly.

In addition, the Fund has certain indirect costs which it is required to disclose to you. Under the Corporations Act, 'indirect costs' are defined to include amounts that reduce the amount or value of income attributable to an investor's investment, including where the investment is further invested through interposed vehicles. 'Interposed vehicles' for the Fund, include the means by which the benefit of the investment is maintained, such as the Fund's investments in other managed investment schemes and term deposits. The indirect costs included in the management fees and costs have been calculated based on indirect cost amounts paid in the financial years ended 30 June 2022. Indirect costs are not an additional cost to the Fund, but are included because they represent the amount by which the returns to the Fund are reduced because of the investment through interposed entities (which have their own management cost structures).

Trilogy Funds pays the Investment Manager from its own funds, including from the management fees that it receives.

Other management fees and costs include both normal, or day-to-day, operating expenses and abnormal expenses. These are dealt with as described below.

## 4.4 Normal operating expenses

Normal operating expenses are those incurred in the day-to-day operation of the Fund. These include:

- custodian fees;
- accounting, audit and tax agent fees; and
- Investor communication and reporting, postage and other Fund administration expenses.

During the life of this PDS Trilogy Funds currently chooses to pay normal operating expenses out of its own resources including from the management fees it earns. However, Investors should be aware that if the Responsible Entity is unable to or refuses to meet these expenses, the amounts due to any person (other than the Responsible Entity) may still be payable out of the assets of the Fund (pursuant to the rights of reimbursement and repayment in the Constitution).

## 4.5 Abnormal expenses

Trilogy Funds can be reimbursed from the Fund for abnormal operating expenses incurred in performing Trilogy Fund's duties and obligations in administering the Fund. These abnormal operating expenses are not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any given year. They are due to abnormal events like the cost of running an investor meeting, or legal costs incurred by changes to the Fund's Constitution. The timing of and costs incurred in these events cannot be predicted with any certainty.

Any abnormal operating expenses are not paid out of Trilogy Fund's management fee and, if incurred, are payable from the assets of the Fund and are in addition to the aggregate management costs (1.04%p.a.) described above. It is not possible to provide an estimate for these as at the date of this PDS.

## 4.6 Inter-fund or related fund investments

The Fund invests in other Trilogy Funds registered managed investment schemes including the related fund, Trilogy Monthly Income Trust of which Trilogy Funds is also responsible entity. Trilogy Funds earns management fees in respect of the Fund's investment in Trilogy Monthly Income Trust but rebates part of this fee to the Trust.

The Fund also invests in other unrelated managed funds which have their own fees and other costs. Generally, these amounts are factored into the unit price that is paid by the Fund to invest in those funds. As set out above, to the extent these amounts are indirect costs, these are included in under 'Management fees and costs' in summary in Section 4.2.

## 4.7 Variation and waiver of fees

Trilogy Funds may waive or defer payment of its fees and costs in whole or in part. If it does so in relation to fees and costs payable by the Fund, then generally, the amount available for distribution to unit holders will increase, as set out in Section 3.6.





Trilogy Funds may cease its waiver or deferral of fees to which it is entitled from Investors.

Trilogy Funds may also increase the annual management fee to which it is entitled within the maximum limit provided in the Constitution for the Fund, but will only do so after giving at least 30 days' notice to Investors and by the issue of a supplementary or a new product disclosure statement. Trilogy Funds may also increase any other fees payable to it within the maximum limits provided in the Constitution of the Fund.

## 4.8 Maximum fees

The maximum limits provided in the Constitution are as follows:

- the maximum limits for the management fees provided in the Constitution are 3.30% (including GST) less RITCSs per annum of the aggregate unit value of units on issue;
- if the Responsible Entity were to make a direct mortgage investment, as permitted under the Constitution:
  - default interest fees of 50.00% of the difference between the higher and lower rates of interest charged and received from a borrower; and
  - all of the other fees that a borrower may be charged.

## 4.9 Wholesale Investor fee rebates

Trilogy Funds may rebate all or a proportion of its management fees to wholesale Investors. Any waiver or reduction is available only to persons who are "wholesale" Investors within the meaning of the Corporations Act on an individual basis, and only in accordance with the Corporations Act requirements and the legislative instrument (*ASIC Corporations (Registered Schemes—Differential Fees) Instrument 2017/40*) relating to differential fees. For further information contact Wyatt Leonard at [investorrelations@trilogyfunds.com.au](mailto:investorrelations@trilogyfunds.com.au).

## 4.10 GST and Reduced Input Tax Credits (RITCs)

In accordance with *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) the Fund is defined in the GST Act as a financial supply provider (FSP) as it makes input taxed financial supplies in carrying out its operations. This affects the Fund's ability to claim input tax credits on its acquisitions (an FSP may be entitled to a RITC on its acquisitions in limited circumstances).

## 4.11 Direct investor and adviser assisted investor

A Direct investor is an Investor who invests in the Fund without using an adviser or through a platform.

An adviser-assisted investor is an Investor who invests in the Fund with the assistance of an adviser and instructs Trilogy Funds to associate this adviser with their investment account.

A platform investor is an Investor who is a person who invests in the Fund through an investment platform.

## 4.12 Adviser fees

If you invest through a financial adviser then Trilogy Funds may rebate all or a proportion of its management fees to the Investor. Retail and wholesale clients may direct Trilogy Funds to pay amounts from their application money or investment to their financial adviser as an adviser fee.

If your adviser charges you a fee in connection with an investment in the Fund, your adviser must inform you about this fee, including the amount, as well as how and when it is payable by you in accordance with your financial adviser's fee disclosure obligations under the Corporations Act. By completing the relevant section of the Application Form, you instruct us to deduct the fees from your account and pay them to your financial adviser.

## 4.13 Investment referrer fees

You can instruct Trilogy Funds to pay an investment referrer an upfront fee in certain circumstances.

The fee payable to your investment referrer can be paid upon your investment from your application money. When we make these payments, we may provide information about your investments in the Fund to your investment referrer.

Please complete the relevant section of the Application Form to instruct us to direct this fee to the investment referrer.









# Section 5.

## Risks

### 5.1 Introduction

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

Investment in the Fund is not guaranteed or otherwise supported by Trilogy Funds, the Investment Manager or any of their respective directors or any other party associated with the preparation of this PDS. You should consider this when assessing the suitability of the investment and particular aspects of risk. You should also note that investments in the Fund are not bank deposits and are not government guaranteed.

Risks can be managed but cannot be completely eliminated. It is important for you to understand that:

- the value of investments will vary;
- investment returns vary and future returns may be different to past returns: past performance is not an accurate predictor of future performance;
- income returns and the capital value of your investment are not guaranteed and there is always the chance that you will not receive income distributions or that you may lose money on any investment you make;
- laws affecting your investment in a managed investment scheme may change over time; and
- the appropriate level of risk for you will depend on a range of factors including your age, investment timeframe, where other parts of your wealth are invested, your overall investment portfolio and how tolerant you are to the possibility of loss of or delay in the return of or access to your investment.

This section identifies some of the major risks associated with an investment in the Fund. Prospective Investors should read the whole of this PDS in order to fully understand such risks. In the case of an investment in the Fund, the following considerations generally apply to most Investors.

These comments are intended as a guide only and are not an exhaustive list. Trilogy Funds recommends that Investors seek professional financial advice before making any investment.

### 5.2 General investment risks

There are a number of risks that are common to most investments and most investors. These include the following, in the context of the Fund:

#### **Capital risk**

Few investments guarantee the maintenance of capital invested. The Fund is no different. Even though the application price and withdrawal price are fixed at \$1.00, should the underlying investments of the Fund reduce in value then you may suffer a capital loss.

#### **Income distribution rate risk**

As with other investments, income distributions to investors of the Fund may be volatile as they depend upon the return that the Fund receives from its investments. Income distributions are not guaranteed.

#### **Liquidity risk**

Many investments carry a risk that there may be insufficient liquidity to enable investors to redeem or otherwise realise their investment. In the context of the Fund, there is the risk of a delay in redemptions as described below.

#### **Market risk**

Markets can go up and down. Market conditions are influenced by a variety of factors including economic, technological, social, political, taxation, legal or regulatory factors, as well as general changes in market sentiment. These may have a negative impact on returns.

#### **Diversification risk**

The Fund may be exposed to diversification risk as it only invests in a limited range of asset classes. Diversification risk can lead to exposure to volatility, losses or lower returns because of an investment portfolio lacking diversity.

#### **Interest rate risk**

Changes in interest rates can have a negative impact, both direct and indirect, on the value and returns of investments. Interest rate risk occurs for a variety of reasons including inflation, economic activity and the Reserve Bank of Australia (RBA) rate decisions.





### **Investment environment risks**

Changes to the regulatory environment relating to financial services, taxation and other regimes may adversely affect investors in the Fund. Government policies can affect the Fund in a number of ways that could be detrimental or beneficial to investors in the Fund. Similarly, changes in the health or social environment can impact the Fund and cause short term or long term market disruption to investments made by the Fund that would be detrimental to investors in the Fund. At this time, it is difficult to ascertain what the impact, if any, COVID-19 may have on the performance of the Fund as it is rapidly changing. There can be no guarantee that investor confidence in credit or mortgage investments will not change in a manner adverse to investors in the Fund. The general economic, health, social and political climates in which the Fund operates or other like events are outside the control of Trilogy Funds.

## **5.3 Risks specific to the cash and cash style assets of the Fund**

### **Structure of underlying managed investment scheme or mandate of investment manager**

Where the Fund invests in another managed investment scheme, it carries the risk that there could be a change of that fund's responsible entity, or investment manager, loss of key personnel, the responsible entity, or investment manager may not meet their obligations or perform as expected, assets may be lost, inaccurately recorded or misappropriated, fees and charges may change, systems may fail and insurance may be inadequate or insurers not pay at all.

Where the Fund engages a service provider in relation to specific investment management activities, such as to manage a portfolio of fixed income securities or other agreed cash style investments under an investment mandate, this arrangement carries the same types of investment risk as outlined above. Any changes in the economic or regulatory environment that impacts upon the performance of the scheme's responsible entity or trustee, or the investment manager engaged by Trilogy Funds may have an effect upon the returns obtained from the Fund.

### **Credit risk – individual investments**

This is the risk that the value of an individual investment made by the Fund directly may change or become more volatile, potentially causing a reduction in the value of the Fund and increasing its volatility. This may be because, amongst other things, there are changes in the Government's policies, Trilogy Funds or the Investment Manager's operations or management, or business environment, or a change in perceptions of the risk of any investment. Various risks may lead to the issuer of the investment defaulting on its

obligations and reducing the value of the investment to which the Fund has an exposure. AA reduction in the value of an investment may be from a political, social, economic, or a health event such as COVID-19 during which credit markets experienced and may continue to experience a degree of dislocation.

### **Operations and investment mandate risk**

A managed investment scheme that the Fund invests in will carry the operational risks inherent in that particular scheme. For example, the assets in which the scheme invests in could be assigned credit ratings by independent ratings agencies and in the case where they are downgraded this could significantly reduce the value of an asset in the scheme. Additionally, it is possible that the investment manager of a scheme that the Fund invests in uses derivatives from time to time to manage risks of that scheme as considered appropriate by the relevant investment manager. These carry risks as well, including that the value of a derivative fails to move in line with the underlying assets, the potential liquidity of an asset, potential leverage resulting from the position and counterparty risk. A further example concerns borrowing risk. A scheme in which the Fund invests has an ability to borrow indirectly in the short term to manage withdrawals and distributions. The risk with borrowing is that it magnifies both good and bad returns. Further, where the scheme invests in income securities, these will carry the risk of volatility that arises from investment in the share market (including any capital gains or losses that may eventuate), which may have an impact on the returns obtained from the Fund.

## **5.4 Specific Mortgage Investment risks**

### **Credit risk – Mortgage fund investment**

At any time approximately 35% of the Fund's portfolio will be invested in the Trilogy Monthly Income Trust which invests primarily in mortgages. Therefore, credit risk is relevant in that the Fund could suffer a loss because of the Trilogy Monthly Income Trust operations. Specifically, a Trilogy Monthly Income Trust borrower may default under a loan and the full loan amount may not be recoverable (e.g. if the proceeds of sale of secured property are not sufficient to cover the amount of the loan). Trilogy Funds, in its capacity as the responsible entity of the Trilogy Monthly Income Trust, minimises mortgage credit risk by applying strict lending criteria, commissioning an independent valuation of the secured assets (the Trilogy Monthly Income Trust is limited to lending on a loan to a maximum loan to valuation ratio of 70% on an 'as if complete' basis), as well as assessing the borrower's capacity to repay. The Trilogy Monthly Income Trust also takes a registered first mortgage as security over all loans.



### **Decrease in value of property**

Risks associated with a decrease in the value of a property offered as security in the Trilogy Monthly Income Trust, may include:

- investors, including the Fund, may be charged negative income and may suffer a capital loss;
- a valuation that does not accurately reflect the real value of the property at the time it was valued. If the borrower subsequently defaults on the loan then the capital repaid to investors may be diminished;
- a fall in the value of the property during the term of the loan which may diminish capital repaid to investors in the event that a borrower defaults; and
- a movement in the property market either nationally or locally which results in a decrease in demand for a proposed development, making it difficult for the borrower to achieve the expected sale value of the property.

All the above may lead to an increase in the LVR, which would then exceed the prudent LVR limits adopted by the Trilogy Monthly Income Trust.

### **Diversification risk**

Property market risk may also arise where size of loan, number of borrowers, class of borrower activity or geographical region diversification is not high. The more diversified a loan portfolio is, the lower the risk generally that an adverse event affecting one borrower or one type of loan will simultaneously affect the majority of borrowers, and therefore put the overall portfolio at risk. The diversity of the portfolio of the Trilogy Monthly Income Trust may change from time to time.

### **Construction risks**

In a construction and development loan, the appointed contractors and trades may fail to complete the project for various reasons including that they may have become insolvent. In this case the borrower will have to source other contractors or trades to complete works which may result in an increase in costs of the project. Delays incurred by the building contractors and trades or increases in materials and/or labour costs or abnormal weather events, can increase costs beyond the contingency amount normally allowed to meet these factors in a construction agreement. In this case, the borrower may not have adequate funds to complete the project works.

### **'As if complete' valuation risk**

In some construction and development loans, the Trilogy Monthly Income Trust may lend on a loan to an LVR of up to 70% of the value of the development as if it is completed. In these circumstances, the Trilogy Monthly Income Trust will make progress payments to enable the development to be completed.

Risks in this type of lending include the risk that:

- the property will decline in value during the development period;
- the cost of the development will be greater than budgeted;
- delays in the development may add to interest and other costs;
- there may be insufficient materials or expertise available to complete the development; or
- there may be insufficient funds to complete the development.

### **Interest capitalisation risk**

Loans made from the Trilogy Monthly Income Trust may require the interest to be paid periodically during the term of the loan or in the case of a construction and development loan a provision for interest may be built into the facility within the approved LVR. As a risk management measure, this provision for interest is generally built into the loan facility along with the contingency. This enables Trilogy Funds to control the interest payments and assists to ensure that they are within the approved LVR limit.

### **Borrower default risk**

Defaults by a borrower may occur for a wide range of reasons including changes in:

- a borrower's circumstances;
- the general state of the economy in Australia or other places in which the borrower does business;
- conditions of the particular market in which the borrower's primary business operates; or
- property market conditions.

Default may result in the delay/non-repayment of the loan amount by the borrower and its failure to meet interest (where it is not capitalised) and fees from its own resources.

### **Illiquid nature of underlying asset**

As the underlying asset is predominantly real property, which is relatively illiquid, delays could occur between a loan going into default and sale of the property. These delays could affect interest accruing, but not paid. In these circumstances, interest accruing would not be available for distribution to Investors and the amount owing plus accrued interest and costs may exceed the amount realised from the sale of the property.

### **Repayment delays**

Repayment of loans may be delayed beyond the agreed maturity date. This can occur for a wide variety of reasons including the risk that construction or development does not proceed on schedule.



**Litigation risk**

This is the risk that any lender faces when it takes legal action to enforce the mortgage by the sale of the security property. Borrowers may defend the enforcement proceedings successfully in whole or in part, in light of judicial interpretation of the borrowing and enforcement arrangements, which may vary over time. In addition, courts are vested with wide discretionary powers, and these may be exercised in favour of the borrower. It should be noted that Trilogy Funds is under no obligation to pursue further recovery action after the security is sold.

**National Consumer Credit Protection Act (NCCP Act) – Regulated loans**

Trilogy Funds is not, and has no present intention to be in the future, licensed to make loans that are regulated under the NCCP Act. Nevertheless, a court may for some reason hold that a loan is so regulated. In general terms, there are limits on the amount of default interest that may be charged and the actions that Trilogy Funds may have to take in enforcing a mortgage regulated by the NCCP Act are more demanding and may take longer to implement. In addition, the terms of the loan may be changed if the borrower is having or will have trouble making payments by reason of financial hardship caused by illness, unemployment or other reasonable cause.

**External dispute resolution risk**

Trilogy Funds is a member of the Australian Financial Complaints Authority (AFCA), in accordance with its obligations in respect of the Investors. AFCA, in addition to considering complaints by Investors, may also form the view that it is entitled to consider any complaint that is lodged by a Borrower from the Trust, even if the Borrower does not have a NCCP Act regulated Loan. There is now the additional risk that either during the course of a Loan, or more typically when Trilogy Funds seeks to enforce the Loan, the Borrower lodges a complaint with AFCA that has the effect of ‘freezing’ any enforcement action that is being taken or delaying any enforcement action that may be taken, while AFCA considers the complaint.

**Documentation risk**

There is a risk of deficiency in the accuracy of documentation, including the mortgage documentation entered into for the Trilogy Monthly Income Trust that could, in certain circumstances, adversely affect the recoverability of monies invested by the Trilogy Monthly Income Trust and reduce the value of the investment.

**Insurance risk**

There is a risk that a borrower from the Trilogy Monthly Income Trust may fail to effect property insurance over

a secured property, or indeed may cancel such a policy once obtained, without prior notification to Trilogy Funds. Additionally, property insurance obtained may be inadequate or could be denied due to a number of circumstances, including the failure of the borrower to make proper disclosure to its insurer. There is also a risk that the insurer may not be able to meet its financial obligations under the insurance policy.

**Consultancy services risk**

Trilogy Funds, as responsible entity of the Trilogy Monthly Income Trust, is dependent upon its consultants to provide consultancy services of the quality and at the times required by it. The ability of the consultants to do this and the accuracy of their advice cannot be guaranteed by Trilogy Funds and may be affected by factors completely outside its control.

## 5.5 Specific Fund risks

**Delay in withdrawals and frozen funds**

The Fund is operated on the basis that it is ‘liquid’, meaning there is a reasonable expectation that at all times at least 80% of the Fund’s assets will be able to be realised for their market value within 6 months. Like the Fund, the underlying funds the Fund invests in are operated as liquid funds with redemptions available in a short period of time. However, it is possible that the underlying investments have assets that can be ‘illiquid’ in some circumstances, resulting in delays, or at worst, funds may become frozen. Additionally, there could be high volumes of withdrawal requests, which lead to the underlying funds or the Fund delaying or freezing the processing of withdrawal requests and impacting your ability to access your money via withdrawal.

In addition, withdrawals may also be suspended by Trilogy Funds from the end of a month in which there has been a loss.

**Risk of capital loss and compulsory redemption of your units**

As explained in Section 3.8, additionally, if the net asset value of a unit is less than \$1.00 at the end of the month, then the Constitution of the Fund allows, and in certain circumstances requires, Trilogy Funds to implement a pro rata compulsory redemption and cancellation mechanism to return the net value of each unit on issue to \$1.00. This means that some of your units may be redeemed for nil value and cancelled to bring the net value of each of the Fund’s remaining units on issue to \$1.00.

**Operations risk**

Operational risk relevant to the Fund and Trilogy Funds includes system failures, the risk of errors, fraud or other criminal activity, and events that might disrupt the normal course of operating the Fund and may lead



to delays, or at worst, failures in respect of functions that investors rely on. This includes any such failures by Trilogy Funds in its capacity as the responsible entity, its related service providers and third parties. It also includes the risk associated with Trilogy Funds reliance on the effective operation and security of a number of computing and systems processes. It manages these risks by having appropriate systems and controls in place and by utilising experienced external service providers.

#### **Structure risk**

This risk relates to the fact that someone else is managing your investment. Risks particular to the Fund include the risk that the Fund may not achieve its investment objectives, the Fund could be terminated, the fees and costs may change, Trilogy Funds could be replaced as the responsible entity or its key personnel could change.

#### **Related party risk**

Trilogy Funds has appointed related parties to act as the Investment Manager of the assets and to provide registry and technology services to the Fund. Relm Australia Pty Ltd (Relm), an entity related to Trilogy Funds, provides registry and technology services in respect of the Fund. Both the fees of the Investment Manager and those of Relm are paid by Trilogy Funds from the management fees it receives and therefore do not represent an additional cost to the Fund. From time to time other service providers may be appointed in respect of the Fund. The key risk with related party transactions is usually that, because of the relationship, an entity may fail to sufficiently monitor and review the service provider's performance and compliance with its obligations to the detriment of investors. Trilogy Funds has a process relating to conflicts of interest and related party transactions and manages the arrangements in accordance with its policies.

#### **Currency risk**

There is a risk for offshore investors that an investment may involve a currency risk. The currency for a unit in the Fund is Australian dollars. The value of the units will go up and down according to changes in the exchange rate between currencies. These changes may be significant. As any payments made to you by the Fund are in Australian dollars, you may also incur significant fees in having the funds credited to a bank account outside Australia in another currency.

#### **Assumptions risk**

The Responsible Entity relies on prospective information including certain assumptions from time to time in managing the Fund, for example, to assist it in managing the Fund's liquidity requirements, for

stress testing purposes and to calculate the indirect costs ratio including for this PDS. There may be a risk that assumptions used to determine the financial information may be or become incorrect, may not eventuate, or may produce a different outcome.

#### **Transfer of units**

There is no established external secondary market for the sale of units in the Fund. Investors may arrange for their own private sale with the approval of Trilogy Funds. There is no right for Investors to require these units to be purchased either by Trilogy Funds or by any other person, or to have their units redeemed.

## **5.6 Conclusion**

The preceding list of risk factors is not to be taken as being comprehensive or inclusive of all of the risks that may be attributable to an investment in the Fund. These risks, as well as other risks, which have not been specifically identified, may in the future affect the financial performance of the Fund.

Consequently, there is no guarantee as to the amount or timing of the payment of capital, distributions or the value of the units held in the Fund.

You should seek your own financial advice from a licensed adviser before investing.









# Section 6.

## About Trilogy Funds Management Limited

### 6.1 History of Trilogy Funds Management Limited

Trilogy Funds was established in 1998 to provide debt and property investments. It has a strong background in funds management and a reputation based on the experience and strengths of its key executives. Trilogy Enhanced Income Fund joins the other funds managed and operated by Trilogy Funds, the investments of which comprise mortgages and direct real property, and financial assets (including cash assets).

Trilogy Funds holds an Australian financial services licence (number 261425) that authorises it to operate the Fund. As the responsible entity of the Fund, Trilogy Funds is the issuer of the units and is responsible for the Fund's operation in accordance with the Fund's Constitution, the Corporations Act and trust law. In carrying out the duties of responsible entity, Trilogy Funds must act honestly, exercise care and diligence and properly perform its duties, and treat unit holders in the Fund equally.

### 6.2 What is the role of the Responsible Entity?

The role of Trilogy Funds in acting as the responsible entity and trustee of the Fund is to ensure that Fund assets are managed and dealt with in accordance with the Fund's Constitution, the Corporations Act and this PDS.

### 6.3 Other governance and committees

Trilogy Funds has established a Treasury Committee to monitor the Fund's liquidity, including the inflows, outflows and other investments made to supplement the portfolio's returns.

In addition, a Compliance Committee monitors Trilogy Funds compliance with the Constitution, the Compliance Plan and the Corporations Act. Under the law, a majority of the members of the Compliance Committee must be, and are, external members.

Trilogy Funds has also established a Lending Committee which considers all loan applications for the Trilogy Monthly Income Trust, in which the Fund invests, in accordance with Trilogy's lending policy guidelines and monitors the loan portfolio on an ongoing basis.

### 6.4 Our experience

In the area of mortgage lending, property development, property investment and investing in cash-style products experience is a key requirement for success. Trilogy Funds is a specialist in property investment, with a long track record, particularly in mortgage and property trusts. Our experience is grounded in the disciplines of accounting, law, financial services, mortgage management, investment portfolio investment and property lending. In a practical sense it covers all elements of the property development and investment process, from sourcing and negotiating assets, on-going management of property, property development and construction projects, lending against property, transaction management at all levels, and capital structuring and liquidity management. Investment portfolio management includes, but is not limited to asset allocation, liquidity management, and research, due diligence, and ongoing active review of underlying investments and investment managers.

Experience in these areas and the networks of contacts developed over many years provide access to specialised information and knowledge.





## 6.5 Trilogy Funds Board of Directors

### **Robert Willcocks** **BA, LLB, LLM**

#### **Independent Non-executive Chairman**

Robert was appointed as the non-executive chairman for Trilogy Funds in 2009. He is a corporate adviser with more than 30 years' experience as a professional listed company director and chairman. Robert is currently a director of the publicly listed company Living Cell Technologies Limited.

He is a former senior partner of the law firm Mallesons Stephen Jaques (now King & Wood Mallesons). Since 1994 he has been a corporate adviser in a range of industry sectors.



### **Rodger Bacon** **BCom (Merit), AAICD, SF Fin**

#### **Executive Deputy Chairman**

Rodger is an experienced financial services executive with a successful career establishing and growing high-performing businesses spanning more than 40 years. A founder of Trilogy Funds and a member of the Board's Audit Committee, Property Investment, Lending and Treasury Committees, Rodger uses his extensive experience to add value to the Board and the executive team in all aspects of Trilogy Funds investment, financing, property development, marketing and customer focused initiatives.

Prior to establishing Trilogy Funds, Rodger was an Executive Director at Challenger, where he helped establish multiple ASX listed financial services companies, developed a property portfolio worth more than \$2.7 billion, and was instrumental in establishing and growing Challenger Annuities to capture 30% of annuities sales in Australia. He was also Chairman of the Credit Committee at Challenger. Prior to joining Challenger, Rodger worked at the Schroder Merchant Banking Group for 15 years where he was involved in all aspects of fund management including domestic and foreign fixed interest, direct property portfolios, management of equities, research and analysis and corporate finance.



### **Philip Ryan** **LLB, Grad Dip Leg Prac, F Fin**

#### **Managing Director**

As co-founder and Managing Director of Trilogy Funds, Philip is responsible for leading a cohesive and high-performing team across Trilogy Funds' three offices, overseeing business compliance, and developing product offerings. He sits on the Board's Audit, Compliance, Property Investment, Lending and Treasury Committees. He also acts as General Counsel for Trilogy Funds.

Philip has over 30 years of experience in the financial services industry, across financial planning and funds management. He was previously a partner in a Brisbane law firm, having been a solicitor admitted to the Supreme Court of Queensland and High Court of Australia for over 35 years. He is a Fellow of FINSIA, with qualifications at a post graduate level in mortgage lending and financial services.



### **John Barry** **BA FCA**

#### **Executive Director**

As a founder of Trilogy Funds and member of the Board's Audit Committee, the Property Investment Committee, and Chairman of the Treasury Committee, John is a strategic thinker whose focus on identifying opportunities to add value for consumers and the business has seen him champion transformational change at Trilogy Funds.

Previously, John was involved in the establishment and ultimate growth of Challenger into a broadly based financial services company which included a \$2.7 billion international property portfolio. John was an Executive Director at Challenger, Head of Property and responsible for the development of the Endowment Warrants to Instalment Receipts and the structure and establishment of Challenger's long-term annuities. Prior to Challenger John worked in corporate finance at Morgan Grenfell Australia and Rothschilds Australia and was an Executive Director of Rothschilds Australia.

Prior to Trilogy Funds John established ABN AMRO's reverse mortgage product and headed up its PPP social infrastructure division. John has also been the Independent Non-Executive Chairman of Westpac RE Limited, a wholly owned subsidiary of Westpac





**Rohan Butcher**  
**BSc Quantity Surveying, Lic**  
**Real Estate, Reg Builder**  
**Non-Executive Director**



Rohan is a Non-Executive Director of Trilogy Funds and a member of the Lending Committee. With more than 30 years' experience in construction and property development, Rohan brings to Trilogy Funds his experience working in quantity surveying, estimating, project administration, development management, planning and project management. At Trilogy Funds, Rohan's key area of focus is the management of risk in the delivery of projects.

Rohan has been involved in several major projects within the residential, retail and commercial property sectors while undertaking a variety of senior appointments with major public and private companies. He is also a member of the Urban Development Institute of Australia.









# Section 7.

## Additional information

*This section does not purport to be an exhaustive statement of additional information relating to the operation of the Fund, or all of the provisions contained in the documents described. Please contact the Trilogy Funds Investor Relations team for further information.*

### General Information

#### 7.1 Continuous disclosure and updating information

As at the date of this PDS, the Fund is a disclosing entity. Being a disclosing entity means that Trilogy Funds must lodge half-yearly and annual financial reports of the Fund with ASIC, as well as notice of important events as they happen.

All of this information may be inspected at Trilogy Funds registered office or obtained from ASIC.

If you wish to receive a copy of the latest audited accounts of the Fund in which you are an Investor, please contact the Responsible Entity.

Trilogy Funds intends to follow ASIC good practice guidance contained in *Rregulatory Guide 198 – Unlisted disclosing entities: Continuous disclosure obligations* to meet its continuous disclosure obligations. This means that Trilogy Funds has elected to update Investors by posting continuous disclosure notices on its website [www.trilogyfunds.com.au](http://www.trilogyfunds.com.au).

This information is likely to be:

- information that Investors and their professional advisers reasonably require to make an informed investment decision; and
- information that might reasonably be expected to have a material influence on the investment decision of a reasonable person, as a retail client.

#### 7.2 Target Market Determination

The Target Market Determination (TMD) for the Fund is available on Trilogy Funds' website at <https://trilogyfunds.com.au/investing/trilogy-enhanced-income-fund/#important-information> and a hard copy will be sent to you free of charge on request

#### 7.3 Taxation

Investing in a registered managed investment scheme is likely to have tax consequences. You are strongly advised to seek professional tax advice before making a decision to invest.

Investments in managed funds, such as the Fund, have taxation implications which can be quite complex and depend on a number of factors, including whether you are a resident or a non-resident of Australia for taxation purposes and whether you hold the units as a long-term investment or for short-term trading purposes.

The tax comments below are only in respect of Australian tax and are based on the current laws in Australia as at the date of this PDS. The tax comments do not take into account any changes in the tax law or future judicial interpretations of the tax law after this time.

The taxation information provided below is of a general nature and is only relevant for Australian resident investors that hold their interests in the Fund on capital account.

##### **The Fund**

The Fund may derive assessable income as a result of its investment activities. The assessable income of the Fund may include interest income and revenue gains from financial arrangements.

Generally, the Fund will make a full distribution of all trust income to Investors each financial year.

##### **Resident individual investors**

We will provide you with an Attribution Member Annual (AMMA) statement or tax distribution statement after 30 June each year. This statement will detail the assessable and nonassessable components distributed or attributed by the Fund for each 12-month period ending 30 June.

Investors in the Fund should be assessed on their share of the net (tax) income of the Fund for the relevant year. The share is determined based on the attribution of the different income characters by the Fund to the Investors. This is the case even where cash distributions are reinvested into the Fund, where no cash distributions are made by the Fund, or where the income distributions differ to the aggregate attribution of the different characters from the Fund.





For example:

- Interest Income – your share of the assessable components of the distribution may include interest income derived by the Fund from its underlying investment assets.
- Other gains – the gain on disposal of certain assets held by the Fund may be assessable income under the Taxation of Financial Arrangements rules.
- Non-assessable amounts – the Fund may distribute amounts which are not assessable. However, the receipt of certain non-assessable amounts from the Fund may have the consequence of reducing the cost base of your units in the Fund for capital gains tax purposes. This should impact on the calculation of any capital gain or capital loss made on the cancellation, redemption or divestment of the relevant units (refer below).

Any net tax losses made by the Fund cannot be distributed to Investors. Rather, the net tax losses are carried forward and may be applied by the Fund to offset its assessable income in future income years, subject to satisfying any loss utilisation rules that may be applicable for the relevant period.

#### **Capital Gains**

The disposal, cancellation or redemption of any unit in the Fund may give rise to a capital gain or capital loss that should be included in the net capital gain calculation of that Investor for the relevant period. A capital gain is made where the capital proceeds from the disposal, cancellation or redemption exceed the cost base of the relevant unit at the time of the disposal, cancellation or redemption. A capital loss is made from the disposal, cancellation or redemption where the capital proceeds from the disposal, cancellation or redemption of the unit are less than the reduced cost base of the unit at the time of the disposal, cancellation or redemption. In order to determine their capital gain or capital loss position from the disposal, cancellation or redemption, Investors will need to adjust the tax cost base of each unit in the Fund for certain non-assessable distributions or distribution shortfall amounts in respect of that unit. Certain investors, including individuals, trusts and superannuation funds, may be entitled to a discount on any capital gain (after the application of capital losses) made on units that were held for a period of at least 12 months. The discount is 50% for Australian resident individuals and trusts, and 33.33% for complying superannuation funds.

#### **Attribution Managed Investment Trust regime**

The Fund currently qualifies as a Managed Investment Trust (MIT) as defined in the income tax law, and a choice has been made by the Fund to elect into the Attribution Managed Investment Trust (AMIT) regime.

The AMIT regime will apply to you as an Investor in the Fund for a particular income year if the Fund satisfies the requirements to qualify as an AMIT for that year. It is intended for the Fund to continue to qualify as a MIT and an AMIT each year.

If the AMIT regime applies to the Fund for an income year, then the tax outcomes for investors should be as follows:

- The net (tax) income of the Fund for an income year will be attributed to you as an Investor in the Fund on a “fair and reasonable” basis each year and this attribution will be based on the Fund’s Constitution and this PDS.
- The amounts attributed to you from the Fund each year will be disclosed in an AMMA Statement. This statement will be provided to you no later than three months after the end of the relevant income year.
- The amounts attributed to you from the Fund as disclosed in the AMMA Statement should be taken into account in your taxable income calculation for the relevant year of income.
- The amounts attributed to you from the Fund should retain the character they had in the Fund for income tax purposes.
- Subject to certain limitations, you and the Fund can rely on specific legislative provisions that allow for an adjustment in calculating the net (tax) income of the Fund for a previous income year to be carried forward and dealt with in the year that the adjustment is discovered.
- You will be subject to a tax cost base adjustment mechanism, which may result in increases or decreases to the tax cost base of your units in the Fund, broadly where there is a difference between the cash amount distributed by the Fund and the taxable amounts attributed to you for an income year. Details of these tax cost base adjustments will be shown in the AMMA Statement.
- Taxable amounts may be attributed to you by the Fund at the time of any redemption or cancellation of units in the Fund on a fair and reasonable basis.

If the AMIT regime is not applicable to the Fund for a particular income year (because the qualification requirements for that year were not satisfied), then investors should be subject to tax on their proportionate share of the net (tax) income of the Fund for that year, based on their present entitlement to the income of the Fund for that year.

It is recommended that you obtain independent tax advice on the application of the AMIT regime to you in respect of your investment in the Fund.



### Non-resident individual investor

If you are a non-resident Investor, it is important you seek independent professional taxation advice before investing in the Fund, taking into account your particular circumstances. The Fund may be required to withhold tax on any distributions made or amounts attributed to non-resident investors to the extent that the distribution or attribution is interest or a fund payment, and is from an Australian source.

### GST

Neither applications to, nor withdrawals from the Fund will be subject to goods and services tax (GST). Certain expenses incurred by the Fund may be subject to GST at the prevailing rate (currently 10%). The Fund may be able to claim a reduced input tax credit in relation to some or all of those expenses. Unless otherwise stated, the fees referred to in this PDS take into account the expected net impact of GST less reduced input tax credits.

### Tax file numbers and Australian business numbers

You are not required to quote your tax file number (TFN) or, if you have one, an Australian business number (ABN), or claim an exemption from providing a TFN. However, for an Australian resident Investor, if a TFN or ABN is not provided or an exemption is not claimed, Trilogy Funds is required by law to deduct tax from the taxable component of any distributions at the highest marginal tax rate plus the Medicare levy (currently 47%).

## 7.4 Privacy

Trilogy Funds is committed to protecting the privacy of its Investors. We are bound by the *Privacy Act 1988* as amended from time to time (Privacy Act) and the principles and procedures to be adopted under that legislation. The Privacy Act regulates, among other things, the collection, storage and security, quality, management, correction, use and disclosure of and access to personal information. By applying to invest in the Fund, applicants consent to personal information being used by us for the purposes for which it was provided and for other purposes permitted under the Privacy Act.

The Application Form accompanying this PDS requires personal information to be provided. Trilogy Funds, and any service providers to Trilogy Funds or to the Fund (including the Custodian and the provider of registry services) may collect, hold and use your personal information in order to assess your application, service your needs as an Investor, provide facilities and services to you, to the Responsible Entity and to the Fund and for other purposes permitted under the Privacy Act and other legislation, such as the anti-money laundering and counter terrorism financing (AML/CTF) laws.

Taxation, AML/CTF and other laws (such as CRS and FATCA) also require some of the information to be collected in connection with your application. If you do not provide the information requested or provide us with incomplete or inaccurate information, your application may not be able to be processed efficiently, or at all. Trilogy Funds may disclose your information (or parts of it) as follows:

- to government agencies who may lawfully request it, but only when it is required by law to do so
- to external parties on your behalf, such as your financial adviser (if the adviser's name appears on the Application Form), unless you have instructed Trilogy Funds in writing to do otherwise
- to our service providers (mailing houses, auditors etc) to enable the administration and operation of your investment and the Fund; and
- to assist you with any queries.

You are entitled to access, correct and update all personal information which Trilogy Funds holds about you. The information held may be obtained by contacting Trilogy Funds. You should contact us if you have concerns about the completeness or accuracy of the information we have about you or if you would like to access or amend your personal information held by us or our service providers. Please advise Trilogy Funds of any changes to information you have provided to us using the Change of Details Form as provided on Trilogy Funds website [www.trilogyfunds.com.au](http://www.trilogyfunds.com.au). Any complaint you have as to how we have handled your personal information will be dealt with in accordance with our Privacy Policy. A copy of our current Privacy Policy is available on our website and a paper copy will be sent to you free of charge on request.





## 7.5 Complaints

Trilogy Funds complaints handling process is based on the Australian Standard AS ISO 10002-2014 'Customer Satisfaction – Guideline for Complaints Handling in Organisations'. The Fund's Constitution and Compliance Plan also contain provisions governing how complaints must be dealt with.

Investors who are Platform Investors who are retail clients may lodge complaints in relation to the Fund or the complaints handling process by contacting Trilogy Funds. Contact details are shown in the corporate directory.

On receipt of a complaint, Trilogy Funds acknowledges the complaint by the close of the next business day.

Trilogy Funds aims to resolve a complaint as quickly as possible, and unless it has been resolved within 5 business days, will provide you with a written "IDR response" setting out the final outcome. Other than in limited circumstances, including where the complaint is particularly complex, Trilogy Funds will provide the IDR response within 30 calendar days after receipt of the complaint. If there is to be a delay, Trilogy Funds will advise you of the reasons for the delay and your further rights.

If an issue has not been resolved to your satisfaction, or if you have not received a response within the above timeframes, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA is an independent external 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

## 7.6 Anti-money laundering

The Responsible Entity is required to comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)* (AML/CTF Law). This means that the Responsible Entity will require you to provide personal information and documentation in relation to your identity and that of any beneficial owners when you invest in the Fund. The Responsible Entity may need to obtain additional information and documentation from you to process your application or subsequent transactions or at other times during your investment. The obtaining of information will be pursuant to the AML/CTF program that has been adopted. The Responsible Entity may need to identify:

- an Investor and each beneficial owner (including all investor types noted on the Application Form) prior to purchasing units in the Fund. The Responsible Entity will not issue units to you until all relevant information has been received and your identity and that of any beneficial owner has been satisfactorily verified;
- transferees of interests in the Fund. The Responsible Entity will not register a transfer until all relevant information has been received and you or your transferee's identity or that of its beneficial owners has been satisfactorily verified;
- your estate. If you die while you are the owner of an interest in the Fund, the Responsible Entity may need to identify your legal personal representative prior to transferring ownership or making any payments; and
- anyone acting on your behalf, including under your power of attorney.

In some circumstances, the Responsible Entity may need to reverify this information and may request additional information.

By applying to invest in the Fund, you also acknowledge that the Responsible Entity may decide to delay or refuse any request or transaction, if it is concerned that the request or transaction may breach any obligation of, or cause the Responsible Entity to commit or participate in an offence under, any AML/CTF Law, and the Responsible Entity or any of its related bodies corporate, affiliates, associates or officers will incur no liability to you if it does so.

## 7.7 Related party disclosure

Trilogy Funds maintains a policy on related party transactions. The key points of this policy are as follows:

- any transaction involving a related party shall be on terms and conditions no more favourable to the related party than those that it is reasonably expected would be the case if the benefit directly or indirectly was paid to a third party dealing at arm's-length in the same circumstances and on commercial terms;
- before any related party transaction is entered into, Trilogy Funds will satisfy itself that the fees to be paid to the related party are approximately equivalent to what would be paid to a third party at arm's-length for the same goods or services; and
- Trilogy Funds will also satisfy itself, and obtain legal advice if there is any doubt, that all the relevant factors in determining whether the proposed related party transaction falls within the 'arm's length' exception in the Corporations Act, have been taken into account.



## 7.8 Services provided by related parties

Various related parties provide services to Trilogy Funds including in respect of the Fund. For example, group entities provide in-house fund accounting, compliance, risk management, information technology, human resources, communications, marketing and distribution services and advice.

In providing these services to the Responsible Entity, these related entities receive fees on normal commercial terms or on terms that the Responsible Entity believes are better than normal commercial terms.

The Directors and certain executives of entities in the Trilogy Funds group may hold interests in the entities that earn fees directly or indirectly from the Fund and therefore may be said to benefit from any fees derived by it.

Directors, employees and related parties of entities in the Trilogy Funds group may hold units in the Fund. These units will be acquired and held on the same terms as any other Investor in the Fund.

## 7.9 Environmental and ethical considerations

While Trilogy Funds intends to conduct its affairs in an ethical and sound manner, its investment criteria do not include giving weight to labour standards, environmental, social or ethical considerations when making, retaining or realising an investment of the Fund.

## 7.10 FATCA and CRS

The Fund is a Reporting Financial Institution under the Inter- Governmental Agreement between the Australian and US governments in relation to the *Foreign Account Tax Compliance Act* (FATCA), a United States tax law which imposes certain due diligence and reporting obligations on foreign (non- US) financial institutions and other financial intermediaries, to prevent tax evasion by US citizens and US tax residents through the use of non-US domiciled investments or accounts.

The Fund is also a Reporting Financial Institution under the OECD Common Reporting Standard (CRS) in Australia. This standard requires the Fund to report to the Australian Taxation Office (ATO) certain details of its foreign investors.

To comply with the above, Trilogy Funds is required to conduct due diligence on prospective investors in the Fund and will require certain information and

documentation at the time of your application for units. Trilogy Funds will report information in respect of certain investors and their units in the Fund. Broadly, we will report to the ATO information in respect of investors who are:

- U.S. citizens or residents;
- certain types of U.S. entities;
- certain types of non-U.S. entities controlled by one or more U.S. citizens or residents (pursuant to the Intergovernmental Agreement);
- foreign resident individuals;
- certain types of foreign resident entities; and
- certain types of Australian entities that are controlled by one or more foreign residents (pursuant to the CRS).

If you are a new investor and you do not provide us with the required information and/or documentation on request, then we may not issue units to you. Alternatively, we may report information in respect of you and your units in the Fund to the ATO, or any distributions made to you on your units in the Fund.

The ATO will share information reported to it by Reporting Financial Institutions with the U.S. Internal Revenue Service for FATCA purposes, or tax authorities of jurisdictions that have signed the CRS Competent Authority Agreement for CRS purposes.

For further information in relation to how our due diligence and reporting obligations may affect you, please consult your tax adviser.

## 7.10 Summaries of material documents

### The Constitution for the Fund

The Constitution is the primary document which establishes the structure of the Fund. Some of the provisions of the Constitution are summarised below. Other provisions of the Constitution are outlined in other sections of the PDS and are consequently not included here.

If necessary, Investors should seek independent professional advice in relation to the terms of the Constitution.

### Units in the Fund

The beneficial interest in the Fund is divided into units. Each Investor has a beneficial interest in the assets as a whole in the proportion that the number of units held bear to the total number of units on issue.





### **The role of Trilogy Funds**

Trilogy Funds is responsible for managing the Fund and may only deal with the assets of the Fund in accordance with the Constitution, the Corporations Act and the PDS. It may appoint agents or other parties to do anything that it is authorised to do in connection with the Fund.

### **Termination of the Fund**

The Fund will terminate:

- if Trilogy Funds considers that the Fund's investment strategy cannot be accomplished;
- by resolution of the Investors in the Fund; or
- otherwise as provided in the Constitution or under the law.

### **Retirement/removal of Trilogy Funds**

Trilogy Funds may retire as responsible entity of the Fund by calling a meeting of Investors in the Fund explaining the reason it wants to retire, therefore, enabling Investors to vote for a new responsible entity.

Investors may remove Trilogy Funds as responsible entity of the Fund at a meeting of Investors of the Fund where Investors holding at least 50% of the units in the Fund vote for the removal. Trilogy Funds is entitled to be reimbursed for all expenses relating to the termination of the Fund and the retirement or removal of the responsible entity and the appointment of a replacement.

### **Liabilities of Investors**

Investors are not liable to Trilogy Funds or any creditor of Trilogy Funds in excess of the amounts subscribed or to be subscribed for units. However, the question of the ultimate liability of a beneficiary for claims against a responsible entity or other trustee in an arrangement such as this has not been finally determined by a court.

### **Trilogy Funds right of indemnity and limitation of liability**

Trilogy Funds has a right of indemnity out of the assets of the Fund for all expenses and costs incurred in the proper performance of its duties under the Constitution and the law. This indemnity does not apply to those expenses incurred by Trilogy Funds where it does not incur the expenses in the proper performance of its duties. Trilogy Funds is not liable for any loss to any person (including an Investor) arising out of any matter unless it failed to exercise due care and diligence. In particular it is not liable where:

- in good faith it relied on advice from a professionally qualified consultant;
- it is hindered, prevented or forbidden to do an act or thing by any law; or
- in respect of any Application Form or notice it relied in good faith on a forged signature or inaccurate details.

### **Registers**

Trilogy Funds or its appointed agent will keep and maintain a register of Investors of the Fund and any other register required by the Corporations Act. Trilogy Funds must cause the register to be altered when informed by an Investor of any change of name or address.

### **Changing the Constitution**

The Constitution may be amended by:

- a special resolution of the Investors in the Fund; or
- Trilogy Funds, if it reasonably believes the change will not adversely affect Investors' rights.

### **Meetings of Investors**

Trilogy Funds may convene a meeting of Investors in the Fund at any time and when required to do so by the Corporations Act.

Trilogy Funds must convene a meeting of Investors in the Fund if requisitioned by the lesser of at least 100 Investors or Investors who hold at least 5% of the units on issue in the Fund.

Each Investor is entitled to attend and vote at meetings of Investors. Meetings must be conducted in accordance with Part 2G.4 of the Corporations Act, except as modified by the Constitution.

### **Accounts, audit and compliance**

Trilogy Funds must keep accounts of the Fund and report to Investors concerning Fund affairs according to the Australian equivalent of the International Financial Reporting Standards and the provisions of the Corporations Act.

Trilogy Funds must appoint an auditor to audit the accounts and the Compliance Plan for the Fund. The audits must be conducted in accordance with the provisions of the Corporations Act.



### **b. Compliance plan for the Fund**

Trilogy Funds has adopted a Compliance Plan for the Fund. The Compliance Plan addresses issues such as compliance with laws and Trilogy Funds ethical standards and comprises structural and operational maintenance elements.

The Compliance Plan includes provisions that set out the procedures to be adopted for:

- appointment of agents;
- management of the Fund;
- custody of the assets of the Fund;
- valuations;
- methods for the handling of application money, Fund assets, income and payments;
- complaints handling and dispute resolution;
- audits;
- conflict of interests;
- monitoring, resolving and reporting suspected breaches of
- the Corporations Act; and
- formation and operation of the Compliance Committee.

### **c. Custody Deed**

Trilogy Funds and the Custodian have entered into a custody deed. Under the deed, the Custodian will hold the assets of the Fund in compliance with the Corporations Act, regulatory requirements and ASIC policy.

The responsibilities of the Custodian include acquiring and disposing of assets of the Fund and dispensing money on behalf of Trilogy Funds. The liability of the Custodian is limited. The Custodian acts on instruction from Trilogy Funds. The deed may be terminated by either party giving not less than 90 days' written notice to the other.

## **7.12 The Custodian and the Custodian's disclaimer**

The Trust Company Limited ACN 004 027 749 is the Custodian for the Fund. The role of the Custodian is to hold the assets of the Fund and title documents as agent for Trilogy Funds in relation to the conduct of the Fund. It is not the role of the Custodian to protect the rights and interests of the Investors. The Fund Company Limited has given and has not withdrawn its consent to be named in this PDS as the Custodian to the Fund in the form and context in which it is named. It has not authorised or caused the issue of this PDS and takes no responsibility for any part of the PDS other than the references to its name. The Custodian has relied upon Trilogy Funds and its advisers for the

truth and accuracy of the contents, and is not to be taken to have authorised or caused the issue of this PDS. The Custodian does not guarantee the return of any investment, any tax deduction availability or the performance of the Fund.

The Custodian has no interest in relation to the Fund other than the remuneration it is entitled to receive under the custody deed by way of custodian fees.

## **7.13 New Zealand Investors**

If you are a New Zealand Investor:

- you must read the "Warning Statement for New Zealand Investors";
- all minimum and additional investments must be made in Australian dollars, not New Zealand dollars;
- all distributions and withdrawal payments will be made to you in Australian dollars, not New Zealand dollars;
- any fees and charges that you (as distinct from the Fund) may be required to pay such as transfer fees will be payable in Australian dollars, not New Zealand dollars; and
- all exchange risks and fees and charges for or relating to the conversion of one currency to another are payable by you.

New Zealand Investors should contact us on the following phone numbers:

Free call +800 5510 1230  
phone +617 3039 2828  
Fax +617 3039 2829

All references to time are to Australian Eastern Standard Time (AEST).

### **a. Warning statement for New Zealand Investors**

This section contains information that is required under the *Financial Markets Conduct Regulations 2014*.

- i. This offer to New Zealand Investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the *Financial Markets Conduct Regulations 2014*.
- ii. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the offer must be made.
- iii. There are differences in how financial products





are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

- iv. The rights, remedies, and compensation arrangements available to New Zealand Investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
- v. Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.
- vi. The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
- vii. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.
- viii. The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.
- ix. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand dollars.
- x. The dispute resolution process described in this offer document is only available in Australia and is not available in New Zealand.

#### **b. Taxation**

**Australian tax considerations** The Fund is intended to be a withholding MIT for Australian tax purposes. If the Fund qualifies as a withholding MIT, then the Responsible Entity of the Fund may be required to deduct withholding tax from any assessable component of distributions made or attributed by the Fund to its Investors in New Zealand. The rate of withholding tax is dependent on the character of the distribution. If the nature of the distribution is regarded as interest, the withholding tax rate will be 10%. If the Fund is a withholding managed investment trust and the distribution is a 'fund payment' the

withholding tax rate will be 15%. Any non-assessable amounts distributed by the Fund should not be subject to Australian withholding tax.

The withholding tax on interest payments and fund payments is a final tax imposed on distributions to foreign residents from Australian managed investment trusts. Interest payments and fund payments that are subject to withholding tax are non-assessable non-exempt income for Australian income tax purposes in the hands of the nonresident Investors.

The amounts withheld will be disclosed in the annual AMMA statements provided to Investors.

If the Fund does not qualify as a managed investment trust, then to the extent that the distribution is not interest or dividends, a non-final tax at a rate of 30% will be deducted from the distribution to the extent it is from Australian sourced assessable income. Such tax may be able to be claimed as a refundable offset upon lodgement of an Australian income tax return by the non-resident Investor and the payment of tax by the Fund. Note, in such a circumstance, the Fund is required to provide a distribution summary to non-resident Investors which sets out the total of the withholding payments that the distribution summary covers, and the total of the amounts withheld by the Fund from those withholding payments. We recommend that you seek independent taxation advice in this regard.

Stamp duty or GST should not apply to any acquisition or transfer of units. However, GST may be applicable on some or all of the fees set out in the PDS. It is recommended that Investors seek the advice of a professional tax adviser in relation to their GST obligations and/or entitlements.

The cancellation or disposal of any units in the Fund should not give rise to any taxable capital gain in Australia, on the basis that the units in the Fund do not constitute taxable Australian property.

#### **New Zealand tax considerations**

The following comments are general in nature and are based on current New Zealand tax law. Tax law changes frequently and its application is fact specific, so Investors should not rely on these general comments but seek tax advice specific to their circumstances. The comments apply to Investors who are a tax resident in New Zealand and who are portfolio investors (in effect, they hold less than 10% in the Fund) and hold their interest on capital account. The comments apply to direct Investors only; Platform Investors will need to consider the nature of the



intermediary through which they invest. Investors will need to account for their interest in the Fund under either the foreign investment fund (FIF) rules or the dividend rules.

The Investor would need to account for their units as an attributing interest in a FIF, unless an exemption applied. The Australian unit trust exemption may be relevant – this requires there to be a ‘resident withholding tax proxy’ in place and for the Fund to meet a minimum turnover test or a minimum distribution test. If that exemption does not apply, then the Investor will need to calculate the FIF income from the units unless: (a) the Investor is either a natural person and not acting as a trustee, or is the trustee of a very limited range of trusts; and (b) the total cost of all of that Investor’s attributing FIF interests (including the units) does not exceed NZ\$50,000.

If the Investor is required to calculate FIF income, they will be liable to tax on attributed income calculated pursuant to a prescribed method.

Generally:

- The fair dividend rate method (FDR) will apply, although FDR cannot be used for certain non-ordinary shares i.e. ‘guaranteed return’ type investments for which the comparative value method must be used (or the deemed rate of return method if the comparative value method is not available).
- FDR calculates FIF income as: 5% multiplied by the opening market value of all FDR interests held at the start of the income year, adjusted (using a prescribed formula) for any interests bought and sold within that income year. A variation on FDR applies to certain managed funds and unit valuing funds.
- A variation on FDR is permitted to natural persons (and some family trusts) where the ‘total return’ i.e. realised and unrealised return (on all FDR interests) is less than the amount calculated under FDR – the ‘total return’, being the FIF income, is calculated using a comparative value approach. In simple terms, under the comparative value method, the FIF income or loss is (closing value + gains) – (opening value + costs). If a total loss arises under the comparative value method from all the Investor’s FIF interests, the loss is limited to zero.

The same FIF method must be used for all FIFs of the same class (unless a method is not available for a FIF). Dividends are not taxed separately under FDR and FDR does not give rise to any FIF losses.

Investors should seek advice on the application of the FIF rules. No determination has been sought as to the applicable method to apply to units in the Fund.

If the Investor is not subject to tax under the FIF rules, the Investor will be liable to tax on a dividends basis (which includes reinvested distributions, and any deemed dividend amounts arising on for example a withdrawal or repurchase of units in certain circumstances). In general terms, Investors will need to include the distributions (including any Australian withholding tax deducted) in their New Zealand income tax return and will be taxed at their marginal tax rate. Where Australian withholding tax has been deducted from the total distribution received a tax credit generally may be claimed up to the amount of the New Zealand tax payable on the distribution (net of any expenses). Investors should seek professional advice, having regard to their particular circumstances, and satisfy themselves as to the tax implications, both in Australia and New Zealand, of investing in the Fund.

#### **c. Service in New Zealand**

The address for service in New Zealand is:

Trilogy Funds Management Limited,  
C/O DLA Piper New Zealand,  
Level 5, 50-64 Customhouse Quay,  
Wellington 6011,  
New Zealand







# Section 8.

## Glossary

**‘adviser’** means a financial adviser who is licensed, or authorised, under an Australian financial services licence to provide you with personal advice, including about whether the Fund is suitable for your objectives, financial situation and needs.

**‘AEST’** means Australian Eastern Standard Time.

**‘AML/CTF’** means anti-money laundering and counter terrorism financing.

**‘AML/CTF Law’** means the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and the associated rules.

**‘AMIT’** means Attribution Managed Investment Trust regime.

**‘AMMA Statement’** means (AMIT Member Annual (AMMA) Statement) to be provided to you (while the AMIT rules apply to the Fund) no later than three months after the end of the relevant income year, disclosing the amounts attributed to you from the Fund each year.

**‘Application Form’** means the form, attached to or accompanying the PDS, to be used by persons wishing to apply to and be accepted as a member of the Fund.

**‘as is’** valuation means an estimate of the market value of a property as at a specific date and may be inclusive of GST.

**‘as if complete’** valuation means an estimate of the market value of a property assuming certain specified improvements are made and may be made on a gross realisation basis and may be inclusive of GST.

**‘ASIC’** means the Australian Securities and Investments Commission.

**‘assets’** means the cash, cash equivalent and other income producing investments, investments in Trilogy Monthly Income Trust and other assets of the Fund from time to time.

**‘Compliance Committee’** means the compliance committee established by Trilogy Funds Management Limited under the Corporations Act and the

Compliance Plan.

**‘Compliance Plan’** means the compliance plan for the Fund.

**‘Constitution’** means the constitution of the Trilogy Enhanced Income Fund dated 3 September 2016 as amended from time to time.

**‘Corporations Act’** means the *Corporations Act 2001*.

**‘CRS’** means the OECD Common Reporting Standard which has been implemented in Australia commencing from 1 July 2017 and imposes certain due diligence and reporting obligations on financial institutions and other financial intermediaries, including the Fund, in respect of foreign investors from participating jurisdictions.

**‘Custodian’** means The Trust Company Limited ACN 004 027 749 which is appointed external custodian of the Fund to hold the assets.

**‘FATCA’** means the Foreign Account Tax Compliance Act which is a United States tax law imposing certain due diligence and reporting obligations on foreign (non-US) financial institutions and other financial intermediaries, including the Fund, to prevent tax evasion by US citizens and US tax residents through the use of non-US domiciled investments or accounts.

**‘Fund’** means the Trilogy Enhanced Income Fund ARSN 614 682 469.

**‘GST’** means Goods and Services Tax within the meaning of the GST Act.

**‘GST Act’** means the *New Tax System (Goods and Services Tax Act) 1999*.

**‘investment referrer’** means an individual who is acknowledged (via the Application Form or other forms as required by Trilogy Funds) by the Investor or proposed Investor, as having introduced the Investor or proposed Investor to the Fund.





**‘Investment Manager’** means Trilogy Financing Pty Ltd ABN 16 615 429 386 as trustee for the Trilogy Financing Trust, an entity related to Trilogy Funds and authorised as a representative of Trilogy Funds (number 1253178) to provide certain financial services on its behalf.

**‘Investor’** or **‘you’** means an investor or a proposed investor in the Fund.

**‘LVR’** means the loan-to-valuation ratio.

**‘PDS’** means this product disclosure statement issued by Trilogy Funds Management Limited ABN 59 080 383 679, AFSL 261425.

**‘Responsible Entity’** means Trilogy Funds Management Limited, the party responsible for the management of the Fund as a registered managed investment scheme in accordance with the Corporations Act.

**‘RITCs’** means reduced input tax credits.

**‘TFN’** means Tax File Number.

**‘Trilogy Funds’** or **‘Responsible Entity’** or **‘we’** or **‘us’** means Trilogy Funds Management Limited ABN 59 080 383 679, the responsible entity of the Fund.

**‘units’** means the ordinary units in the Fund.

**‘unit holder’** means the registered owner of units in the Fund.

**‘Withdrawal Form’** means a form that will be made available to an Investor on request which must be completed and signed by an Investor to withdraw any money from the Fund.









## Find out more.

Start a conversation with us today.

Call 1800 230 099 or  
email [investorrelations@trilogyfunds.com.au](mailto:investorrelations@trilogyfunds.com.au)

### QUEENSLAND

Registered office:  
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GPO Box 1648  
Brisbane QLD 4001

### NEW SOUTH WALES

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Sydney NSW 2000

### VICTORIA

Level 2, Riverside Quay  
Southbank Blvd  
Melbourne VIC 3006

**T** 1800 230 099  
(within Australia)  
+61 7 3039 2828

### INVESTOR RELATIONS

Free call (within Australia)  
1800 230 099

Between 8:30am and  
5:00pm weekdays  
(Australian Eastern  
Standard Time)

### INVESTMENT MANAGER

Trilogy Financing Pty Ltd  
Level 23, 10 Eagle Street  
Brisbane QLD 4000

**T** (07) 3039 2828

**F** (07) 3039 2829

### LEGAL ADVISER

Wily Legal and Consulting  
Pty Limited  
Level 6, Suite 608  
109 Pitt Street  
Sydney NSW 2000

### CUSTODIAN FOR THE FUND

The Trust Company  
Limited  
Level 18, Angel Place, 123  
Pitt Street  
Sydney NSW 2001

### TAXATION AGENT OF THE FUND

Pricewaterhouse Coopers  
Level 23, 480 Queen  
Street Brisbane QLD  
4000

### AUSTRALIAN FINANCIAL COMPLAINTS AUTHORITY RESOLUTION SCHEME

GPO Box 3  
Melbourne VIC 3001  
Free call 1800 931 678  
Email [info@afca.org.au](mailto:info@afca.org.au)

This PDS is issued by Trilogy Funds Management Limited ABN 59 080 383 679 AFSL 261425 (**Trilogy Funds**) as responsible entity for the Trilogy Enhanced Income Fund ARSN 614 682 469. Application for investment can only be made on the application form accompanying the Product Disclosure Statement (**PDS**) dated 30 September 2022 and by considering the Target Market Determination (**TMD**) for the Trilogy Enhanced Income Fund ARSN 614 682 469 available at [www.trilogyfunds.com.au](http://www.trilogyfunds.com.au). The PDS and the TMD contain full details of the terms and conditions of investment and should be read in full, particularly the risk section, prior to lodging any application or making a further investment. All investments, including those with Trilogy Funds, involve risk which can lead to loss of part or all of your capital or diminished returns. Trilogy Funds is licensed to provide only general financial product advice about its products and therefore recommends you seek personal advice on the suitability of this investment to your objectives, financial situation and needs from a licensed financial adviser. Investments with Trilogy Funds are not bank deposits and are not government guaranteed.