

# SOLARIS

investment management

## ADDITIONAL INFORMATION TO THE PRODUCT DISCLOSURE STATEMENT SOLARIS CORE AUSTRALIAN EQUITY FUND (PERFORMANCE ALIGNMENT) APIR: SOL0001AU

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29 September 2017

### CONTACT

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The information in this document forms part of the Product Disclosure Statement ('PDS') dated 29 September 2017 issued by Channel Investment Management Limited ACN 163 234240 AFSL 439007 ('RE') about the Solaris Core Australian Equity Fund (ARSN 128 859 898) ('the Fund') and the Performance Alignment Unit Class.

You should read this information together with the PDS before making a decision to invest in the Fund.

The information is general information only and does not take into consideration your personal financial situation or needs. You should obtain financial advice tailored to your personal circumstances.

#### Updated Information

Information in this Additional Information may change. Any updates to information that is not materially adverse to investors will be provided at [www.channelcapital.com.au](http://www.channelcapital.com.au). Please check the website or call us or your financial adviser for any updates prior to investing. A paper copy of any updates will be provided free of charge upon request.

# 1 how the solaris core australian equity fund (performance alignment) works

## Additional investments

Additional investments can be made at any time by sending your written instructions together with your cheque or electronic funds transfer (EFT) confirmation. It is not necessary for you to complete another Application Form. Additional investments are made on the basis of the PDS current at the time of investment. The latest PDS is available at [www.channelcapital.com.au](http://www.channelcapital.com.au) or by calling (07) 3259 7650.

## How to withdraw

You can withdraw from your investment by mailing or faxing us a letter including full details of your name, investor number, number of Units or dollar amount you wish to withdraw and bank account details.

Requests must be signed by the appropriate authorised signatories.

Cheques and bank accounts must be in the name/s of the investor/s as specified in the Application Form or as otherwise notified to the RE.

Proceeds will be paid in Australian Dollars.

Partial withdrawals are subject to you maintaining a minimum balance of \$1,000,000.

## Restrictions on withdrawals

The RE endeavours to ensure that proceeds are paid within 7 days from the date of receipt of the withdrawal request, although the Fund constitution permits up to 40 days to pay withdrawal proceeds after a withdrawal request is processed.

Alternate withdrawal procedures will apply if the Fund is determined not to be liquid. The Fund is considered non-liquid if less than 80% of its assets are cash, marketable securities or assets which can be realised at market value within the period specified in the constitution.

If the Fund becomes non-liquid the withdrawal procedures set out in the Corporations Act will apply.

## Processing application and withdrawal requests

If we receive an application or withdrawal request by 12 noon (Sydney time) on a Business Day you will receive the Unit price for that Business Day. An application or withdrawal request received after 12 noon (Sydney time) will be processed using the Unit price for the following Business Day.

In circumstances where we receive an incomplete application or withdrawal request you will receive the Unit price applicable on the Business Day we receive the

completed documentation and, for applications, cleared application funds.

## Unit pricing

A Unit price for each class of unit is usually calculated each Business Day by dividing the net asset value of the Fund's assets apportioned to each applicable unit class by the number of units on issue in that class. The Fund's assets are valued in accordance with the Fund's constitution, based on market values of securities and other assets such as cash. Unit prices will vary as the market value of the Fund's assets rise or fall.

An allowance for transaction costs incurred in buying and selling Fund assets is added to, or subtracted from, the Unit price to determine an application price and a withdrawal price for each class of units.

The RE has a policy for unit pricing discretions we use in relation to the Fund for the purposes of Legislative Instrument 2015/847. The unit pricing policy and discretions exercised by the RE are available from us free of charge upon request.

## Reinvestment of distributions

You can choose to reinvest some or all of your distributions. Distribution reinvestment is generally effective the first day following the end of the distribution period. No buy/sell transaction cost will apply to distribution reinvestments. For tax purposes certain components of a distribution are included as assessable income regardless of whether the distribution is reinvested.

## Transfers

You can request a transfer of some or all of your Units to a third party by completing and signing a transfer form and providing us with any other documentation required by us or any law. You can obtain a transfer form by contacting Client Services on (07) 3259 7650. The RE reserves the right to refuse to register a transfer of Units.

## Custodian

A custodian has been appointed to hold the assets of the Fund on our behalf. Any fees we pay to the custodian are paid out of any Performance Fee or Solaris' own resources and are not an additional charge to you.

# 2 fees and costs

This document shows fees and other costs that you may be charged in relation to Units. These fees and costs may be deducted from your investment, from the returns on your investment or from the Fund's assets as a whole.

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

Type of fee or cost	Amount <sup>1</sup>	How and when paid
<b>Fees when your money moves in or out of the Fund<sup>2</sup></b>		
<b>Establishment fee</b> A fee to open your investment.	Nil	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment.	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>Management costs</b>		
The fees and costs for managing your investment.	A Performance Fee of 30% of Outperformance of the Benchmark	The Performance Fee is calculated and accrues each Business Day and is payable as at 30 June. <sup>3</sup>  Extraordinary expenses are paid from the Fund assets as and when incurred. <sup>4</sup>
<b>Service fees</b>		
<b>Switching fee</b> The fee for changing investment options	Nil	Not applicable

1 All figures disclosed include the net effect of GST and RITC.

2 Transaction Costs (buy/sell transaction cost) apply. Refer to 'Transaction costs' in 'Additional explanation of fees and costs'.

3 Refer to 'Performance Fees' in 'Additional explanation of fees and costs'.

4 Refer to 'Extraordinary expenses' in 'Additional explanation of fees and costs'.

## Additional explanation of fees and costs

### Performance Fee

Depending on how well the Performance Alignment Unit Class performs a Performance Fee may be payable to Solaris equal to 30% (including the net effect of GST and RITCs) of the Outperformance of the Benchmark.

### When is a Performance Fee paid?

The Performance Fee is:

- payable if the investment performance of the Performance Alignment Unit Class exceeds the Benchmark;
- only charged on the proportion of performance above the Benchmark;
- only payable when any applicable performance deficit has been recouped; and
- if payable, accrues each Business Day and is reflected in the Unit price of the Performance Alignment Unit Class.

The Benchmark is the S&P/ASX 200 Accumulation Index.

The Performance Fee is calculated each Business Day based on daily performance and value of the Performance Alignment Unit Class on that day compared to the Benchmark for that day and, where positive, accrues each Business Day and is reflected in the Unit price. Where the daily calculated Performance Fee is negative it is applied to reduce any accrued Performance Fee from the previous day, or, where there is no accrued Performance Fee from the previous day, carried forward as a 'performance deficit'. Any performance deficit will need to be offset by future positive performance before any Performance Fee becomes payable.

If a Performance Fee is payable, it is payable annually as at 30 June. Performance Fees are payable in relation to the performance of the Performance Alignment Unit Class as a whole during each year and do not necessarily reflect the performance of any individual investor's investment.

The Fund constitution for the Fund allows for a performance fee of up to 35% if the performance hurdle is exceeded. In addition, the Fund constitution allows for a maximum performance hurdle of the Benchmark plus 3%.

The RE does not currently charge the Fund a performance fee as the RE is paid a fee by Solaris from the Performance Fee Solaris receives or Solaris' own resources.

#### **Extraordinary expenses**

Generally, expenses incurred in managing the Fund will be paid from Solaris' own resources. However, if extraordinary or unusual expenses are incurred we may choose to recover these costs from the Fund. Examples of this type of expense include the costs involved in:

- convening a meeting of investors;
- termination of the Fund;
- amending the Fund constitution;
- defending or bringing of litigation proceedings; or
- replacement of the responsible entity.

#### **Transaction costs**

The buy/sell transaction cost is an additional cost to you when you buy or sell Units. This cost includes brokerage and clearing fees relating to the purchase or sale of Fund assets associated with an application or withdrawal.

The transaction cost payable is to meet the expenses associated with investors entering and exiting the Fund and to ensure investors in the Fund are not disadvantaged.

The buy spread and the sell spread for applications and withdrawals are 0.30% of the value of the application or withdrawal amount. These spreads may change from time to time depending on the nature of the costs and volume of assets being bought or sold.

For example, if \$1,000,000 was invested in, or withdrawn from, the Fund, the cost of your buy/sell spread would be \$3,000 in and \$3,000 out.

#### **Additional transactional and operational costs**

Additional transactional and operational costs associated with dealing with the Fund's investments may be recovered from the Fund. Transactional and operational costs, other than the buy/sell spread, may include brokerage, clearing costs, investment settlement fees and applicable stamp duty when underlying assets are bought or sold.

The total transactional and operational costs incurred by the Fund for the 12 months ended 30 June 2017 were calculated to be \$9,542.51 based on a \$1,000,000 holding (approximately 0.95% of total average net assets). The total transactional and operational costs, net of buy/sell spread recovery, were calculated to be \$8,782.14 based on a \$1,000,000 holding (approximately 0.88% of total average net assets).

#### **Differential fees**

There may be differing fee arrangements for investors in different classes. Rebates of management costs may be negotiated with certain sophisticated or professional (i.e. wholesale) investors.

These arrangements reflect terms privately agreed with each sophisticated or professional investor. Neither Solaris nor the RE is under any obligation to make arrangements on these terms available to all other investors (including other sophisticated or professional investors).

#### **Payment to platforms**

Payments may be made to a platform where they include one or more of our funds on their menu. Any platform payments are deducted from the management cost or Solaris' own resources and are not a separate charge to you.

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

The fees specified in the PDS include the net effect of Goods and Services Tax (GST) and the benefits of reduced input tax credits (RITC) where applicable, unless otherwise specified.

Investors should not be directly subject to GST when applying for or withdrawing Units. However, the Fund may incur GST as part of the expenses of the Fund. The Fund may then be entitled to claim RITCs for GST incurred on certain expenses.