

# Prospectus

OFFER OF 145,000,000 FULLY PAID ORDINARY SHARES IN FIRETRAIL ABSOLUTE RETURN LIMITED (ACN 628 082 879), AT AN APPLICATION PRICE OF \$2.10 PER SHARE, TO RAISE UP TO \$304,500,000 (WITH THE ABILITY TO ACCEPT UP TO \$73,500,000 IN OVERSUBSCRIPTIONS)

## Lead Arranger and Joint Lead Manager:



AFS Licence 238814

## Joint Lead Managers:



AFS Licence 238383



AFS Licence 237121



AFS Licence 247083



AFS Licence 235410

## Co-Managers:



AFS Licence 239052



AFS Licence 231127



AFS Licence 246842



AFS Licence 243480

## Distribution Partner:



AFS Licence 322140

## Important Information

This Prospectus contains important information for you as a prospective investor and requires your immediate attention. It should be read in its entirety. If you have any questions as to its contents or the course you should follow, please consult your stockbroker, accountant, solicitor or other professional adviser immediately.

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# IMPORTANT NOTICES

This Prospectus (**Prospectus**) is dated 11 September 2018 and was lodged with the Australian Securities & Investments Commission (**ASIC**) on that date. It is issued by Firetrail Absolute Return Limited (ACN 628 082 879) (Company) and is an invitation to apply for up to 145,000,000 Shares at an Application Price of \$2.10 per Share. None of ASIC, the ASX or their respective officers take responsibility for the contents of this Prospectus.

This document is important and requires your immediate attention. It should be read in its entirety. You may wish to consult your professional adviser about its contents.

No Shares will be issued on the basis of this Prospectus later than the expiry date of this Prospectus, being the date 13 months after the date of this Prospectus.

## ASX LISTING

The Company will apply within seven days after the date of this Prospectus for admission to the Official List of the ASX and for the Shares to be quoted on the ASX.

The fact that the ASX may admit the Company to the Official List and quote the Shares is not to be taken in any way as an indication of the merits of the Company. Neither the ASX nor its officers take any responsibility for the contents of this Prospectus. If granted admission to the ASX, quotation of the Shares will commence as soon as practicable after holding statements are dispatched.

The Company does not intend to issue any Shares unless and until the Shares have been granted permission to be quoted on the ASX on terms acceptable to the Company. If permission is not granted for the Shares to be quoted before the end of three months after the date of this Prospectus or such longer period permitted by the Corporations Act or with the consent of ASIC, all Application Monies received under the Prospectus will be refunded without interest to Applicants in full within the time prescribed by the Corporations Act.

## EXPOSURE PERIOD

Pursuant to the Corporations Act, this Prospectus is subject to an exposure period of seven days after the date of the Prospectus, which may be extended by ASIC by a further period of up to seven days (**Exposure Period**).

The Exposure Period enables this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus.

Application Forms received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

## INTERMEDIARY AUTHORISATION

The Company does not hold an Australian Financial Services Licence (**AFSL**) under the Corporations Act. Accordingly, offers under this Prospectus will be made under an arrangement between the Company and Commonwealth Securities Limited, the holder of an AFSL (**Authorised Intermediary**) under Section 911A(2)(b) of the Corporations Act. The Company will only authorise the Authorised Intermediary to make offers to people to arrange for the issue of Shares by the Company

under the Prospectus and the Company will only issue Shares in accordance with such offers if they are accepted.

The Joint Lead Managers will manage the Offer on behalf of the Company. The Lead Arranger and Joint Lead Manager is Commonwealth Securities Limited (**Lead Arranger**), and the Joint Lead Managers are Morgans Financial Limited, Taylor Collison Limited, Wilsons Corporate Finance Limited and Ord Minnett Limited (**Joint Lead Managers**).

The Co-Managers are Patersons Securities Ltd, Crestone Wealth Management Limited, Bell Potter Securities Limited and FinClear Execution Ltd (**Co-Managers**).

The Lead Arranger, Authorised Intermediary, Joint Lead Managers' and Co-Managers' functions should not be considered as an endorsement of the Offer, nor a recommendation of the suitability of the Offer for any investor. None of the Joint Lead Managers or Co-Managers guarantee the success or performance of the Company or the returns (if any) to be received by investors. The Joint Lead Managers and the Co-Managers have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Prospectus and do not make or purport to make any statement in this Prospectus and there is no statement in this Prospectus which is based on any statement by the Joint Lead Managers. The Joint Lead Managers and their affiliates, officers and employees, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

## INVESTMENT DECISION

Applicants should read this Prospectus in its entirety before deciding to apply for Shares. This Prospectus does not take into account your individual investment objectives, financial situation or any of your particular needs. You should seek independent legal, financial and taxation advice before making a decision whether to invest in the Company.

An investment in this Company carries risks. An outline of some of the risks that apply to an investment in the Company is set out in Section 5. Applicants are urged to consider this Section of the Prospectus carefully before deciding to apply for Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained or taken to be contained may not be relied on as having been authorised by the Company in connection with the Offer.

## FORWARD LOOKING STATEMENTS

This Prospectus contains forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements.

While the Company believes that the expectations reflected in the forward looking statements in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors set out in Section 5, as well as other matters as yet not known to the Company or not currently considered material by the Company, may cause actual results or events to be materially different from



those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this Prospectus is qualified by this cautionary statement.

#### PROSPECTUS

An electronic version of this Prospectus (**Electronic Prospectus**) can be downloaded from [www.firetrail.com/firetrail-absolute-return-ltd](http://www.firetrail.com/firetrail-absolute-return-ltd). The Offer or invitation to which the Electronic Prospectus relates is only available to persons receiving the Electronic Prospectus in Australia and New Zealand.

The Company will also send a copy of the paper Prospectus and paper Application Form free of charge if requested before the Offer closes.

If you download the Electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by a copy of the Application Form. The Shares to which the Electronic Prospectus relates will only be issued to Applicants who complete the Application Form accompanying the Prospectus and submit that form to the Company together with Application Monies.

#### OFFER TO NEW ZEALAND INVESTOR WARNING

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 2001* (Cwlth) 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.

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 2001* (Cwlth) and the regulations made under that Act set out how the Offer must be made.

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.

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.

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.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

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.

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 in New Zealand dollars.

If the financial products are able to be traded on a financial

product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

#### HOW TO APPLY

You can only make an Application for Shares under the Offer by completing and submitting an Application Form. You can find detailed instructions on completing the Application Form on the back of the paper Application Form. You will be provided with prompts and instructions to assist you to complete the electronic Application Form.

Applications must be for a minimum of 2,000 Shares at \$2.10 each (i.e. for a minimum subscription amount of \$4,200). A larger number of Shares may be applied for in multiples of 100 Shares.

#### APPLICATIONS

Applications and Application Monies for Shares under the Offer received after 5.00pm. (Sydney time) on the Closing Date will not be accepted and will be returned to potential investors.

Applications must be accompanied by payment in Australian currency.

No stamp duty is payable by Applicants.

#### APPLICATION FORMS

Applicants can apply online at [www.firetrail.com/firetrail-absolute-return-ltd](http://www.firetrail.com/firetrail-absolute-return-ltd) or complete a paper-based Application Form enclosed within this Prospectus.

Applicants who apply online can either pay electronically through BPAY or submit a cheque or bank draft.

Completed paper Application Forms, together with Application Monies, should be forwarded to the following address:

##### By Mail

Firetrail Absolute Return Limited  
c/- Automic  
PO Box 2226  
Strawberry Hills NSW 2012

##### Hand Delivered:

Firetrail Absolute Return Limited  
c/- Automic  
Level 29, 201 Elizabeth Street  
Sydney NSW 2000

#### WHEN TO APPLY

Completed Application Forms and Application Monies under the Offer must be received by 5.00pm (Sydney time) on the Closing Date. The Directors may close the Offer at any time without prior notice or extend the period of the Offer in accordance with the Corporations Act.

The Directors reserve the right to allocate any lesser number of Shares than those for which the Applicant has applied. Where the number of Shares allotted is fewer than the number applied for, surplus Application Monies will be refunded without interest.

#### GLOSSARY OF TERMS

Defined terms and abbreviations included in the text of this Prospectus are set out in Section 11.





## HIGHLIGHTS OF THE OFFER

### IMPORTANT DATES

<b>Lodgement of Prospectus with ASIC</b>	11 September 2018
<b>Offer expected to open</b>	24 September 2018
<b>Broker Firm Offer expected to close</b>	19 October 2018
<b>General Offer expected to close</b>	19 October 2018
<b>Priority Offer expected to close</b>	19 October 2018
<b>Expected date of allotment / date of dispatch of holding statements</b>	25 October 2018
<b>Shares expected to commence trading on the ASX</b>	31 October 2018

The above dates are subject to change and are indicative only and times are references to Sydney time. The Company reserves the right to amend this indicative timetable subject to the Corporations Act and the ASX Listing Rules. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications.

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## KEY OFFER STATISTICS

<b>Company</b>	Firetrail Absolute Return Limited (ACN 628 082 879)
<b>ASX code</b>	FTA
<b>Minimum number of Shares available under the Offer</b>	35,000,000 Shares
<b>Minimum proceeds from the Offer</b>	\$73,500,000
<b>Maximum number of Shares available under the Offer (before oversubscriptions)</b>	145,000,000 Shares
<b>Maximum proceeds from the Offer (before oversubscriptions)</b>	\$304,500,000
<b>Maximum number of Shares available under the Offer assuming oversubscriptions are fully subscribed</b>	180,000,000 Shares
<b>Maximum proceeds from the Offer assuming oversubscriptions are fully subscribed</b>	\$378,000,000
<b>Application Price per Share</b>	\$2.10
<b>Pro forma Net Asset Value (NAV) backing per Share if the Minimum Subscription amount is raised (based on pro forma balance sheet set out in Section 6.2).</b>	\$2.10
<b>Pro forma NAV backing per Share if the Maximum Subscription amount is raised (based on pro forma balance sheet set out in Section 6.2).</b>	\$2.10

### Enquiries

Investors with questions relating to the Offer or who require additional copies of the Prospectus should contact the Company, on +61 2 8970 7750 (AU & global) or via email to [invest@pinnacleinvestment.com](mailto:invest@pinnacleinvestment.com).





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## CORPORATE DIRECTORY

<p><b>DIRECTORS</b> Deirdre Wroth Katrina Onishi Alex Ihlenfeldt</p>	<p><b>COMPANY SECRETARY</b> Terence Kwong</p>	<p><b>REGISTERED OFFICE</b> Level 35, 60 Margaret Street Sydney NSW 2000, Australia</p>
<p><b>SHARE REGISTRY</b> <b>Automic Pty Limited</b> Level 29, 201 Elizabeth Street Sydney NSW 2000, Australia Telephone: 1300 288 664 (inside Australia) or +61 2 9698 5414 (outside Australia)</p>	<p><b>INVESTIGATING ACCOUNTANT</b> <b>Pitcher Partners Sydney Corporate Finance Pty Ltd</b> Level 22, MLC Centre 19 Martin Place Sydney NSW 2000, Australia</p>	<p><b>AUSTRALIAN SOLICITORS TO THE OFFER</b> <b>KardosScanlan Pty Limited</b> Level 5, 151 Castlereagh Street Sydney NSW 2000, Australia</p>
<p><b>MANAGER</b> <b>Firetrail Investments Pty Limited</b> Level 35, 60 Margaret Street Sydney NSW 2000, Australia</p>	<p><b>LEAD ARRANGER AND JOINT LEAD MANAGER</b> <b>Commonwealth Securities Limited</b> Ground Floor, Tower 1, 201 Sussex Street Sydney NSW 2000, Australia</p>	
<p><b>JOINT LEAD MANAGERS:</b> <b>Wilson's Corporate Finance Limited</b> Level 32, Governor Macquarie Tower 1 Farrer Place, Sydney NSW 2000, Australia</p> <p><b>Ord Minnett Limited</b> Level 8, NAB House, 255 George Street Sydney NSW 2000, Australia</p> <p><b>Morgans Financial Limited</b> 21 Aurora Place, 88 Phillip Street Sydney NSW 2000, Australia</p> <p><b>Taylor Collison Limited</b> Level 16, 211 Victoria Square Adelaide SA 5000, Australia</p>	<p><b>CO-MANAGERS:</b> <b>Crestone Wealth Management Limited</b> Level 32, Chifley Tower, 2 Chifley Square Sydney NSW 2000, Australia</p> <p><b>Patersons Securities Limited</b> Level 23, Exchange Tower 2 The Esplanade Perth WA 6000, Australia</p> <p><b>Bell Potter Securities Limited</b> Level 29, 101 Collins Street Melbourne VIC 3000, Australia</p> <p><b>FinClear Execution Ltd</b> Level 5, 53 Walker Street North Sydney NSW 2060, Australia</p>	
<p><b>DISTRIBUTION PARTNER:</b> <b>Pinnacle Investment Management Limited</b> Level 35, 60 Margaret Street Sydney NSW 2000, Australia</p>		



## CHAIR'S LETTER

11 September 2018

### DEAR INVESTOR,

On behalf of the Directors, we are pleased to offer an exclusive investment opportunity to become a shareholder in Firetrail Absolute Return Limited (**Company**). The Company's initial public offer (**IPO**) is limited and will not be increased beyond the maximum of \$378,000,000.

The Company has been established to provide shareholders with access to an actively managed investment portfolio, designed to be market neutral, which means returns should generally be independent of movements in the underlying securities market. The portfolio is predominantly comprised of long and short positions in Australian listed securities.

The investment objectives the Company aims to deliver are two-fold:

1. Positive risk adjusted returns (being a combination of capital growth and income) in excess of the RBA Cash Rate; and
2. Returns which are uncorrelated to the performance of the underlying securities market,

both measured over the medium to long term, which the Company considers to be a period of three to five years. This is not intended to be a forecast; it is merely an objective of the Company.

The Company's investment portfolio will be managed by Firetrail Investments Pty Limited (**Manager**) through its experienced team of investment professionals, led by Patrick Hodgens, Blake Henricks and James Miller (**Firetrail Investment Team**).

The Manager is a boutique investment manager founded by the Firetrail Investment Team and was established with a goal to align its people with its clients. Importantly, the Manager is majority owned by the Firetrail Investment Team.

The Firetrail Investment Team has a long track record investing in equities, with over 100 years' investment experience combined. The Firetrail Investment Team worked together prior to establishing the Manager's business and subsequently launched the net market neutral strategy proposed for the Company in July 2015.



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The Firetrail Investment Team (and their associates) intend to participate in the Offer and are expected to hold (in aggregate) a minimum of 500,000 Shares in the Company at completion of the Offer.

In addition, the Manager is supported by Pinnacle Investment Management Limited (**Pinnacle**) who provide distribution, operations, legal, compliance and financial services to the Manager so the Firetrail Investment Team can focus on implementing the Investment Strategy.

The Board believes there is a shortage of high quality market neutral strategies focused on delivering returns that are uncorrelated to traditional asset classes such as equities and bonds. As such, the Company may appeal to investors who are looking for an alternative source of returns to diversify their investment portfolio. Investors should regard any investment in the Company as a medium to long term proposition (three to five years) and to be aware that substantial fluctuations in the value of the portfolio and the shares in the Company may occur on a month to month basis over that period.

The Company aims to provide investors with exceptional investment services and communications to foster transparency and insights into both the investment approach and the portfolio. We look forward to offering these services to our Shareholders.

You should read the Prospectus carefully as it contains detailed information about the Company and the Offer. Like all investments, an investment in the Company carries risk. Some key risks include manager risk, investment strategy risk, equity risk, concentration risk, short selling risk, leverage risk, derivative risk and market risk. Further details of the risks associated with an investment in the Company are set out in Section 5. You should consider all risks carefully before making your investment decision and contact your professional adviser in determining if this is a suitable investment for you.

I hope you will join the members of the Board in being a Shareholder of the Company.

Yours sincerely,



**Deirdre Wroth**  
Chair





## SECTION 1. OFFER SUMMARY

This is a summary only. This Prospectus should be read in full before making any decision to apply for Shares.

Question	Answer	More Information
<b>A. Key investment highlights and key risks</b>		
<b>What are the benefits of the Offer?</b>	<p>The Firetrail Absolute Return Limited (ACN 628 082 879) (<b>Company</b>) aims to provide investors with:</p> <ul style="list-style-type: none"> <li>(a) access to an actively managed Portfolio predominantly comprised of Long Positions and Short Positions in Australian listed securities;</li> <li>(b) the robust investment process of Firetrail Investments Pty Limited (<b>Manager</b>);</li> <li>(c) the expertise of the Manager's investment team (<b>Firetrail Investment Team</b>), members of which have been implementing the same investment strategy since 2015; and</li> <li>(d) the potential to diversify their existing portfolios through a net market neutral investment opportunity.</li> </ul>	Sections 3 and 4
<b>What is the business model of the Company?</b>	<p>The Company is a newly incorporated company which has not conducted any business to date.</p> <p>Upon completion of the Offer, the Company will be a listed company with a mandate to invest in Australian and international securities in a Portfolio that is typically expected to be net market neutral<sup>1</sup>. Notwithstanding this broad mandate, the Portfolio is expected to be predominantly comprised of Long Positions and Short Positions in Australian listed securities with limited exposure to international listed securities and Pre-IPO Securities. Further detail on the Company's permitted investments is provided in Section 3.8.</p>	Section 3

1. The Portfolio's net exposure (Long Positions less Short Positions) will typically be between -5% to 5% of the Portfolio's NAV.

Question	Answer	More Information
<p><b>What is the business model of the Company?</b> continued</p>	<p>The Company aims to deliver:</p> <p>(a) returns that are not dependent on the performance of the underlying securities market; and</p> <p>(b) positive risk-adjusted returns (being with a combination of capital growth and income) in excess of the Benchmark, both over the medium to long term (which the Manager and the Company consider to be a period of typically three to five years)<sup>2</sup>.</p> <p>The Company's Portfolio will be managed by the Manager in accordance with the terms of the Investment Management Agreement between the Manager and the Company (see Section 9.1 for a summary of this agreement).</p>	Section 3
<p><b>What does net market neutral mean?</b></p>	<p>The Portfolio is typically expected to be net market neutral.</p> <p>In general terms, a net market neutral structure operates by having assets (i.e. Long Positions) and liabilities (i.e. Short Positions) with values that are roughly equal. In this way, the returns of the Portfolio will typically be independent of the underlying securities market movement. As an example, in the event of a market crash, the value of the Company's assets (or Long Positions) are likely to fall in value, whilst the Company's liabilities (or Short Positions) are likely to increase in value. If they change by the same quantum, the net asset value of the Company's total Portfolio would be unchanged.</p> <p>The Manager will aim to achieve net market neutrality by ensuring that the Company's exposure to Long Positions (securities held physically or via a Derivative) is approximately equal to the Company's exposure to Short Positions (a negative amount of securities held physically or via a Derivative). The Portfolio's net exposure (i.e. Long Positions less Short Positions) will typically be between -5% to +5% of the Portfolio's NAV (with a maximum of -30% to +30% of the Portfolio's NAV).</p> <p>Shareholders will benefit from the Investment Strategy if the Manager is able to identify Long Positions (that increase in value) and entities that will decrease in value (Short Positions). Whether Long Positions and Short Positions move as expected will depend largely on fundamental factors influencing the relevant underlying businesses, irrespective of what the market does. In this way, the Company's returns will largely reflect the Manager's success in choosing securities to buy and sell (short) and will be largely uncorrelated with the underlying securities market. This is also a key source of risk. If security selection is poor, the Portfolio value may fall. See Section 5 for further details.</p>	Section 3

2. This is not intended to be a forecast; it is merely an objective of the Company.



Question	Answer	More Information
<p><b>Will the Company pay dividends?</b></p>	<p>The Company aims to deliver positive returns in excess of the Benchmark over the medium to long term with the aim of allowing franked dividends to be paid to Shareholders when possible.</p> <p>Whether a dividend is in fact declared, and the amount of each dividend, will be at the discretion of the Board. The Board will have regard to a number of factors, including the availability of profit reserves, retained earnings, capital requirements, financial conditions and other factors that the Board deems relevant.</p> <p>The Board currently intends for the Company to pay dividends at least annually, subject to available profits, cash flow and franking credits and the payment being permitted by applicable law being within prudent business practices. This is not intended to be a forecast; it is merely an objective of the Company.</p>	<p>Section 3.9</p>
<p><b>What are the key risks associated with the business model and the Offer?</b></p>	<p>The Company's investment activities will expose it to a variety of risks. The key risks identified by the Company include:</p> <ul style="list-style-type: none"> <li>– <i>Investment Strategy risk</i>: the Company's performance depends on the expertise and investment decisions of the Manager. The Manager's opinion about the future valuation of a company or security may be incorrect, the Company's investment objectives may not be achieved and the market may continue to undervalue the securities within the Portfolio from time to time.</li> <li>– <i>Manager risk</i>: the Manager's continued ability to implement the Investment Strategy in a manner that complies with the Company's objectives, strategies, policies, guidelines and permitted investments is of fundamental importance to the performance of the Company. The ability of the Manager to continue to manage the Portfolio may be compromised by ceasing to be an authorised representative of Pinnacle Investment Management Limited (<b>Pinnacle</b>) and being able to rely on Pinnacle's AFSL, the loss of AFSL authorisations or non-compliance by it (as authorised representative) or Pinnacle (as AFSL holder) with the Corporations Act. If the Investment Management Agreement is terminated, the Company will need to identify and engage a suitably qualified and experienced manager to implement the Company's Investment Strategy. There is a risk that the Company may not be able to identify a suitable manager within a reasonable period or at all.</li> <li>– <i>Equity risk</i>: there is a risk of Long Positions falling in value or Short Positions rising in value over short or extended periods of time. A Long Position falling in value or a Short Position rising in value could result in a reduction of the value of your investment. Security markets tend to move in cycles, and individual share prices may fluctuate and underperform other asset classes over extended periods of time. Shareholders are exposed to this risk both through their holdings in Shares in the Company as well as through the Company's investments. To manage this risk at the Portfolio level, the Company's Investment Strategy restricts net market exposure to a maximum of -30% to +30% of the Portfolio's NAV.</li> </ul>	<p>Investors should read these risks together with the other risks described in Section 5</p>

Question	Answer	More Information
<p><b>What are the key risks associated with the business model and the Offer?</b> continued</p>	<ul style="list-style-type: none"> <li data-bbox="416 331 1214 488">– <i>Concentration risk:</i> the Company’s Portfolio may be less diversified than other listed investment entities. This is consistent with the Investment Strategy which focuses on balancing the Long and Short Positions within the Portfolios rather than diversity to generate returns and manage capital loss.</li> <li data-bbox="416 506 1214 887">– <i>Short Selling risk:</i> there are inherent risks associated with Short Selling. Short Selling involves borrowing securities (for a fee) that are then sold. If the price of the securities falls, then the Company can buy those securities at a lower price to transfer back to the lender of the securities. Short Selling can be seen as a form of leverage and may magnify the gains and losses achieved in the Portfolio. While Short Selling may be used to manage certain risk exposures in the Portfolio and increase returns, it may also have a significantly increased adverse impact on its returns. Short Selling exposes the Portfolio to the risk that investment flexibility could be restrained by the need to provide collateral to the securities lender and that positions may have to be liquidated at a loss and not at a time of the Manager’s choosing.</li> <li data-bbox="416 904 1214 1088">– <i>Leverage risk:</i> The Manager will use Derivatives and Short Selling to create leverage. Leverage can enlarge the gains and losses achieved in the Portfolio. This gives rise to the possibility that positions may have to be liquidated at a loss and not at a time of the Manager’s choosing. In light of these risks, the Company has adopted the leverage policy in Section 3.6.</li> <li data-bbox="416 1106 1214 1464">– <i>Derivative risk:</i> the Company may invest in exchange traded and over-the-counter Derivatives including options, futures and swaps, credit default exposures, currency forwards/contracts and related instruments. The Company may use Derivative instruments (both exchange traded Derivatives and over-the-counter Derivatives) for risk management purposes and to take opportunities to increase returns. Investments in Derivatives may cause losses associated with the value of the Derivative failing to move in line with the underlying security or as expected. Derivative transactions may be highly volatile and can create investment leverage, which could cause the Company to lose more than the amount of assets initially contributed to the investment.</li> <li data-bbox="416 1482 1214 1886">– <i>Market risk:</i> the Portfolio will be exposed to market risk. The market risk of assets in the Company’s Portfolio can fluctuate as a result of market conditions. The value of the Portfolio may be impacted by factors such as: economic conditions, interest rates, regulations, sentiment and geopolitical events as well as environmental, social and technological changes. The Manager will seek to reduce market risks to the extent possible by limiting net market exposure within the Portfolio (that is Long Positions minus Short Positions within the Portfolio) typically between -5% to 5% of the Portfolio’s NAV. This also means that when the market performs strongly, the Portfolio will have little exposure to a positive market return as net market exposure is minimised. In such instances, the Portfolio may underperform traditional “long only” funds as it will have limited correlation to the positive market movement.</li> </ul>	<p>Investors should read these risks together with the other risks described in Section 5</p>



Question	Answer	More Information
<p><b>What are the key risks associated with the business model and the Offer?</b> continued</p>	<ul style="list-style-type: none"> <li>– <i>Share price risk</i>: while the Portfolio is typically expected to be net market neutral, the Company will be listed on the ASX and, as a result, the securities will be exposed to market movements. As a result, the Share price may trade at a discount or a premium to its NTA.</li> <li>– <i>Regulatory risk</i>: all investments carry the risk that their value may be affected by changes in laws and regulations, especially taxation laws. Regulatory risk includes risk associated with variations in the taxation laws of Australia.</li> <li>– <i>Foreign issuer and market risk</i>: the Company’s Investment Strategy permits investments in foreign securities. Investments in foreign companies may be exposed to a higher degree of sovereign, political, economic, market and corporate governance risks than domestic investments. Global and country specific macroeconomic factors may impact the Company’s international investments.</li> <li>– <i>Liquidity risk</i>: the Shares are each subject to liquidity risk as follows: <ul style="list-style-type: none"> <li>• There is a risk that one or more of the securities in the Portfolio (from time to time) may become illiquid. In these circumstances, the Company may be unable to liquidate sufficient assets to meet its obligations within required timeframes, or it may be required to sell assets at a substantial loss in order to do so.</li> <li>• The Company will be a listed entity therefore the ability to sell Shares will be a function of the turnover of the Shares at the time of sale. Turnover itself is a function of the size of the Company and also the cumulative investment intentions of all current and possible investors in the Company at any one point in time.</li> </ul> </li> <li>– <i>Counterparty risk</i>: investment in securities and financial instruments generally involves third parties as counterparties to contracts. There is a risk that third party service providers may breach their obligations to the Company or provide services below standards which are expected by the Company, causing loss to the Company.</li> <li>– <i>Pre-IPO Securities risk</i>: the Investment Strategy of the Company may involve investing in Pre-IPO Securities, which will likely be illiquid prior to the listing of the relevant security. There is a risk that the listing of the relevant security does not occur and the Manager may not be able to sell the relevant securities.</li> </ul>	<p>Investors should read these risks together with the other risks described in Section 5</p>

Question	Answer	More Information
<b>B. Key information about the Portfolio and Investment Strategy</b>		
<b>What is the Company's Investment Strategy?</b>	<p>The Company has been established to provide investors with access to an actively managed equities Portfolio predominately comprised of Long Positions and Short Positions in Australian listed securities and constructed using the Company's net market neutral Investment Strategy.</p> <p>The Portfolio's net exposure will typically be between -5% to 5% of the Portfolio's NAV (with a maximum of -30% to +30% of the Portfolio's NAV).</p> <p>The net market neutral Investment Strategy provides Shareholders with the opportunity to gain exposure to:</p> <ul style="list-style-type: none"> <li>(a) mispriced securities identified by the Manager using fundamental, bottom-up research (typically 30 to 40 Long Positions and 20 to 30 Short Positions) (<b>Fundamentally Driven Positions</b>); and</li> <li>(b) additional Short Positions (<b>Risk Short Positions</b>) selected by the Manager to limit the Company's net exposure to securities markets (to be close to net market neutral) and macroeconomic risks. Risk Short Positions may also be used by the Manager to generate additional funding (i.e. cash generated from borrowing and Short Selling securities) which is then used to increase the gross exposure in Long Positions up to a maximum of 200% of the Portfolio's NAV.</li> </ul>	Sections 3.2, 3.3 and 3.5
<b>How will the Portfolio be constructed?</b>	<p>The Manager is responsible for the construction of the Portfolio.</p> <p>The Company is permitted to invest in listed securities, Pre-IPO Securities, Derivatives, Derivatives and cash and cash equivalent investments (see Sections 3.8 for full details). Notwithstanding this broad mandate, the Portfolio is expected to be predominantly comprised of Long Positions and Short Positions in Australian listed securities with limited exposure to international listed securities and Pre-IPO Securities.</p> <p>The Company will typically invest in 30 to 40 Fundamentally Driven Long Positions and approximately 100 Short Positions (20 to 30 Fundamentally Driven Short Positions and 70 to 80 Risk Positions). The Portfolio will be constructed using the Manager's Investment Process (see Section 3.5) and in accordance with the Investment Guidelines (initially being the guidelines in Section 3).</p> <p>The Company may use Derivatives to hedge the overall exposure of the Portfolio or leverage its exposure to particular investments. The Company may use both exchange-traded and over-the-counter Derivatives including options, futures, forwards, swaps, participatory notes and contracts for difference.</p> <p>The Manager looks to invest in attractive entities that it considers to be undervalued over a three year investment horizon (i.e. hold Fundamentally Driven Long Positions). Equally, the Manager looks to short sell securities where it identifies that there is a material risk to current or future earnings (i.e. Fundamentally Driven Short Positions) or that could reduce exposures within the Portfolio to macroeconomic or market risks (i.e. Risk Short Positions). This is aimed at ensuring the Company has exposure to the best individual investment ideas with the Manager's highest conviction.</p>	Sections 3.5, 3.6 and 3.8

Question	Answer	More Information
<p><b>How will the Portfolio be constructed?</b> continued</p>	<p>The Portfolio construction methodology is style agnostic and takes into account the Manager's conviction in an investment, entity specific factors such as volatility and liquidity, the Portfolio's overall exposure to macroeconomic risk, net and gross market exposure, as well as other risks within the Portfolio. Each of these factors will determine a potential investment's suitability and position size in the Portfolio.</p> <p>The Manager measures and monitors factors that are considered important from both a performance and risk perspective so that, if required, it can make the necessary adjustments to the Portfolio.</p>	<p>Sections 3.5, 3.6 and 3.8</p>
<p><b>What is the Company's leverage policy?</b></p>	<p>The Portfolio will be leveraged through Short Selling and the use of Derivatives.</p> <p>The maximum gross exposure (i.e. Long Positions plus Short Positions) with greatest impact on the Company's returns would be where the Company had a gross equity exposure of 400% of the Portfolio's NAV. In such a case, if the value of the Company's investments (i.e. the underlying securities of Derivatives) increased in value by 10% (or, in the case of Short Position, decreased in value by 10%), the increase in the Portfolio's NAV would be 40%. Conversely, a fall of 10% (rise of 10% in the case of Short Positions) in the value of the securities within the Portfolio (or the value of the assets underlying Derivatives within the Portfolio) would result in the Portfolio's NAV falling by 40%.</p> <p>It should be noted that while the Portfolio may have gross exposure of up to 400% of its NAV, investors in the Company would not have an exposure to losses in excess of 100% of their investment in the Company's Shares.</p>	<p>Section 3.7(a)</p>
<p><b>What is the Derivatives policy?</b></p>	<p>The Company may use financial Derivative instruments (both exchange traded and over-the-counter) for risk management purposes and to take opportunities to increase returns. The Company may also invest in exchange traded and over-the-counter Derivatives including options, participatory notes, futures and swaps for fixed income, currency, commodities and credit default exposures, currency forwards/contracts and related instruments.</p> <p>The Company has the following restrictions on its ability to use Derivatives:</p> <ul style="list-style-type: none"> <li>– the effective exposure via the Derivatives within the Portfolio may not exceed 100% of the Portfolio's NAV. If the Portfolio has a 100% NAV exposure to Derivative positions, it is theoretically possible that the Company could lose its entire Portfolio from losses on its Derivative positions; and</li> <li>– the Portfolio's gross exposure (i.e. the value of Long Positions plus Short Positions within the Portfolio) must not exceed 400% of the Portfolio's NAV.</li> </ul>	<p>Section 3.7(b)</p>

Question	Answer	More Information
<b>What is the Short Selling policy?</b>	<p>The Manager will hold Short Positions where it sees attractive risk-return opportunities (the Fundamentally Driven Short Positions) and to manage specific risks it has identified or to adjust exposures within the Portfolio (the Risk Short Positions).</p> <p>The Manager will generally effect a Short Selling strategy by borrowing the desired security and then selling it on market in which case the Company would need to purchase the underlying security in the market and repay it to the lender to close the Short Position. The Manager may also effect a short sale through the use of equity and index Derivative contracts, in which two parties agree to exchange payments of value (or cash flows) for typically non-deliverable contracts.</p> <p>Short Selling can be seen as a form of leverage and may magnify the gains and losses achieved in the Portfolio. While Short Selling may be used to manage certain risk exposures in the Portfolio and increase returns, it may also have a significantly increased adverse impact on its returns. When the Manager takes a Short Position, it is expecting that the price of that security will fall. There is always the risk that the price will increase instead. If this happens, it is possible that the price to repurchase the security could exceed the amount initially invested, generating a loss. Refer to the examples in Section 3.6 and Section 6 for risk considerations relating to Short Selling.</p>	Section 3.7(c)
<b>Will the Company hold currency positions?</b>	<p>The Manager intends to manage the currency exposures of the Portfolio as required using Derivatives, foreign exchange forwards, swaps, non-deliverable forwards and currency options, as well as cash foreign exchange trades.</p> <p>As part of its Investment Process, the Manager may also assess the indirect impact of currency on the companies that it intends to invest in (e.g. the impact of currency fluctuations on a manufacturing business with significant export sales) and the potential for exchange rate movements to amplify or diminish the Australian dollar returns for a holding. To manage the risk associated with currency Derivatives, the Company has adopted the Derivative policy detailed in Section 3.7(b).</p>	Section 3.7(d)
<b>What is the Company's valuation policy?</b>	The Portfolio's NAV will be calculated daily (and the value of the Company's net tangible assets will be released to the ASX at least monthly) using a framework for the valuation of financial instruments that is consistent with current industry practice and regulatory requirements.	Section 3.12
<b>What is the time frame for investment of the Portfolio?</b>	The Manager expects to be fully invested within a relatively short period of time (expected to be within one month after listing on the ASX). However, the pace of the Company's capital deployment will depend on market conditions.	Section 3.6
<b>What is the investment term?</b>	Investors are strongly advised to regard any investment in the Company as a medium to long term proposition (three to five years) and to be aware that substantial fluctuations in the value of the Portfolio and the Shares may occur on a month to month basis over that period.	Section 5.7

Question	Answer	More Information
<b>C. Key Information about the Company and the Manager</b>		
<b>Who are the Company's Directors?</b>	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"> <li>(a) Deirdre Wroth;</li> <li>(b) Katrina Onishi; and</li> <li>(c) Alex Ihlenfeldt.</li> </ul> <p>See Section 8.2 for further details regarding the background of the Directors.</p>	Section 8
<b>What is the financial position of the Company?</b>	<p>The Company has no performance history as it is yet to commence trading.</p> <p>Pro-forma statements of financial position are set out in Section 6.</p>	Section 6
<b>Who is the Manager?</b>	<p>Firetrail Investments Pty Limited (ACN 622 377 913) is the Manager.</p> <p>The Manager will provide management services in accordance with the Investment Management Agreement (summarised in Section 9.1).</p> <p>The Manager's investment team (<b>Firetrail Investment Team</b>) is comprised of experienced investment professionals with expertise in equities. Each member of the Firetrail Investment Team, including Patrick Hodgens and James Miller as portfolio managers, will have responsibility for the investment decisions of the Manager (<b>Co-Portfolio Managers</b>). The proportion of time that key individuals devote to executing the Investment Strategy is determined in accordance with the Company's objectives.</p> <p>See Sections 4.6 and 4.7 for detailed information regarding the experience and expertise of each of the members of the Firetrail Investment Team.</p> <p>The Board believes that its Directors and the Manager together bring the required experience and expertise in funds management, listed securities and corporate governance to successfully achieve the investment obligations of the Company.</p>	Section 4
<b>Does the Board approve investments?</b>	<p>Board approval is not required for investments that are consistent with the Company's investment objectives, strategies, policies and guidelines agreed from time to time (initially being the Investment Strategy and guidelines in this Prospectus). Any investments that the Manager proposes outside of these parameters must be approved by the Board.</p>	See Section 9.1

Question	Answer	More Information
<p><b>What experience does the Manager have?</b></p>	<p>The Investment Strategy will be implemented by the Manager, Firetrail Investments Pty Limited, an authorised representative under Pinnacle’s AFSL (No. 322 140). The Manager is a boutique investment manager founded by the Firetrail Investment Team.</p> <p>The Co-Portfolio Managers will hold ultimate responsibility for the implementation of the Investment Strategy. The Co-Portfolio Managers are supported by a team of seven analysts.</p> <p>The Firetrail Investment Team are experienced investment professionals with diverse expertise in equities. Together, the Firetrail Investment Team has over 100 years’ investment experience. Sections 4.6 and 4.7 contain details of the experience of each member of the Firetrail Investment Team.</p> <p>The Firetrail Investment Team currently manages two managed investment schemes (the Firetrail Absolute Return Fund and the Firetrail Australian High Conviction Fund) and capital for a range of investors in Australia and globally, including large superannuation funds, insurance companies, private banks, financial planning groups, asset consultants, family offices, high net worth individuals and retail investors globally (<b>Firetrail Portfolios</b>). As at the date of this Prospectus, aggregate funds under management across the Firetrail Portfolios are in excess of \$1.6 billion.</p> <p>While the Manager’s business was founded recently, the Firetrail Investment Team has a long track record of investing in equities.</p> <p>Prior to establishing the Manager, the founding members of the Firetrail Investment Team (the Co-Portfolio Managers and Blake Henricks) worked together for over a decade. All members of the Firetrail Investment Team worked together prior to establishing the Manager.</p> <p>The Firetrail Investment Team are specialists in, and only provide, two investment strategies: a high conviction long only strategy; and a net market neutral investment strategy.</p> <p>The market neutral investment strategy was developed by the Co-Portfolio Managers and launched by the Firetrail Investment Team in July 2015 and is the same strategy that the Manager will employ as the manager of the Company. The Manager currently employs this strategy as the manager of the Firetrail Absolute Return Fund. The Company’s investment objectives and strategies are the same as those of the Firetrail Absolute Return Fund. See Sections 3.3 to 3.5 and 4 for more information on the Manager’s Investment Processes and experience.</p>	<p>Section 4</p>

Question	Answer	More Information
<p><b>Will any related party have a significant interest in the Company or in connection with the Offer?</b></p>	<p>Each Director is a related party of the Company. The independent Directors, Deirdre Wroth and Katrina Onishi, will be remunerated for their services. See Section 8.8 for a summary of their annual salaries (inclusive of superannuation). Alex Ihlenfeldt is a non-independent Director of the Company and will not receive Directors' fees from the Company.</p> <p>Alex Ihlenfeldt is an officer of the Manager and Pinnacle and a minority shareholder in Pinnacle's holding company, Pinnacle Investment Management Group Limited. Pinnacle is a service provider to the Company and the Manager (for which it will receive fees) and is also a shareholder of approximately 24% of the Manager.</p> <p>In addition to their annual salary (if applicable), each of the Directors will be entitled to be reimbursed for certain costs and expenses. Full details of Directors' remuneration are set out in Section 8.8.</p> <p>The Directors, and entities associated with them, are permitted to participate in the Offer. The Directors and their associates have not determined their exact participation in the Offer at the date of this Prospectus. At completion of the Offer, the Directors are expected to have a Relevant Interest in the following numbers of Shares:</p> <ul style="list-style-type: none"> <li>(a) Deirdre Wroth – 25,000;</li> <li>(b) Katrina Onishi – 25,000; and</li> <li>(c) Alex Ihlenfeldt – 25,001.</li> </ul> <p>As an indirect stakeholder in the Manager, Alex Ihlenfeldt will indirectly benefit from the Management Fees and Performance Fees paid to the Manager in accordance with the Investment Management Agreement. Further, as an indirect stakeholder in Pinnacle, he will also indirectly benefit from the fees paid to Pinnacle by the Company in accordance with the services agreement. See Section 8.11 for further details.</p> <p>Other than as set out above and elsewhere in this Prospectus there are no other existing or proposed agreements or arrangements between the Company and its related parties.</p>	<p>Section 8</p>
<p><b>What are the key terms of the Investment Management Agreement?</b></p>	<p>The Investment Management Agreement has an initial term of five years (and unless terminated, automatically extends for periods of five years at the end of the initial term and each subsequent term thereafter).</p> <p>The Company will apply for an ASX waiver to allow an initial term of 10 years.</p> <p>The Manager will be responsible for managing the Company's Portfolio in accordance with the Investment Strategy (as amended from time to time by the Company).</p>	<p>Section 9.1</p>

Question	Answer	More Information
<p><b>What fees will the Manager receive?</b></p>	<p><b>Management Fee</b>            In return for the performance of its duties under the Investment Management Agreement, the Manager is entitled to be paid monthly a Management Fee equal to 1.50% (excl. GST) per annum of the Value of the Portfolio (calculated daily and paid at the end of each month in arrears).</p> <p>As a worked example, assuming a Management Fee Calculation Period of 1 January 2019 to 31 December 2019, an initial Value of the Portfolio of \$295,000,000 and nil Portfolio performance the Management Fee payable would have been \$4,393,950 (plus GST).</p> <p>The Management Fee will accrue regardless of the performance of the Company. Management Fees will increase if the value of the Company's investments increases, and decrease if the value of the Company's investments decreases, over the period.</p> <p><b>Performance Fee</b>            In addition to the Management Fee, the Manager is entitled to a fee (<b>Performance Fee</b>) equal to 20% (plus GST) of the Portfolio's outperformance (after Management Fees) against the RBA Cash Rate (<b>Benchmark</b>) over each six month period subject to recouping any past underperformance.</p> <p>Set out below are worked examples that demonstrate the Performance Fee calculation. Each of the below examples assumes that there have been no issues of securities, capital reductions or share buy-backs or dividend distribution undertaken by the Company.</p> <p><i>Example 1: Outperformance against the Benchmark</i>            As a worked example, assuming a Performance Calculation Period of 1 January 2019 to 30 June 2019, an initial Value of the Portfolio of \$295,000,000, and a Value of the Portfolio at the end of the Performance Calculation Period that is 10% higher than at the beginning of \$324,500,000 after Management Fees for the Performance Calculation Period of \$2,400,000 have been paid:</p> <p>(a) If the RBA Cash rate stayed constant at 1.5% for the Performance Calculation Period, there would be an aggregate outperformance of \$27,287,500; and</p> <p>(b) In this instance, there would be a Performance Fee payable at 20% of this amount equating to \$5,457,500 (plus GST) for the Performance Calculation Period as the Portfolio has outperformed the Benchmark.</p>	<p>Section 9.1</p>

Question	Answer	More Information
<p><b>What fees will the Manager receive?</b> continued</p>	<p><i>Example 2: Underperformance against the Benchmark</i> As a second worked example (continuing on from the first), assuming a Performance Calculation Period of 1 July 2019 to 31 December 2019, an initial Value of the Portfolio of \$324,500,000 and a Value of the Portfolio at the end of the Performance Calculation Period that is unchanged from the beginning of \$324,500,000 after Management Fees for the Performance Calculation Period of \$2,500,000 have been paid:</p> <p>(a) If the RBA Cash rate stayed constant at 1.5% for the Performance Calculation Period, there would be an aggregate underperformance of \$2,433,750; and</p> <p>(b) In this instance there would be no Performance Fee payable for the Performance Calculation Period as the Portfolio has underperformed the Benchmark. The aggregate underperformance of \$2,433,750 is to be carried forward to the following Performance Calculation Period(s) until it has been recouped in full against future Portfolio Performance.</p> <p><i>Example 3: Recouping past underperformance</i> As a third worked example (continuing from the second), a Performance Calculation Period of 1 January 2020 to 30 June 2020, an initial Value of the Portfolio of \$324,500,000, and a Value of the Portfolio at the end of the Performance Calculation Period that is 10% higher than at the beginning of \$356,950,000 after Management Fees for the Performance Calculation Period of \$2,600,000 have been paid:</p> <p>(a) If the RBA Cash rate stayed constant at 1.5% for the Performance Calculation Period, there would be an aggregate outperformance of \$27,582,500 (after deducting \$2,433,750 in respect of the underperformance in the second worked example above); and</p> <p>(b) In this instance there would be a Performance Fee payable at 20% of this amount equating to \$5,516,500 (plus GST) for the Performance Calculation Period as the Portfolio has outperformed the Benchmark.</p> <p>The calculation of both the Management Fees and Performance Fees is explained in full in Section 9.2.</p>	<p>Section 9.1</p>
<p><b>What is the Manager Loan?</b></p>	<p>The Company has provided a working capital loan to the Manager, which permits the Manager to draw up to a maximum amount of 4% of the proceeds of the Offer (which equals between \$2,940,000 and \$15,120,000 depending on the gross proceeds of the Offer).</p> <p>The Manager Loan is a full recourse, interest bearing unsecured loan that the Manager may use for working capital purposes. The Manager will use the Manager Loan to reimburse the Company for the costs of the Offer.</p> <p>The term of the Manager Loan is 36 months from the date of allotment and must be repaid in full regardless of whether the Manager is the investment manager of the Company.</p> <p>The Manager is required to repay the Manager Loan over the 36 month term in monthly instalments.</p> <p>The Manager may repay the Manager Loan early at its absolute discretion.</p>	<p>Section 9.2</p>

Question	Answer	More Information
<b>D. About the Offer</b>		
<b>Who is the issuer of the Shares, and this Prospectus?</b>	The issuer is Firetrail Absolute Return Limited (ACN 628 082 879).	Section 3
<b>What is the Offer?</b>	<p>The Company is offering for subscription up to 145,000,000 Shares at an Application Price of \$2.10, to raise up to \$304,500,000 with the ability to accept up to \$73,500,000 in oversubscriptions.</p> <p>Of the total Shares available under the Offer, up to 5,000,000 Shares are available under the Priority Allocation to any:</p> <p>(a) registered shareholder of Pinnacle Investment Management Group Limited (ASX: PNI); or</p> <p>(b) existing unitholders in the Firetrail Australian High Conviction Fund or the Firetrail Absolute Return Fund,</p> <p>with registered addresses in Australia or New Zealand (<b>Eligible Participants</b>).</p> <p>The Offer also includes the Broker Firm Offer and Priority Allocation.</p>	Section 2
<b>How do I apply for Shares?</b>	<p>The procedures for making an investment in the Company are described in Section 2.</p> <p>The Joint Lead Managers may be required to obtain identification information from Applicants. The Company reserves the right to reject an Application if that information is not provided upon request.</p>	Section 2
<b>How do I participate in the Priority Allocation?</b>	Eligible Participants should refer to Section 2.7 for details on how to participate in the Priority Allocation.	Section 2.7
<b>How do I participate in the Broker Firm Offer?</b>	Applicants under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Application Form accompanying this Prospectus. Shares will be allotted under the Broker Firm Offer provided the Broker Firm Application Forms are received or commitments are given to the Joint Lead Managers to lodge the Broker Firm Application Form by 19 October 2018.	Section 2.8

Question	Answer	More Information
<p><b>What are the fees and costs of the Offer?</b></p>	<p>All fees and costs of the Offer will be ultimately borne by the Manager.</p> <p>The Lead Arranger will be paid an arranger fee equal to 0.10% (plus GST) of the total proceeds raised under the Offer. Each Joint Lead Manager that is responsible for raising (together with their associated Brokers) more than \$25,000,000 (<b>Qualifying JLM</b>), will be paid a management fee equal to 1.20% (plus GST) of the total proceeds raised under the Offer (in respect the first \$200 million raised under the Offer, this fee will be split equally between them and in respect of any amounts in excess of \$200 million, the fee will be split between the Qualifying JLMs in proportion to the amount each Qualifying JLM is responsible for having raised). If there is no Qualifying JLM, no management fee will be paid. However, if this happens each Joint Lead Manager will be paid a fee equal to 0.25% (plus GST) of the total amount raised under the Broker Firm Offer by that Joint Lead Manager, its associated Brokers and any of its associated Co-Managers that raise \$10 million or more under the Offer (i.e. the proceeds attributed to Co-Managers that raise less than \$10 million are ignored for the purpose of this fee). In addition, each Joint Lead Manager will be paid a Broker Firm selling fee of 1.50% (inclusive of GST) which is equivalent to 1.36% (plus GST) of the total proceeds of the Broker Firm Offer raised by the relevant Joint Lead Manager and their associated Brokers.</p> <p>The Joint Lead Managers will have sole responsibility to pay any commissions and fees payable to the Co-Managers and any Brokers.</p> <p>The Manager will also pay other fees and costs associated with the preparation of the Prospectus and the issue of Shares, including legal, advisory, accounting, taxation and listing fees.</p> <p>The costs of the Offer include legal, accounting, marketing and other costs associated with the preparation of the Prospectus and the issue of Shares.</p> <p>These costs are estimated to be (inclusive of GST):</p> <ul style="list-style-type: none"> <li>(a) \$2,656,860, assuming the Minimum Subscription</li> <li>(b) \$9,419,555, assuming subscription of \$304,500,000; and</li> <li>(c) \$11,551,135, assuming the Maximum Subscription including oversubscriptions.</li> </ul> <p>The Offer has been structured to eliminate an immediate decline to the Company's NAV as a result of the fees and costs incurred upon the establishment of the Company.</p> <p>The Manager has agreed to be responsible for the payment of the Offer Costs that the Company would normally be liable for. The Manager will pay the Offer Costs using the proceeds of the Manager Loan, a working capital loan made by the Company to the Manager. The terms of the Manager Loan are summarised in Section 9.2.</p>	<p>Sections 2.15, 6.7 and 9.3</p>
<p><b>Is the Offer underwritten?</b></p>	<p>No.</p>	<p>Section 2.6</p>

Question	Answer	More Information
<b>Who is the Lead Arranger?</b>	Commonwealth Securities Limited is the Lead Arranger to the Offer.	Sections 2.15 and 10.11
<b>Who are the Joint Lead Managers?</b>	Wilson's Corporate Finance Limited, Commonwealth Securities Limited, Ord Minnett Limited, Taylor Collison Limited and Morgans Financial Limited are Joint Lead Managers to the Offer.	Sections 2.15 and 10.11
<b>Who is the Authorised Intermediary?</b>	Commonwealth Securities Limited is the Authorised Intermediary to the Offer.	Section 9.3
<b>Who are the Co-Managers?</b>	The Joint Lead Managers have appointed Crestone Wealth Management Limited, Patersons Securities Limited, FinClear Execution Ltd and Bell Potter Securities Limited as Co-Managers to the Offer.  The Qualifying JLMs will have sole responsibility to pay any commissions and fees payable to the Co-Managers.	Section 9.3
<b>Who can participate in the Offer?</b>	Members of the general public who have a registered address in Australia or New Zealand.	Section 2
<b>Can superannuation funds invest?</b>	Yes, subject to the investment mandate of the particular fund and the trustee's general powers and duties.	Section 2
<b>Is there a minimum subscription amount for the Offer to proceed?</b>	Yes, the Company must receive valid Applications for at least 35,000,000 Shares in order for the Offer to proceed.	Section 2.5
<b>Is there a minimum subscription amount for each Application?</b>	Yes, each Applicant must subscribe for a minimum of 2,000 Shares (at the Application Price of \$2.10 per Share) i.e. \$4,200. A larger number of Shares may be applied for in multiples of 100 Shares.	Section 2.5
<b>Is there a cooling off period?</b>	No.	Section 2
<b>How can I obtain further information in relation to the Offer?</b>	Contact Firetrail Absolute Return Limited, on +61 2 8970 7750 (AU & global) or via email at <a href="mailto:invest@pinnacleinvestment.com">invest@pinnacleinvestment.com</a> .  If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.	

The above table is a summary only. This Prospectus should be read in full before making any decisions to apply for Shares.



## SECTION 2. DETAILS OF THE OFFER

This is a summary only. This Prospectus should be read in full before making any decision to apply for Shares.

### 2.1. THE OFFER

#### SHARES

The Company is offering for subscription a minimum of 35,000,000 and up to 145,000,000 fully paid ordinary shares (**Shares**). Shares will be issued at an Application Price of \$2.10 per Share. The Offer will raise between \$73,500,000 and \$304,500,000, with the ability to accept up to \$73,500,000 in oversubscriptions. The rights attaching to the Shares are set out in Section 10.3.

#### THE OFFER

The Offer is made up of the Broker Firm Offer (detailed in Section 2.2), the Priority Allocation (detailed in Section 2.3) and the General Offer (detailed in Section 2.4).

The Offer will only be made to investors who have a registered address in Australia or New Zealand.

Early lodgement of your Application is recommended as the Directors may close the Offer at any time after the expiry of the Exposure Period without prior notice. The Directors may extend the Offer in accordance with the Corporations Act. The Directors reserve the right to terminate the Offer at any time.

### 2.2. BROKER FIRM OFFER

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia or New Zealand.

Applicants who have been offered a firm allocation by a Broker will be treated as Applicants under the Broker Firm Offer in respect of that allocation.

To participate in the Broker Firm Offer, your Application Form must be received by your Broker by 5.00pm Sydney time on the Broker Firm Offer Closing Date. Applicants under the Broker Firm Offer must not send their Application Forms to the Registry.

Applicants should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer.

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## 2.3. PRIORITY ALLOCATION

Up to 5,000,000 Shares have been set aside for the Priority Allocation to Eligible Participants. An Eligible Participant is a person that is a:

- (a) registered shareholder of Pinnacle Investment Management Group Limited (ASX: PNI); or
  - (b) existing unitholders in the Firetrail Absolute Return Fund or the Firetrail Australian High Conviction Fund,
- with a registered address in Australia or New Zealand.

The Priority Allocation will be restricted to the Eligible Participants and allocated at the Directors' discretion.

Eligible Participants should use the Priority online application available at [www.firetrail.com/firetrail-absolute-return-ltd](http://www.firetrail.com/firetrail-absolute-return-ltd) or submit a paper-based Priority Allocation Application Form.

Early lodgement of your Application is recommended as the Offer may be closed early at the Directors' discretion.

If the Company receives Applications from Eligible Participants for more than 5,000,000 Shares, it intends to treat such additional Applications as being made under the General Offer on a General Offer Application Form.

Shares offered under the Priority Allocations that are not taken up will be allocated by the Company under the General Offer or Broker Firm Offer.

## 2.4. GENERAL OFFER

The General Offer is open to all Applicants with a registered address in Australia or New Zealand. Staff of Pinnacle Investment Management Limited, the Manager and Directors are able to participate in the General Offer. See Section 8.6 for details of the Directors' participation.

Applicants can participate in the General Offer either by making an online application, available at [www.firetrail.com/firetrail-absolute-return-ltd](http://www.firetrail.com/firetrail-absolute-return-ltd) or submitting a completed paper-based General Offer Application Form.

To participate in the General Offer, your Application Form and Application Monies must be submitted to the Registry by 5.00pm (Sydney time) on the Closing Date.

## 2.5. MINIMUM SUBSCRIPTION

The minimum subscription amount payable by an individual Applicant under the Offer is \$4,200 (i.e. 2,000 Shares). A larger number of Shares may be applied for in multiples of 100 Shares.

In addition, there is an aggregate Minimum Subscription required of \$73,500,000 for the Offer to proceed.

## 2.6. OFFER NOT UNDERWRITTEN

The Offer is not underwritten.

## 2.7. APPLICATIONS UNDER THE GENERAL OFFER OR PRIORITY ALLOCATION

### ONLINE APPLICATION

Applicants under the General Offer and Priority Allocation may apply online. To apply online, Applicants should go to the Offer website at [www.firetrail.com/firetrail-absolute-return-ltd](http://www.firetrail.com/firetrail-absolute-return-ltd) and select the Offer that they are eligible to apply under. Applicants who apply online can either pay electronically by BPAY or also by cheque or bank draft by following the instructions provided below and that are provided as part of the online application process.

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## APPLICATION FORMS

Paper-based applications under the Offer must be made and will only be accepted on the applicable Application Form that accompanies this Prospectus.

The Application Form marked "General Offer" must be completed by Applicants who are not participating in the Broker Firm Offer or the Priority Allocation. The Application Form marked "Priority Allocation" must be completed by Eligible Applicants who are not participating in the Broker Firm Offer or the General Offer.

"General Offer Application Forms" and "Priority Allocation Application Forms" will be accepted at any time after the Opening Date and prior to 5.00pm (Sydney time) on the Closing Date (expected to be 19 October 2018).

An Application Form must be completed in accordance with the instructions on the form (if using a paper Application Form, the instructions are on the reverse side of the Application Form, if using an electronic Application Form, follow the prompts).

Applications under the Offer must be for a minimum of 2,000 Shares.

Applications received after 5.00pm (Sydney time) on the Closing Date will not be accepted and will be returned to potential investors.

The Directors may extend the Closing Date. Applications must be accompanied by payment in Australian currency.

## PAYMENT BY CHEQUE OR BANK DRAFT

Cheque(s) or bank draft(s) must be drawn on an Australian branch of a financial institution and made payable to "Firetrail Absolute Return Limited" and crossed "Not Negotiable".

Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. Accordingly, Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s).

If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the number of Shares you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

Completed Application Forms and accompanying cheques may be lodged with:

### BY MAIL

Firetrail Absolute Return Limited  
c/- Automic  
PO Box 2226  
Strawberry Hills NSW 2012

### HAND DELIVERED

Firetrail Absolute Return Limited  
c/- Automic  
Level 29, 201 Elizabeth Street  
Sydney NSW 2000

## PAYMENT BY BPAY

You may apply for Shares online and pay your Application Monies by BPAY.

Applicants wishing to pay by BPAY should complete the online Application Form accompanying the electronic version of this Prospectus which is available at [www.firetrail.com/firetrail-absolute-return-ltd](http://www.firetrail.com/firetrail-absolute-return-ltd) and follow the instructions on the online Application Form (which includes the Biller Code and your unique Customer Reference Number (**CRN**)).

You do not need to complete and return a paper Application Form if you pay by BPAY.

You should be aware that you will only be able to make a payment via BPAY if you are the holder of an account with an Australian financial institution which supports BPAY transactions.

When completing your BPAY payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid.

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It is your responsibility to ensure that payments are received by 5.00pm (Sydney time) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY, and policies with respect to processing BPAY transactions may vary between banks, credit unions or building societies.

The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

## 2.8. APPLICATIONS UNDER THE BROKER FIRM OFFER

If you are applying for Shares under the Broker Firm Offer, you should arrange for your Broker Firm Application Form to be lodged with the Broker from whom you received your firm allocation.

Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Broker Firm Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with a Broker Firm Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a copy of this Prospectus.

Applicants under the Broker Firm Offer must complete their Broker Firm Application Form and pay their Application Monies to their Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Application Forms to the Company or Registry.

The Broker Firm Offer is expected to close at 5.00pm (Sydney time) on 19 October 2018. Please contact your Broker for instructions.

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions from their Broker. The allocation of Shares to Brokers will be determined by the Company and the Joint Lead Managers. Shares that are allocated to Brokers for allocation to their clients with registered Australian addresses will be issued to the successful Applicants who have received a valid allocation of Shares from those Brokers.

It will be a matter for the Brokers how they allocate Shares among their clients, and they (and not the Company) will be responsible for ensuring that clients who have received an allocation from them, receive the relevant Shares.

The Company and the Share Registry take no responsibility for any acts or omissions by your Broker in connection with your Application, Broker Firm Application Form and Application Monies (including, without limitation, failure to submit Broker Firm Application Forms by the close of the Broker Firm Offer).

Delivery versus payment (DVP) settlement is available for Applicants under the Broker Firm Offer. Please contact your Broker or the Joint Lead Managers for further details.

## 2.9. EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications in the seven day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC by up to a further seven days. Applications received during the Exposure Period will not be processed until after the expiry of that period.

No preference will be conferred on Applications received during the Exposure Period.

## 2.10. ALLOCATION POLICY

The basis of allocation of Shares in respect of the General Offer and the Priority Allocation will be determined by the Company. The basis of allocation of Shares in respect of the Broker Firm Offer will be determined by the Company and the Joint Lead Managers.

Certain Applicants nominated by the Company may be given preference in the allocation of Shares.

The Company reserves the right in its absolute discretion not to issue any Shares to Applicants under the Offer and may reject any Application or allocate a lesser number of Shares than those applied for at its absolute discretion.

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## 2.11. APPLICATION MONIES

All Application Monies received by the Company will be held by the Company on trust in a separate account until the Shares are issued to successful Applicants. The Company will retain any interest earned on the Application Monies held on trust pending the issue of Shares to successful Applicants.

## 2.12. ALLOTMENT

The Company will not allot Shares until the minimum subscription has been received and the ASX has granted permission for quotation of the Shares unconditionally or on terms acceptable to the Company. The Company is not currently seeking quotation of its Shares on any financial market other than the ASX. The fact that the ASX may admit the Company to the Official List and grant official quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered for issue under the Offer.

The ASX takes no responsibility for the contents of this Prospectus. Normal settlement trading in the Shares, if quotation is granted, will commence as soon as practicable after the issue of holding statements to successful Applicants. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive confirmation of their allotment will do so at their own risk.

If the ASX does not grant permission for the Shares to be quoted within three months after the date of this Prospectus, the Shares will not be issued and all Application Monies will be refunded (without interest) within the time prescribed by the Corporations Act.

It is expected that the issue of Shares under the Offer will take place by 25 October 2018.

An Application constitutes an offer by the Applicant to subscribe for Shares on the terms and subject to the conditions set out in this Prospectus. A binding contract to issue Shares will only be formed at the time Shares are allotted to Applicants.

Where the number of Shares allotted is less than the number applied for or where no allotment is made, the surplus Application Monies will be returned to Applicants (without interest) within the time prescribed by the Corporations Act.

## 2.13. ASX AND CHESS

The Company will apply within seven days of the date of this Prospectus for admission to the Official List of the ASX and for the Shares to be quoted.

The Company will apply to participate in the ASX's CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in shares quoted on the ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register.

Following completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Shareholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

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## 2.14. BROKERAGE, COMMISSION AND STAMP DUTY

No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.

## 2.15. LEAD ARRANGER, JOINT LEAD MANAGERS AND CO-MANAGERS

Offers under this Prospectus will be made under an arrangement between the Company and the Authorised Intermediary, under Section 911A(2)(b) of the Corporations Act. The Company will only authorise the Authorised Intermediary to make offers to people to arrange for the issue of Shares by the Company under the Prospectus and the Company will only issue Shares in accordance with Applications made under such offers if they are accepted. No fees are payable by the Company with respect to the arrangement with the Authorised Intermediary.

The Lead Arranger will be paid a fee of 0.10% (plus GST) of the total proceeds raised under the Offer. Each Joint Lead Manager that is responsible for raising (together with their associated Brokers) more than \$25,000,000 (**Qualifying JLM**) will be paid a Management Fee equal to 1.20% (plus GST) of the total proceeds raised under the Offer (in respect the first \$200 million raised under the Offer, this fee will be split equally between them and in respect of any amounts in excess of \$200 million, the fee will be split between the Qualifying JLMs in proportion to the amount each Qualifying JLM is responsible for having raised). If there is no Qualifying JLM, no management fee will be paid. However, if this happens each Joint Lead Manager will be paid a fee equal to 0.25% (plus GST) of the total amount raised under the Broker Firm Offer by that Joint Lead Manager, its associated Brokers and any of its associated Co-Managers that raise \$10 million or more under the Offer (i.e. the proceeds attributed to Co-Managers that raise less than \$10 million are ignored for the purpose of this fee).

In addition, each Joint Lead Manager will be paid a Broker Firm selling fee of 1.50% (inclusive of GST) which is equivalent to 1.36% (plus GST) of the total proceeds of the Broker Firm Offer raised by the relevant Joint Lead Manager and the Co-Managers and Brokers appointed by it.

The Joint Lead Managers have appointed Patersons Securities Limited, Crestone Wealth Management Limited, FinClear Execution Ltd and Bell Potter Securities Limited as Co-Managers to the Offer.

The Joint Lead Managers will have sole responsibility to pay any commissions and fees payable to the Co-Managers and any Brokers.

Shareholders are reminded that the Manager has agreed to be responsible for the payment of the Offer Costs that the Company would normally be liable for. Offer Costs include fees payable to the Lead Arranger and Joint Lead Managers. The Manager will pay the Offer Costs with the proceeds of the Manager Loan, a working capital loan made by the Company to the Manager. The terms of the Manager Loan are summarised in Section 9.2.

The Lead Arranger's, the Authorised Intermediary's, the Joint Lead Managers' and the Co-Managers' functions should not be considered as an endorsement of the Offer or a recommendation of the suitability of the Offer for any investor. Neither the Joint Lead Managers nor the Co-Managers guarantee the success or performance of the Company or the returns (if any) to be received by the Shareholders.

Neither the Joint Lead Managers nor the Co-Managers are responsible for or caused the issue of this Prospectus.

## 2.16. OVERSEAS INVESTORS

The Offer is an offer to Australian and New Zealand investors only. The Offer does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer.

### UNITED STATES RESIDENTS

The Offer is not open to persons in the United States or U.S. Persons.

The Shares being offered pursuant to this Prospectus have not been registered under the U.S. Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the U.S. Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving these securities may not be conducted other than in compliance with the U.S. Securities Act.

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## OVERSEAS OWNERSHIP AND RESALE REPRESENTATION

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

## 2.17. PRIVACY

When you apply to invest in the Company, you acknowledge and agree that:

- (a) you are required to provide the Company with certain personal information to:
  - (i) facilitate the assessment of an Application;
  - (ii) enable the Company to assess the needs of Applicants and provide appropriate facilities and services for Applicants; and
  - (iii) carry out appropriate administration;
- (b) the Company may be required to disclose this information to:
  - (i) third parties who carry out functions on behalf of the Company, including marketing and administration functions, on a confidential basis;
  - (ii) third parties if that disclosure is required by law; and
  - (iii) related bodies corporate (as that term is defined in the Corporations Act) which carry out functions on behalf of the Company.

Under the *Privacy Act 1988* (Cwlth), Applicants may request access to their personal information held by (or on behalf of) the Company. Applicants may request access to personal information by telephoning or writing to the Company.

## 2.18. TAX IMPLICATIONS OF INVESTING IN THE COMPANY

The taxation consequences of any investment in the Shares will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company. Applicants are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

A general overview of the Australian taxation implications of investing in the Company are set out in Section 10.7 and are based on current tax law and ATO tax rulings as at the date of this Prospectus. The information in Section 10.7 is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances. We recommend you seek independent tax advice.

## 2.19. ANTI-MONEY LAUNDERING / COUNTER-TERRORISM FINANCING ACT 2006

The Company, Manager or Joint Lead Managers may be required under the *Anti-Money Laundering/Counter-Terrorism Financing Act 2006* (Cwlth) or any other law to obtain identification information from Applicants. The Company reserves the right to reject any Application from an Applicant who fails to provide identification information upon request.



## SECTION 3. ABOUT THE COMPANY

### 3.1. OVERVIEW OF FIRETRAIL ABSOLUTE RETURN LIMITED

The Company has been established to provide investors with access to:

- (a) an actively managed Portfolio, predominantly comprised of Long Positions and Short Positions in Australian listed securities;
- (b) the Manager's robust Investment Process;
- (c) the investment expertise of the Firetrail Investment Team, members of which have been implementing the same investment strategy since 2015; and
- (d) the potential to diversify their existing portfolios through a net market neutral investment opportunity.

The Company's net market neutral Investment Strategy aims to provide Shareholders with exposure to the Manager's expertise in identifying mispriced securities, whilst limiting the Company's net exposure to securities markets and macroeconomic risks.

The Manager's ability to select securities (Long Positions and Short Positions), as opposed to macroeconomic factors or market movements, is expected to be the predominant driver of risk and return in the Portfolio.

### 3.2. INVESTMENT OBJECTIVES

The Company aims to deliver:

- (a) returns that are not dependent on the performance of the underlying securities market; and
- (b) positive risk-adjusted returns (being with a combination of capital growth and income) in excess of the Benchmark, both over the medium to long term (which the Manager and the Company consider to be a period of typically three to five years)<sup>3</sup>.

### 3.3. INVESTMENT STRATEGY

The Company's strategy provides Shareholders with the opportunity to gain exposure to mispriced securities identified by the Manager using fundamental, bottom-up research (typically 30 to 40 Long Positions and 20 to 30 Short Positions) (**Fundamentally Driven Positions**).

Fundamentally Driven Long Positions are typically securities that the Manager believes, based on fundamental analysis, to be undervalued over a three year investment horizon and that the Manager believes will increase in value. Fundamentally Driven Short Positions are securities that the Manager believes will fall in value. Typically, Short Positions will be in securities issued by entities with current year or future earnings forecasted by the Manager (using fundamental analysis) that are materially lower than market consensus earnings.

3. This is not intended to be a forecast; it is merely an objective of the Company.

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In addition to the Fundamentally Driven Positions, the Portfolio will include additional Short Positions (typically 70 to 80 Short Positions) (**Risk Short Positions**) selected by the Manager to limit the Company's net exposure to securities markets (to be close to net market neutral) and macroeconomic risks. Risk Short Positions will also be used by the Manager to generate additional funding (i.e. cash generated from borrowing and Short Selling securities) which is then used to increase the gross exposure in Long Positions up to a maximum of 200% of the Portfolio's NAV.

#### WHAT DOES NET MARKET NEUTRAL MEAN?

The Portfolio is typically expected to be net market neutral.

In general terms, a net market neutral structure operates by having assets (i.e. Long Positions) and liabilities (i.e. Short Positions) with values that are roughly equal. In this way, the returns of the Portfolio will typically be independent of the underlying securities market movement. As an example, in the event of a market crash, the value of the Company's assets (or Long Positions) are likely to fall in value, whilst the Company's liabilities (or Short Positions) are likely to increase in value. If they change by the same quantum, the net asset value of the Company's total Portfolio would be unchanged.

The Manager will aim to achieve net market neutrality by ensuring that the Company's exposure to Long Positions (i.e. securities held physically or via a Derivative) is approximately equal to the Company's exposure to Short Positions (a negative amount of securities held physically or via a Derivative). The Portfolio's net exposure will typically be between -5% to 5% of the Portfolio's NAV (with a maximum of -30% to +30% of the Portfolio's NAV).

Shareholders will benefit from the Investment Strategy if the Manager is able to identify Long Positions (that increase in value) and entities that will decrease in value (Short Positions). Whether Long Positions and Short Positions move as expected will largely depend on fundamental factors influencing the relevant underlying businesses, irrespective of what the market does. In this way, the Company's returns will largely reflect the Manager's success in choosing securities to buy and sell (short) and will be largely uncorrelated with the underlying securities market. This is also a key source of risk. If security selection is poor, the Portfolio value may fall. See Section 5 for further details.

### 3.4. INVESTMENT PHILOSOPHY

The Manager's investment philosophy is built on four key principles:

- (a) *Every equity security has a price*: Any equity security may be an investment opportunity if it is mispriced. In the Manager's experience, investment opportunities are not confined to a particular industry, company type or investment style (e.g. value or growth).
- (b) *Share prices follow earnings*: No matter how undervalued a company may seem, if earnings expectations are downgraded, the share price will generally fall. Earnings downgrades represent an opportunity to profit through shorting.
- (c) *Entities become mispriced when recent information is incorrectly extrapolated*: The market is generally trying to value a company by pricing the future. Often, the market will take current information and extrapolate it. But in the Manager's experience, the status quo rarely prevails. For example, an industry cycle may turn or a company's fortunes may change. Significant investment opportunities arise when the market's view on the future is inaccurate. To uncover and capitalise on these opportunities, you must be willing to look beyond the present.
- (d) *Fundamental analysis allows the flexibility to capture unique opportunities*: Every entity is different. So is every investment opportunity. The Manager believes that fundamental analysis is the best way to capture all the different opportunities available in the market through time; a simple rules-based approach is not effective.

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## 3.5. INVESTMENT PROCESS

The Company's Investment Strategy will be implemented by the Manager.

The Manager will use a fundamental, bottom-up research approach in constructing the Portfolio to identify Fundamentally Driven Long Positions (typically 30 to 40 positions), Fundamentally Driven Short Positions (typically 20 to 30 positions) and Risk Short Positions (typically 70 to 80 positions). For Fundamentally Driven Short Positions, the Manager will look for catalysts that it believes will have a negative impact on the price.

### (A) IDEA GENERATION

Idea generation reduces the Manager's investment universe down to attractive opportunities for further research. The Manager utilises a diverse range of sources for investment ideas. Ideas are generated using a combination of the Firetrail Investment Team's experience, collaboration, on the ground company research as well as interactions with third parties such as broker analysts and investment strategists. For example, the Manager may become aware of corporate events (e.g. IPOs, placements, capital reconstructing and block trades) through its interactions with companies and brokers.

The Manager will also use a valuation screening process to identify securities that are at a material discount to their historical price to earnings ratio. The screening process uses proprietary portfolio management systems that collate available broker forecast information to calculate, in respect of potential investments, the historical market price to earnings ratio over three years, the consensus forecast price to earnings ratio and average price to earnings ratio that an entity has traded at relative to the market over the last five years.

The key aim of the valuation screen is to identify securities which are trading at a discount to their historical price to earnings ratio (relative to the market), for further fundamental analysis as a potential investment opportunity.

### (B) FUNDAMENTAL ANALYSIS

The fundamental analysis stage is the most important and intensive part of the investment process. The Manager conducts deep-dive fundamental analysis focused on what it believes to be the key driver(s) of an entity's earnings and the share price. The focus will vary depending on the relevant investment opportunity.

There are three parts to the Manager's fundamental analysis process:

#### **Part 1: Identify "what matters"**

In the Manager's experience, most of an entity's earnings and the entity's price can be distilled down to two to three key drivers. The first stage of the Manager's research process is to uncover these key drivers and develop its investment thesis on "what matters" for the individual entity the Manager is researching. For Short Positions, the Manager aims to identify a key catalyst that the Manager believes could cause the current or future earnings of the entity to fall below consensus market expectations. These catalysts include:

- current earnings risk catalysts – entities in which the Manager's earnings forecasts (based on fundamental analysis) are materially below market consensus earnings forecasts. These positions are typically held prior to an expected earnings announcement by the relevant entity and are closed out post the earnings announcement by the entity; and
- future earnings risk – the Manager aims to identify entities which it believes (based on fundamental analysis) are at high risk of their future earnings being negatively impacted, typically by an event or catalyst. For example, a new competitor enters a market and gains market share from the incumbent or higher input costs negatively impacting the future margins a business may potentially earn.

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## Part 2: Undertake focused fundamental research

During this stage, the Manager builds and tests its investment thesis to ensure it has a deep understanding of the key things “that matter” for the entity under research. This stage of the process often includes:

- *Desktop research*: This involves sourcing publicly available information, including but not limited to financials, broker and market research. The key aim is to develop an accurate three year earnings forecast. Any analysis of an entity will include:
  - *historical analysis* – the Manager finds it very effective to understand the industry and the entity through time; and
  - *appropriate domestic and global comparisons* – what the Manager can learn from other entities and industries.
- *Company & industry meetings*: The Manager considers that management meetings are an essential part of the fundamental research process, as these meetings allow analysts:
  - to test their views on “what matters”;
  - to compare their views of these key drivers to with management’s views; and
  - to better understand management’s strategies.

The Manager believes that preparation for management meetings is critical to a productive meeting, and each analyst will take time to think about the key outcomes that are required to further develop the investment case.

In addition, the Manager may also seek to meet with former company employees, competitors, customers, suppliers, brokers and industry experts. Information from meetings is used to supplement the Manager’s investment research and allows the Manager to build a deeper understanding of a specific company or industry.

- *Broker research*: The Manager uses broker research for background on a new entity or industry, measuring and understanding consensus earnings expectations as well as supplementing company and industry meetings.

## Part 3: Report and peer review

Using outputs from the desktop research, company and industry meetings and broker research, the Manager produces its assessment of the relevant entity’s future value. The Manager’s primary valuation methodology utilises the forecast price to earnings ratio of an entity versus the forecast price to earnings ratio of the relevant equity market. By comparing this ratio with historical information, the Manager seeks to determine the value of an entity. Typically the Manager will look at a three year forward forecast when undertaking this analysis.

The Manager also recognises that some entities do not conform to the above process. In these cases, the Manager will use the most appropriate valuation methodology. Key examples include:

- *Resources/energy* – The Manager’s belief is that resource prices are the biggest influence on a resource entity’s security price. In addition, the Manager believes that, as most resource projects have long lead times, sometimes a three year horizon will not accurately capture cash flows from projects. The Manager will often compare discounted cash flows to make investment decisions on resource companies.
- *New listing* – When there is no trading history for an entity, and therefore, no historical premium/discount throughout history, the Manager will often use comparative company multiples to assess value.
- *Change in company/industry* – At times, a company or industry can structurally change. Some examples include regulatory changes (e.g. bans on certain products), market changes such as new competitor products and even balance sheet changes. In these cases, the Manager will look to entities with similar characteristics to make an assessment on the right premium/discount for the relevant entity.

For potential Short Positions, the Manager does not seek to forecast the future value of the underlying entity. This is because the Manager believes that entities require a catalyst for the price to fall. The key catalyst the Manager aims to identify and quantify is earnings risk. For example, the Manager’s estimates of earnings may be below market consensus or an event that the Manager believes will impact the future earnings of an entity such as increasing competitive dynamics within an industry or changes in market share.

The investment thesis and forecast model is subject to a peer review by at least one other member of the Firetrail Investment Team not involved in producing the forecast. The process is often iterative as questions and issues are raised, researched, answered and further interrogated. The investment thesis is then presented to the entire Firetrail Investment Team at a meeting of the investment committee for rigorous discussion and debate.

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### **(C) PORTFOLIO CONSTRUCTION**

The Manager looks to invest in attractive entities that it considers to be undervalued over a three year investment horizon (i.e. hold Fundamentally Driven Long Positions). Equally, the Manager looks to Short Sell securities where it identifies that there is a material risk to current or future earnings (i.e. Fundamentally Driven Short Positions) or that could reduce exposures within the Portfolio to macroeconomic or market risks (i.e. Risk Short Positions). This is aimed at ensuring the Company has exposure to the best individual investment ideas with the Manager's highest conviction.

The Portfolio construction methodology is style agnostic and takes into account the Manager's conviction in an investment, entity specific factors such as volatility and liquidity, the Portfolio's overall exposure to macroeconomic risk, net and gross market exposure, as well as other risks within the Portfolio. Each of these factors will determine a potential investment's suitability and position size in the Portfolio.

### **(D) ONGOING MONITORING**

The Manager measures and monitors factors that are considered important from both a performance and risk perspective so that, if required, it can make the necessary adjustments. The Manager will rebalance the Portfolio when required to ensure that the respective values of the Long and Short Positions remain within the limits for net market exposure.

To maintain the net market exposure within the stated limits, the Manager may adjust the relative size of positions, increasing or reducing market risk. Where the Portfolio moves outside the Investment Guidelines, the Manager will, as soon as practicable, seek to re-balance the Portfolio to ensure it meets these guidelines. The focus is on knowing at all times how the Portfolio is positioned across key risk dimensions.

## **3.6. OVERVIEW OF THE PORTFOLIO**

The Company will typically invest in Fundamentally Driven Positions (typically 30 to 40 Long Positions and 20 to 30 Short Positions) and Risk Short Positions (typically 70 to 80 additional Short Positions). The Portfolio will be constructed in accordance with the Manager's Investment Process (see Section 3.5).

The Company is permitted to invest in listed securities, Pre-IPO Securities, Derivatives, cash, and other permitted investments (see Sections 3.7 for full details). Notwithstanding this broad mandate, the Portfolio is expected to be predominantly comprised of Long Positions and Short Positions in Australian listed securities, with a limited exposure to international listed securities and Pre-IPO Securities.

Positions in international securities are limited to 30% of the Portfolio's gross equity exposure and investments in Pre-IPO Securities are limited to 10% of the Portfolio's NAV.

The Company may use Derivatives to hedge the overall exposure of the Portfolio or leverage its exposure to particular investments (see Section 3.7(b) for further details).

The Portfolio is expected to be net market neutral, with net market exposure generally between +/-5% of the Portfolio's NAV. The net market exposure of the Portfolio is equal to the Portfolio's exposure to Long Positions less the Portfolio's exposure to Short Positions.

Gross exposure (i.e. the value of Long Positions plus Short Positions within the Portfolio) is limited to 400% of the Portfolio's NAV. Within this maximum, gross exposure to Long Positions is limited to 200% of the Portfolio's NAV. Similarly, gross exposure to Short Positions is limited to 200% of the Portfolio's NAV.

The Manager expects to be fully invested within a relatively short period of time (expected to be within one month after listing on the ASX). However, the pace of the Company's capital deployment will be dependent on market conditions.

### 3.7. INVESTMENT GUIDELINES

The investment guidelines for the construction of the Portfolio will be based on the following principles:

<b>Exposure</b>	<b>Guidelines</b>
<b>Permitted investments</b>	See Section 3.8.
<b>Number of securities</b>	The Investment Strategy does not require a minimum or a maximum number of securities within the Portfolio as the opportunities at any given time will depend on market conditions. Typically, the Company will invest in 30 to 40 Long Positions and approximately 100 Short Positions.
<b>Geographic limits</b>	<p>The Company can invest in Australian and international securities. However the Investment Strategy is focused on Australian listed securities. The Portfolio will include limited exposure to international securities.</p> <p>Exposure to international securities is limited to a maximum of 30% of the gross equity exposure of the Portfolio at any time (such gross equity exposure may be up to 400% of the Portfolio's NAV – see below).</p>
<b>Industry/sector limits</b>	There are no industry limitations within the Company's Investment Strategy. However the Portfolio is expected to be well diversified across various industries and sectors.
<b>Single security Long Position limit</b>	Maximum hard limit of 20% of the Portfolio's NAV.
<b>Single security Short Position limit</b>	Maximum hard limit of 16% of the Portfolio's NAV.
<b>Net equity exposure</b>	Typically -5% to 5% of the Portfolio's NAV, maximum of -30% to +30% of the Portfolio's NAV.
<b>Gross equity exposure</b>	Maximum of 400% of the Portfolio's NAV.
<b>Limits on Pre-IPO Securities</b>	Maximum of 10% of the Portfolio's NAV.
<b>Leverage</b>	Permitted (refer Section 3.7(a)).
<b>Short Positions</b>	Permitted (refer Section 3.7(c)).
<b>Currency hedging</b>	Permitted (see Section 3.7(d)).

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## (A) LEVERAGE POLICY

The Portfolio will become leveraged through Short Selling and the use of Derivatives.

The maximum gross exposure in the Company is 400% of the Portfolio's NAV. That is, for every \$1.00 invested, the gross exposure of the Company, taking into account all Long Positions and Short Positions held, is limited to \$4.00. This limitation includes all equity and Derivative positions within the Portfolio and does not allow for netting of any offsetting positions, except in the case of currency Derivatives where the net position will be used.

The maximum gross exposure with greatest impact on the Company's returns would be where the Company had a gross equity exposure of 400% of the Portfolio's NAV. In such a case, if the value of the Company's Long Positions (or the underlying security in respect of Derivatives) increased in value by 10% (or, in the case of Short Positions, decreased in value by 10%), the increase in the Portfolio's value would be 40%. Conversely, a fall of 10% (rise of 10% in the case of Short Positions) in the value of the securities within the Portfolio (or the value of the assets underlying Derivatives within the Portfolio) would result in the Portfolio's NAV falling by 40%.

It should be noted that while the Portfolio may have gross exposure of up to 400% of its NAV, investors in the Company would not have an exposure in excess of 100% of their investment in the Company's Shares.

## (B) DERIVATIVE POLICY

The Company may use Derivative instruments (both exchange traded and over-the-counter) for risk management purposes and to take opportunities to increase returns, including, for example:

- for the purposes of risk management in order to either increase or decrease the Portfolio's exposure to markets and establish currency positions;
- to amplify high conviction ideas and take opportunities that may increase the returns of the Portfolio;
- with a view to reducing transaction and administrative costs (e.g. the use of an equity swap to establish a Short Position in a security);
- to take up positions in securities that may otherwise not be readily accessible (e.g. access to a security market where foreign investors face restrictions); and
- to assist in the management of the Company's cash flows (e.g. certain securities markets may require pre-funding of securities purchases that may be avoided through the use of Derivatives).

The Company may invest in exchange traded and over-the-counter Derivatives including options, participatory notes, futures and swaps for fixed income, currency forwards/contracts and related instruments. Please see Section 3.7(c) for a Short Selling example. However, the Company has the following restrictions on its ability to use Derivatives:

- the effective exposure via the Derivatives within the Portfolio may not exceed 100% of the Portfolio's NAV. If the Portfolio has a 100% NAV exposure to Derivative positions, it is theoretically possible that the Company could lose its entire Portfolio from losses on its Derivative positions; and
- the Portfolio's gross exposure (i.e. the value of Long Positions plus Short Positions within the Portfolio) must not exceed 400% of the Portfolio's NAV.

Generally, over-the-counter Derivatives transactions carry greater counterparty risk than exchange traded Derivatives (i.e. where the counterparty to the transaction is the exchange's clearing house). Trading in over-the-counter Derivatives will generally require the lodgement of collateral or credit support, such as a margin or guarantee with the counterparty, which in turn gives rise to counterparty risk. To mitigate counterparty risks in over-the-counter Derivative transactions, the Manager will seek to deal with counterparties with strong credit ratings, sufficient financial and other resources, and expertise with the relevant transactions.

The Manager is an Authorised Representative (No. 1261372) of Pinnacle's AFS Licence No. 322 140 and is authorised to provide general financial product advice to wholesale clients for, amongst other things, securities, Derivatives and foreign exchange contracts. The Manager is also authorised under its AFSL to deal in these products on behalf of wholesale clients. The Firetrail Investment Team members have experience in equities and trading securities including Derivatives and Short Selling. Further the Company's investment objective, strategies and policies are the same as those employed by the Manager in the management of the Firetrail Absolute Return Fund. Please see Section 4 for more information on the Manager's Investment Process and experience.

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### (C) SHORT SELLING POLICY

The Manager will hold Short Positions where it sees attractive risk-return opportunities (the Fundamentally Driven Short Positions) and to manage specific risks it has identified or adjust exposures within the Portfolio (the Risk Short Positions).

The Manager will generally effect a Short Selling strategy by borrowing the desired security and then selling it on market in which case the Company would need to purchase the underlying security in the market and repay it to the lender to close the Short Position. The Manager may also effect a short sale through the use of equity and index Derivative contracts, in which two parties agree to exchange payments of value (or cash flows) for typically non-deliverable contracts.

Short Selling can be seen as a form of leverage and may magnify the gains and losses achieved in the Portfolio. While Short Selling may be used to manage certain risk exposures in the Portfolio and increase returns, it may also have a significantly increased adverse impact on its returns. When the Manager takes a Short Position, it is expecting that the price of that security will fall. There is always the risk that the price will increase instead. If this happens, it is possible that the price to repurchase the security could exceed the amount initially invested, generating a loss. Refer to the examples below and Section 5 for risk considerations relating to Short Selling.

#### **An example of how Short Selling works:**

The Manager receives \$100 of capital, which is placed on deposit with the relevant broker/custodian or with a bank. The Manager then short-sells securities with a value up to \$100, creating a liability on the balance sheet. The proceeds of the short sales are invested in a Long Position, creating an asset also worth \$100. In this example, the Company would have a gross exposure to securities of 200% of the Portfolio's NAV and net market exposure within the Portfolio (as a whole) would be zero.

If the Manager is successful and the value of the Long Position increases by 5% (to \$105) while the value of the Short Position decreases by 5% to (\$95), by virtue of the leverage in the structure, the Company will have made a profit of 10% or \$10 (before costs and interest). This is twice the return of a traditional long only portfolio that would make 5% or \$5 on the increase in value of the Long Position.

Conversely, if the Manager is not successful and the movements in the Portfolio values are reversed, the Company will have lost 10% or \$10 (before costs and interest), twice the amount a traditional long only portfolio would have lost (which would have fallen by just 5% or \$5).

### (D) CURRENCY POLICY

It is part of the Company's Investment Strategy to assess the potential returns and risks created by currency exposures and to seek to position the Portfolio with the aim of capturing those returns while minimising those risks.

The Manager has the intention to manage the currency exposures of the Portfolio as required using Derivatives, foreign exchange forwards, swaps, non-deliverable forwards and currency options, as well as cash foreign exchange trades.

As part of its Investment Process, the Manager may also assess the indirect impact of currency on the companies that it intends to invest in (e.g. the impact of currency fluctuations on a manufacturing business with significant export sales) and the potential for exchange rate movements to amplify or diminish the Australian dollar returns for a holding. The investment of cash holdings may also be undertaken with consideration of the potential impact of currency movements (as well as interest rate and credit risk considerations). To manage the risk associated with currency Derivatives, the Company has adopted the limitation set out in its Derivative policy in Section 3.7(b).

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## 3.8. PERMITTED INVESTMENTS

Subject to any restrictions in the Investment Guidelines (from time to time), the Company is permitted to invest in the following financial products:

- (a) listed securities and Pre-IPO Securities (including options, convertible notes, rights, debentures, listed investment trusts and companies);
- (b) cash and cash equivalent investments (including bonds, notes and other interest-bearing instruments); and
- (c) Derivatives (including forwards / contracts, options, participatory notes, futures and swaps for equity, fixed income, commodity and credit default exposures).

Notwithstanding the broad range of financial products and instruments permitted by the Investment Strategy, the Company will invest predominantly in Australian listed securities. Under the Investment Management Agreement, the Manager may undertake investments in the Portfolio without the prior approval of the Board provided they are in accordance with the investment objectives, strategies, policies and guidelines agreed with the Company from time to time (initially being the investment strategy and guidelines in this Prospectus). In the event that a proposed investment is not in accordance with the Company's Investment Strategy and Investment Guidelines, the Manager must obtain Board approval to make the investment.

## 3.9. DIVIDEND OBJECTIVE

The Company aims to deliver positive returns in excess of the Benchmark over the medium to long term with the aim of allowing franked dividends to be paid to Shareholders when possible.

Whether a dividend is in fact declared, and the amount of each dividend, will be at the discretion of the Board. The Board will have regard to a number of factors, including the availability of profit reserves, retained earnings, capital requirements, financial conditions and other factors that the Board deems relevant.

The Board currently intends for the Company to pay dividends at least annually subject to available profits, cash flow and franking credits and the payment being both permitted by law and being within prudent business practices. This is not intended to be a forecast; it is merely an objective of the Company. The Company may not be successful in meeting this objective.

## 3.10. CAPITAL MANAGEMENT POLICY

The Board will regularly review the capital structure of the Company and, where the Board considers appropriate, undertake capital management initiatives which may involve:

- (a) the issue of other securities (through bonus options issues, placement, pro rata issues, etc.); and / or
- (b) the buy-back of its securities.

## 3.11. ALLOCATION POLICY

The Manager is also the manager of the Firetrail Portfolio and will employ the same investment process and strategy for the Company that it currently uses in managing the Firetrail Absolute Return Fund. The Manager will use its portfolio management system to manage the allocation of trades and investments across its different portfolios.

The Manager has an allocation policy that has been designed to pre-allocate trades on a fair and equitable basis. Where multiple portfolios are trading on the same day on the same basis for the same security, orders will generally be aggregated before trading is conducted such that all orders are treated equally.

At the end of the day, the trades will be allocated on a pro-rata basis (based on initial order size) across all portfolios so that each portfolio achieves the same realised execution price. This pro-rata process will also apply for off-market trading such as for IPOs and placements in the absence of security entitlements. Where pro-rata allocation is uneconomical, allocation will be determined on a de minimis basis.

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Where multiple portfolios are trading on the same day in the opposite direction for the same security, care is taken to minimise execution costs and trading commissions. In these situations, transfers can be made at market open, market close or volume weighted average price (**VWAP**) or in special situations, at another market observed price during the day. Market close prices will normally be appropriate for transfer of assets associated with inter-fund applications and redemptions, while VWAP trades will normally be appropriate for normal buying and selling transactions.

### 3.12. VALUATION, LOCATION AND CUSTODY OF ASSETS

The Portfolio's NAV will be calculated daily (and a statement of the Company's net tangible asset backing will be released to the ASX at least monthly) using a framework for the valuation of financial instruments that is consistent with current industry practice and regulatory requirements. The Company intends to release a statement of the unaudited and approximate net tangible asset backing of the Shares on a more frequent basis in the future.

The assets of the Company will be valued using market accepted practices to accurately and independently price all securities and other assets within the Portfolio from time to time. The Value of the Portfolio shall be determined by aggregating the value of each investment forming part of or comprised in the Portfolio and each investment shall be valued in accordance with the following methodology:

- (a) cash (including income) – the amount of such cash (in Australian dollars);
- (b) securities – the market value of such Securities determined in accordance with Australian Accounting Standards (unless otherwise agreed by the Company and the Manager); and
- (c) other investments – if any investment is not included in (a) or (b) above, the value of that investment determined in accordance with Australian Accounting Standards.

See Section 6.1 for further details. The Company or the Manager may request that the value of an investment be determined by a duly qualified valuer independent of both the Company and the Manager (**Approved Valuer**), which is recommended by the Manager having regard to the particular type or types of investment which are the subject of the valuation.

### 3.13. RISK MANAGEMENT PHILOSOPHY AND APPROACH

The Company has appointed the Manager to manage the Portfolio. The Manager considers investment risk to be the risk of permanent loss of capital and unforeseen volatility. The Company will manage risk by monitoring the Manager to ensure that the investment guidelines (initially these are the guidelines in Section 3.7) are implemented.

The Manager will be primarily responsible for managing the risk of the Portfolio. Risk management is integrated throughout the Manager's Investment Process to understand and control security specific, thematic (macroeconomic) and market risk in the Portfolio.

The Manager has developed proprietary systems to explicitly manage and understand Portfolio risk. The Manager examines risk at a stock, sector, thematic and factor level. The Manager may adjust the number of positions, the type of positions, the size of positions and leverage to ensure the Portfolio's volatility remains within the typical range when implementing the Investment Strategy.

The Manager's risk policies and controls are designed to be robust and relevant to the Company's investment objectives and strategy. The Manager is committed to robust corporate governance practices and ensuring there is a control system in place for monitoring and managing risks identified by the Manager from time to time and that the system is commensurate with those risks. They ensure amongst other things the fair allocation of trades between all relevant entities and monitoring net and gross equity exposure within the Portfolio.

Under the Investment Management Agreement the Manager must report to the Board on a regular basis. These reports will allow the Board to monitor the Manager and the Portfolio to ensure ongoing compliance with the Investment Strategy and investment guidelines.

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### 3.14. CHANGES TO INVESTMENT STRATEGY

The Investment Strategy outlined in Section 3 will be implemented by the Manager.

While no material changes to the Investment Strategy are presently contemplated, if there are changes, these changes would be made with the approval of the Board, after consultation with the Manager. The Company will notify Shareholders via its website and the ASX of any material changes to the Company's Investment Strategy.

### 3.15. STATUS AS A LISTED INVESTMENT COMPANY

It is intended that the Company will qualify as a LIC under Australian taxation laws.

The major requirements the Company must meet to be a LIC are:

- (a) the Company must be listed; and
- (b) 90.0% of the Portfolio value must comprise certain permitted investments as defined in subsection 115-290(4) of the *Income Tax Assessment Act 1997* (Cwlth).

Permitted investments include shares, options, units (provided the Company does not own more than 10.0% of another company or trust that is not another LIC), financial instruments, Derivatives and assets that generate passive income such as interest, rent and royalties.

It is expected that the Company will generally be considered to hold its investments on revenue account. Consequently, it is likely that the Company will generally not make capital gains and therefore Shareholders may not be able to obtain a deduction in relation to dividends attributable to LIC capital gains under the LIC regime.

### 3.16. REPORTS TO SECURITYHOLDERS

Within 14 days after the end of each month, the Company will release to the ASX a statement of the net tangible asset backing of its Shares as at the end of that month. The calculation of the net tangible asset backing of Shares will be made in accordance with the ASX Listing Rules.

The Company will provide to Securityholders on request, free of charge, a copy of statements released to the ASX of the net tangible asset backing of Shares from time to time.

The Company may also release to the ASX (and place on its website) reports, prepared by the Manager from time to time, to keep Securityholders informed about the current activities of the Company, the performance of the Company's Portfolio and the investment outlook.



## SECTION 4. ABOUT THE MANAGER

### 4.1. OVERVIEW OF THE MANAGER

The Company's Investment Strategy will be implemented by the Manager, Firetrail Investments Pty Limited, an authorised representative under Pinnacle's AFSL (No. 322 140).

The Manager's boutique investment management business was founded by the Firetrail Investment Team.

The Firetrail Investment Team established the Manager with a goal to better align themselves with investors in the Firetrail Portfolios. Importantly:

- (a) the Manager is majority owned by the Firetrail Investment Team; and
- (b) the members of the Firetrail Investment Team are invested alongside the Manager's clients in the Firetrail Portfolios.

The Firetrail Investment Team members are permitted to participate in the Offer. At completion of the Offer, the Firetrail Investment Team (and their associated entities) is expected to have (in aggregate) a minimum of 500,000 Shares in the Company.

### 4.2. ROLE OF THE MANAGER

The Manager will be responsible for making investment and divestment decisions for the Company and to implement the Investment Strategy in accordance with the Investment Management Agreement (a summary of the agreement is set out in Section 9.1).

The Manager will:

- (a) implement the Investment Strategy, including actively managing and supervising the Portfolio's investments;
- (b) manage the Portfolio's exposure to securities markets, Derivatives and cash; and
- (c) regularly update the Company regarding the Portfolio and provide all information necessary for the maintenance of the Company's financial accounts to be completed.

### 4.3. THE MANAGER'S EXPERIENCE

The Manager is majority owned by the Firetrail Investment Team, and approximately 24% by Pinnacle (ABN 66 109 659 109).

Pinnacle supports the development of high quality investment management businesses, like the Manager. As at 30 June 2018, the fund managers related to Pinnacle managed approximately \$38 billion on behalf of individual investors and institutions, both in Australia and offshore. Pinnacle provides a variety of support services to the Manager, including distribution, middle office, back office, finance, legal and compliance. Pinnacle's support services allow the Firetrail Investment Team to focus on the investment services.

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The Firetrail Investment Team is led by the Co-Portfolio Managers and will hold ultimate responsibility for the implementation of the Company's Investment Strategy. The Co-Portfolio Managers are supported by a team of seven analysts.

The members of the Firetrail Investment Team are experienced investment professionals with diverse expertise in equities. Together, the Firetrail Investment Team has over 100 years' investment experience. Sections 4.6 and 4.7 contain details of the experience of each member of the Firetrail Investment Team.

The Firetrail Investment Team currently manages the Firetrail Portfolios and capital for a range of investors in Australia and internationally, including large superannuation funds, insurance companies, private banks, financial planning groups, asset consultants, family offices, high net worth individuals and retail investors. As at the date of this Prospectus, aggregate funds under management across the Firetrail Portfolios are in excess of \$1.6 billion.

While the Manager's business was founded recently, the Firetrail Investment Team has a long track record of investing in equities.

Prior to establishing the Manager, the founding members the Firetrail Investment Team (the Co-Portfolio Managers and Blake Henricks) worked together for over a decade. All members of the Firetrail Investment Team worked together prior to establishing the Manager.

The Firetrail Investment Team specialises in two investment strategies:

- (a) the net market neutral investment strategy developed by the Co-Portfolio Managers and launched by the Firetrail Investment Team in July 2015. This is the same strategy that the Manager will employ as the manager of the Company; and
- (b) a high conviction long only strategy focused on Australian and New Zealand securities launched by the Firetrail Investment Team in 30 November 2005 (**High Conviction Strategy**).

The Firetrail Investment Team has exclusively used these strategies since their respective launch dates. Since establishing the Manager, the Firetrail Investment Team only uses these same two strategies across the Firetrail Portfolios.

Prior to establishing the Manager, the Firetrail Investment Team managed two unlisted managed investment schemes:

- (a) the Macquarie High Conviction Fund which was established in November 2005 and employed the High Conviction Strategy; and
- (b) the Macquarie Pure Alpha Fund, a market neutral fund that between July 2015 and October 2017 used the same Investment Strategy that the Manager will employ as the Manager of the Company (prior to December 2016 this fund was known as the Macquarie Capital Events Fund).

## 4.4. RELEVANT EXPERIENCE OF THE MANAGER

The Manager's business was established recently and has not previously been a manager of a listed investment company (**LIC**).

Whilst the Firetrail Investment Team has a long track record of investing (the founding members commenced working together over a decade ago) and employed the same net market neutral Investment Strategy since the strategy's launch in July 2015 to October 2017, the team only established the Manager recently.

The Manager is the manager of the Firetrail Absolute Return Fund (established on 14 March 2018) and the Firetrail Australian High Conviction Fund (established on 14 March 2018). Both funds are newly established. The investment strategy of Firetrail Absolute Return Fund is the same net market neutral Investment Strategy that the Manager will employ as the Manager of the Company. For this reason the Company considers the performance of Firetrail Absolute Return Limited relevant for investors assessing an investment in the Company notwithstanding that the fund is only newly established.

The Company considers that the performance of the Firetrail Australian High Conviction Fund is not directly relevant to the Company because of the differences in investment strategy (long only strategy) and investment focus (only allows investments in Australian and New Zealand listed equities) and processes compared with the Company's (does not use leverage).

The past performance information of the Firetrail Absolute Return Fund is provided for illustrative purposes only. It should not be relied upon as (and is not) an indication of future performance of the Company's Portfolio. Importantly, as the Firetrail Absolute Return Fund has only been in existence since 14 March 2018 the past performance information available only spans approximately six months. The performance of the Firetrail Absolute Return Fund over a one, three or five year period could be significantly different to the performance of the Firetrail Absolute Return Fund over the approximately six month period from inception to 6 September 2018. The performance of the Company over the long term may substantially differ from the performance of the Firetrail Absolute Return Fund over this period.

In addition, there are structural differences between the Firetrail Absolute Return Fund and the Company. These differences impact, among other things, tax treatment, costs and cash flows within the different portfolios. As a result, at times, the composition of the Company's Portfolio and the weighting of individual positions are expected to closely replicate, but will not be identical, to those of the Firetrail Absolute Return Fund.

The performance of and daily unit prices for the Firetrail Absolute Return Fund are publicly available, and investors may keep updated on the performance of the Firetrail Absolute Return Fund following the date of this prospectus. This information is available on the Manager's website ([www.firetrail.com](http://www.firetrail.com)).

#### PERFORMANCE SINCE INCEPTION FIRETRAIL ABSOLUTE RETURN FUND

Since inception the Firetrail Absolute Return Fund has performed to 6 September 2018 as shown in the table below. The below table includes the returns of the Benchmark.

	Net Fund	Benchmark	Net Excess
<b>Inception (%)</b>	1.60	0.72	0.88

Note:

1. The performance of the Firetrail Absolute Return Fund (Net Fund) is calculated in Australian dollars, based on the Firetrail Absolute Return Fund's unaudited net asset value, but excluding taxation.
2. The performance of the Benchmark is based on the prevailing RBA Cash Rate. The Reserve Bank of Australia has not consented to the use of this data in this Prospectus.
3. The above table reflects the period from inception to 6 September 2018.
4. Past performance is not a reliable indicator of future performance. The performance of the Company's Portfolio (over a six month period and over a three to five year period) could be significantly different to the performance of the Firetrail Absolute Return Fund over the period from inception to 6 September 2018.
5. The relative returns identified above are not intended to be an indication of the future performance of the Company, the Portfolio or the market.
6. The above performance for the month of March 2018 was only in respect of the period from 14 March 2018 to 31 March 2018.
7. The above performance for the month of September 2018 was only in respect of the period from 1 September 2018 to 6 September 2018.
8. The performance of and daily unit prices for the Firetrail Absolute Return Fund are publicly available, and investors may keep updated on the performance of the Firetrail Absolute Return Fund following the date of this prospectus. This information is available on the Manager's website ([www.firetrail.com](http://www.firetrail.com)).

#### MONTHLY RETURNS SINCE INCEPTION OF THE FIRETRAIL ABSOLUTE RETURN FUND

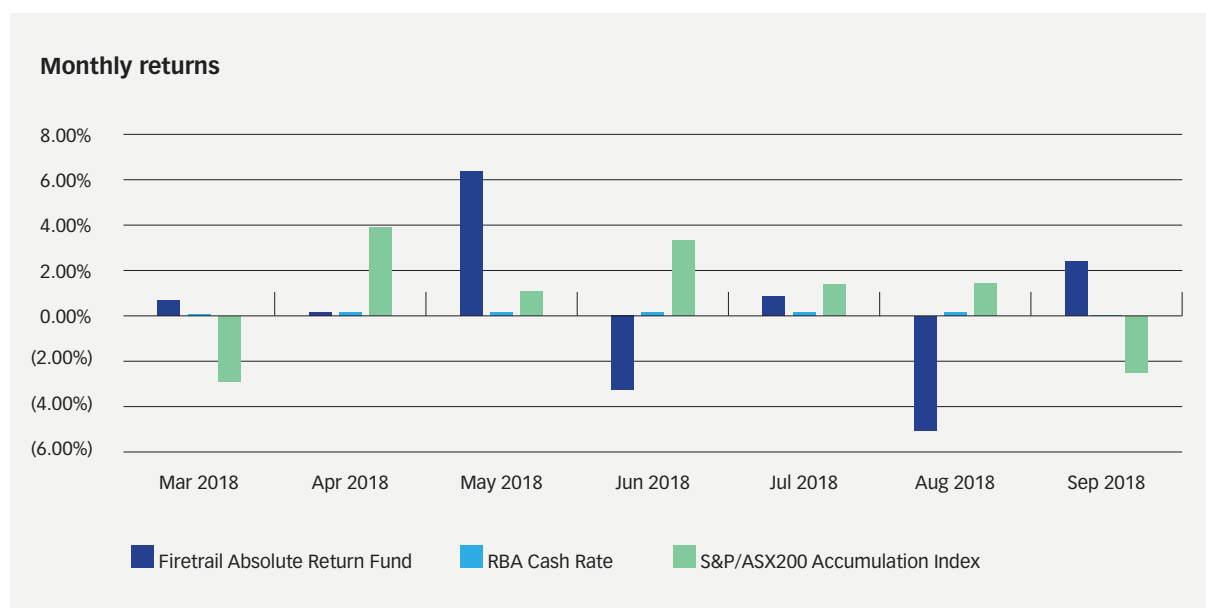
The table below provides the monthly returns of the Firetrail Absolute Return Fund after fees, the Benchmark and the S&P/ASX 200 Accumulation Index. It is important to note that whilst the Manager aims to provide positive absolute returns over the medium to long term (three to five years), investors may experience positive and negative periods of performance.

Importantly, whilst the Manager may underperform due to security selection, the returns are expected to be independent from and uncorrelated to the underlying securities market.

The below table compares the monthly returns of the Firetrail Absolute Return Fund, the Benchmark and the underlying securities market (represented by the S&P/ASX 200 Accumulation Index). The chart highlights the monthly volatility experienced by the Firetrail Absolute Return Fund since inception. It also highlights the uncorrelated nature of the returns produced by the Investment Strategy versus the Australian securities market since the Firetrail Absolute Return Fund's inception.



Investors should regard any investment in the Company as a medium to long term proposition (three to five years) and to be aware that substantial fluctuations in the value of the portfolio and the shares in the Company may occur on a month to month basis over that period



Note:

1. The monthly returns of the Firetrail Absolute Return Fund are calculated in Australian dollars, based on the Firetrail Absolute Return Fund's unaudited net asset value, but excluding taxation.
2. The monthly returns of the Benchmark are based on the prevailing RBA Cash Rate. The monthly returns of the S&P/ASX 200 Accumulation Index are based on data prepared by Bloomberg Finance L.P. Bloomberg Finance L.P. has not consented to the use of this data in this Prospectus.
3. Past performance is not a reliable indicator of future performance. The performance of the Company's Portfolio (over a six month period and over a three to five year period) could be significantly different to the performance of the Firetrail Absolute Return Fund over the period from inception to 6 September 2018.
4. The relative returns identified above are not intended to be an indication of the future performance of the Company, the Portfolio or the market.
5. The above performance for the month of March 2018 was only in respect of the period from 14 March 2018 to 31 March 2018.
6. The above performance for the month of September 2018 was only in respect of the period from 1 September 2018 to 6 September 2018.
7. The performance of and daily unit prices for the Firetrail Absolute Return Fund are publicly available, and investors may keep updated on the performance of the Firetrail Absolute Return Fund following the date of this prospectus. This information is available on the Manager's website ([www.firetrail.com](http://www.firetrail.com)).

## 4.5. OVERVIEW OF FIRETRAIL INVESTMENT TEAM

Patrick Hodgens and James Miller, as Co-Portfolio Managers of the Manager, will hold ultimate responsibility for the implementation of the Investment Strategy. Patrick and James have worked together for more than a decade investing in the High Conviction Strategy (from November 2005 to present) and the Company's net market neutral investment strategy (launched in July 2015).

Patrick and James are supported by an experienced team of investment professionals, who are responsible for the analysis and security selection for the Company.

The Manager manages two strategies, which includes the Investment Strategy that it will employ as the Manager of the Company.

The Manager considers that each member of the Firetrail Investment Team will be available to devote the amount of time required for the Manager to properly perform its functions in managing the Company's Portfolio in accordance with the Investment Management Agreement.

There have been no adverse regulatory findings against the Manager or any member of the Firetrail Investment Team.

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## 4.6. FIRETRAIL CO-LEAD PORTFOLIO MANAGER AND DEPUTY MANAGING DIRECTOR

### **PATRICK HODGENS – MANAGING DIRECTOR AND CO-PORTFOLIO MANAGER**

Patrick Hodgens is Managing Director, Portfolio Manager and Principal Founder of Firetrail Investments.

Patrick has well over 30 years' industry experience, working in equity markets since 1985 and managing long/short equity funds since 2005. Prior to establishing the Manager, Patrick spent 28 years at Macquarie Group where he was an executive director and head of listed equities prior to his departure in October 2017.

Patrick was responsible for a team of over 40 investment professionals based in Sydney and Hong Kong, managing in excess of A\$18 billion. On resigning from Macquarie Group, Patrick was the co-lead portfolio manager for the Macquarie High Conviction Fund and co-lead portfolio manager for the Macquarie Pure Alpha Fund (that used the same net market neutral Investment Strategy that the Manager will employ as the Manager of the Company), which delivered 22.1% per annum after fees to investors over the period from the Investment Strategy inception in July 2015 to October 2017<sup>4</sup>. The performance of the Macquarie Pure Alpha Fund should not be relied upon as (and is not) an indication of future performance of the Company's Portfolio. The performance of the Company over the long term may substantially differ from the performance of the Macquarie Pure Alpha Fund between July 2015 to October 2017.

Patrick holds a Bachelor of Business from the University of Technology, Sydney.

### **JAMES MILLER – CO-PORTFOLIO MANAGER**

James Miller is a Portfolio Manager and Principal Founder of the Manager.

James has more than a decade's industry experience working in equity markets since 2007, including managing long/short equity funds since 2013. James' primary sector responsibilities are transport, gaming, infrastructure and contractors.

Prior to establishing the Manager, James spent over a decade at Macquarie Group where he was a portfolio manager prior to his departure in October 2017. On resigning, James was the co-lead portfolio manager for the Macquarie High Conviction Fund and co-lead portfolio manager for the Macquarie Pure Alpha Fund (that used the same net market neutral Investment Strategy that the Manager will employ as the Manager of the Company) which delivered 22.1% per annum after fees to investors over the period from the Investment Strategy's inception in July 2015 to October 2017<sup>4</sup>. The performance of the Macquarie Pure Alpha Fund should not be relied upon as (and is not) an indication of future performance of the Company's Portfolio. The performance of the Company over the long term may substantially differ from the performance of the Macquarie Pure Alpha Fund between July 2015 to October 2017.

James holds a Bachelor of Engineering (Hons) from the University of Canterbury and a Masters of Applied Finance from the Victoria University of Wellington.

### **BLAKE HENRICKS – DEPUTY MANAGING DIRECTOR AND PORTFOLIO MANAGER**

Blake is Deputy Managing Director, Portfolio Manager and Principal Founder of the Manager.

Blake's primary responsibilities include the co-lead portfolio manager for the Firetrail High Conviction Fund and Fundamental Long/Short Analyst.

Blake's primary sector responsibilities are consumer, oil and REITs. Blake has over 14 years' experience investing in equity markets. Prior to joining Firetrail, Blake spent 12 years at Macquarie Group where he was co-lead portfolio manager of the Macquarie High Conviction Fund.

Blake holds a Bachelor of Mathematics and Finance (First Class Hons) from the University of Wollongong. Blake is also a Chartered Alternative Investment Analyst (CAIA).

4. Returns are prepared on a pro forma basis and reflect the actual performance of the Macquarie Pure Alpha Fund from July 2015 to October 2017 recalculated assuming the same management and performance fees applied since inception of the Investment Strategy in July 2015. The assumed fees reflect the increased management and performance fees which applied from February 2017 to October 2017, being management fees of 1.5% per annum and performance fees of 20% per annum for net outperformance above the RBA Cash Rate (subject to a high watermark).

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## 4.7. OTHER FIRETRAIL INVESTMENT MEMBERS

### **MATTHEW FIST – PORTFOLIO MANAGER**

Matthew is a Portfolio Manager. Matthew's primary sector responsibility is Australian and global small companies.

Matthew has over eight years' relevant industry experience. Prior to the Manager's establishment, Matthew was co-lead portfolio manager for the Macquarie Australian Small Companies Fund.

Matthew holds a Bachelor of Mechanical Engineering and a Bachelor of Science majoring in Economic Geology.

### **SCOTT OLSSON – ANALYST**

Scott is an Equity Analyst at the Manager. Scott's primary sector responsibilities include financials, healthcare and telecommunications.

Scott has over 13 years' industry experience. Prior to the Manager's establishment, Scott worked as an analyst at Macquarie Group for the Macquarie High Conviction Fund. Scott was also a sell side analyst for over 10 years (at UBS and Deutsche Bank).

Scott holds a Bachelor of Commerce and Applied Finance majoring in Actuarial Studies, and is a Fellow of the Institute of Actuaries of Australia.

### **RAMOUN LAZAR – ANALYST**

Ramoun is an Equity Analyst at the Manager. Ramoun's primary sector responsibilities include resources, materials, steel and industrials.

Ramoun has over 15 years' industry experience. Prior to the Manager's establishment, Ramoun worked as an analyst at Macquarie Group for the Macquarie High Conviction Fund. Ramoun was also a sell side analyst at UBS for over 12 years.

Ramoun holds a Bachelor of Economics majoring in Economics and Finance.

### **ELEANOR SWANSON – ANALYST**

Eleanor is an Equity Analyst at the Manager. Eleanor's primary sector responsibility is media.

Eleanor has three years' relevant industry experience. Prior to the Manager's establishment, Eleanor worked as an analyst at Macquarie Group for the Macquarie High Conviction Fund. Eleanor also worked as an analyst for JP Morgan prior to joining Macquarie.

Eleanor holds a Bachelor of Commerce and a Bachelor of Science majoring in Finance and Immunobiology.

### **JUSTIN GRAY – HEAD OF RISK AND ANALYTICS**

Justin is Head of Risk and Analytics at the Manager. Justin's primary responsibilities are investment risk management, tax management, portfolio analytics and systems.

Justin has over 16 years' relevant industry experience. Prior to the Manager's establishment, Justin spent 10 years at Macquarie Group as head of quantitative research and co-lead portfolio manager for the Macquarie Australian Small Companies Fund.

Justin holds a Bachelor of Commerce, and is a Fellow of the Institute of Actuaries of Australia.

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### **KATHRYN KOUTOUZIS – HEAD OF DEALING**

Kathryn is Head of Dealing at the Manager. Kathryn's primary responsibilities include best execution, cashflow management, market intelligence and brokerage management.

Kathryn brings a wealth of experience with over five years as an equities sales and portfolio trader at a Macquarie Group.

Kathryn holds a Bachelor of Commerce with a double major in Finance and International Business.

### **KYLE MACINTYRE – INVESTMENT SPECIALIST**

Kyle is the Head of Distribution and Investment Specialist at the Manager. His primary responsibilities include institutional distribution, client engagement, and general management of non-investment related activities.

Kyle has over seven years' relevant experience. Prior to the Manager's establishment, Kyle worked as an investment specialist at Macquarie Group within the Listed Equities Division.

Kyle holds a Bachelor of Communications and Masters of Business Administration.

### **ANNABELLE BAMFORD – OFFICE MANAGER AND DIGITAL MARKETING EXECUTIVE**

Annabelle is the Business and Marketing Executive at the Manager. Annabelle's primary responsibilities include marketing execution, business administration and product management.

Annabelle has over two years' relevant industry experience. Prior to the Manager's establishment, Annabelle worked as an Executive Assistant at Macquarie Group.

Annabelle holds a Bachelor of Commerce majoring in Human Resource Management and a Bachelor of Communication and Media Studies majoring in Marketing and Advertising.



## SECTION 5. RISK FACTORS

### 5.1. INTRODUCTION

There are certain risks generally associated with investing in the securities of publicly listed companies, some of which are set out in Section 5 below. There are also other risks associated more specifically with the Company, including its investment objectives and Investment Strategy, and the Manager. Key specific risks are set out in Sections 5.2 and 5.3 below. The following is not an exhaustive list of the risks of investing in the Company.

Some of the events and circumstances described below may negatively impact the Company's investment performance and NTA backing per Share, which may in turn cause the market price of the Company's Shares to fall and may result in the loss of income and the principal you invested. The market price of the Shares may also be directly affected by some of the events and circumstances described below.

While the Company and the Manager have put in place various corporate governance, compliance and risk management systems to mitigate risks, neither the Company nor the Manager can guarantee that these safeguards and systems will be effective. Some risks are outside the control of the Company, the Directors, the Manager and its directors and employees, and cannot be mitigated.

Before making a decision on whether to apply for any Shares under the Offer, you are urged to carefully consider the risks described in this Section 5, which is not an exhaustive list of all the possible risks associated with investing in the Company, as well as any other risk factors that you may consider relevant to such investments. Your financial adviser can assist you in determining the risks of investing in the Company and whether it is suited to your needs and circumstances.

### 5.2. KEY INVESTMENT STRATEGY AND MANAGER RISK

The Company's investment activities will expose it to a variety of risks. The Company has identified some of them as being particularly relevant to its Investment Strategy, namely:

- (a) The Company's performance depends on the expertise and investment decisions of the Manager. The Manager's opinion about the future valuation of a company or security may be incorrect, the Company's investment objectives may not be achieved and the market may continue to undervalue the securities within the Portfolio from time to time. The past performance of Firetrail Absolute Returns Fund from 14 March 2018 or other portfolios managed by the Firetrail Investment Team is not a guide to future performance of the Company.
- (b) The success and profitability of the Company in part depends upon the retention of the Manager as manager of the Company and the retention of key personnel with the Manager who have responsibility for managing the Portfolio. See Section 9.1 for detail on the Investment Management Agreement terms. The ability of the Manager to continue to manage the Portfolio may be compromised by such events as the loss of its AFSL authorisations or non-compliance with conditions by Pinnacle or the Manager under its AFSL authorisations or the Corporations Act. If the Investment Management Agreement is terminated, the Company will need to identify and engage a suitably qualified and experienced manager to implement the Company's Investment Strategy. There is a risk that the Company may not be able to identify a suitable manager within a reasonable period or at all.

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### 5.3. SIGNIFICANT RISKS OF INVESTING IN THE INVESTMENT STRATEGY

The following risks should be carefully evaluated before making an investment in the Company. Consideration must also be given to the speculative nature of the Company's investments.

#### **EQUITY RISK**

There is a risk of Long Positions falling in value or Short Positions rising in value over short or extended periods of time. A Long Position falling in value or a Short Position rising in value could result in a reduction of the value of your investment. Security markets tend to move in cycles, and individual share prices may fluctuate and underperform other asset classes over extended periods of time. Shareholders are exposed to this risk both through their holdings in Shares in the Company as well as through the Company's investments. To manage this risk at the Portfolio level, the Company's Investment Strategy restricts net market exposure a maximum of -30% to +30% of the Portfolio's NAV.

#### **CONCENTRATION RISK**

The Company's Portfolio may be less diversified than other listed investment entities. This is consistent with the Investment Strategy which focuses on balancing the Company's Long and Short Portfolios rather than diversity to generate returns and manage capital loss.

#### **SHORT SELLING RISK**

There are inherent risks associated with Short Selling. Short Selling involves borrowing securities that are then sold. If the price of the securities falls, then the Company can buy those securities at a lower price to transfer back to the lender of the securities.

Short Selling can be seen as a form of leverage and may magnify the gains and losses achieved in the Portfolio. As the Manager must first borrow a security to establish a Short Position, there is a risk that a security will not be available at a particular time or an acceptable price and therefore the Manager may not be able to implement its Investment Strategy. While Short Selling may be used to manage certain risk exposures in the Portfolio and increase returns, it may also have a significantly increased adverse impact on its returns.

Short Positions may be highly volatile and can create investment leverage, which could cause the Company to lose more than the amount of assets initially contributed to the transaction. Short Positions may also be subject to liquidity risk or counterparty risk. Depending on market conditions, Short Positions can be costly or difficult to reverse. Short Selling exposes the Portfolio to the risk that investment flexibility could be restrained by the need to provide collateral to the securities lender and that positions may have to be liquidated at a loss and not at a time of the Manager's choosing.

#### **LEVERAGE RISK**

The Manager will use Derivatives and Short Selling to create leverage. Leverage can enlarge the gains and losses achieved in the Portfolio. This gives rise to the possibility that positions may have to be liquidated at a loss and not at a time of the Manager's choosing. In light of these risks, the Company has adopted the leverage policy in Section 3.6.

#### **DERIVATIVE RISK**

The Company may invest in exchange traded and over-the-counter Derivatives including options, futures and swaps, credit default exposures, currency forwards/contracts and related instruments. The Company may use Derivative instruments (both exchange traded and over-the-counter) for risk management purposes and to take opportunities to increase returns. Investments in Derivatives may cause losses associated with the value of the Derivative failing to move in line with the underlying security or as expected. Derivative transactions may be highly volatile and can create investment leverage, which could cause the Company to lose more than the amount of assets initially contributed to the investment.

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## MARKET RISK

The Portfolio will be exposed to market risk. The market risk of assets in the Company's Portfolio can fluctuate as a result of market conditions. The value of the Portfolio may be impacted by factors, such as economic conditions, interest rates, regulations, sentiment and geopolitical events as well as environmental, social and technological changes. The Manager will seek to reduce market risks to the extent possible by limiting net market exposure within the Portfolio (that is Long Positions minus Short Positions within the Portfolio) typically to -5% to 5% of the Portfolio's NAV. This also means that when the market performs strongly, the Portfolio will have little exposure to a positive market return as net market exposure is minimised. In such instances, the Portfolio may underperform traditional "long only" funds as it will have limited correlation to the positive market movement.

In addition, while the Company will generally have close to zero net exposure to securities markets, the gross exposure of the Company can be 400% (200% long and 200% short) of the Portfolio's NAV. This means the value of the Portfolio's NAV could fall materially in a short period of time and you could lose some or all of your investment.

## REGULATORY RISK

All investments carry the risk that their value may be adversely affected by changes in laws and regulations, especially taxation laws. Regulatory risk includes risk associated with variations in the taxation laws of Australia, including the franking credit regime.

## FOREIGN ISSUER AND MARKET RISK

The Company's Investment Strategy permits investments in foreign securities. Investments in foreign companies may be exposed to a higher degree of sovereign, political, economic, market and corporate governance risks than domestic investments. Global and country specific macroeconomic factors may impact the Company's international investments. Governments may intervene in markets, industries and companies; may alter tax and legal regimes; and may act to prevent or limit the repatriation of foreign capital. Such interventions may impact the Company's international investments.

## COUNTERPARTY RISK

Investment in securities and financial instruments generally involves third parties as counterparties to contracts.

There is a risk that third party service providers may breach their obligations to the Company or provide services below standards, which are expected by the Company, causing loss to the Company. The Company aims to keep this risk to a minimum by regularly monitoring its key service providers.

There is also a risk of loss resulting from the insolvency or bankruptcy of a counterparty used by the Manager to execute trades. For example, the Company uses the service of brokers and a custodian and must post collateral with the relevant broker and/or custodian in establishing a Short Position. In the event of insolvency of the relevant broker or custodian, the Company may not be able to recover the entire value of the relevant securities.

## LIQUIDITY RISK

There is a risk that one or more of the securities in the Portfolio (from time to time) may become illiquid. In these circumstances, the Company may be unable to liquidate sufficient assets to meet its obligations within required timeframes, including payment of withdrawals, or it may be required to sell assets at a substantial loss in order to do so.

The Manager will seek to minimise liquidity risk by:

- (a) constructing the Portfolio such that position sizes are based on liquidity, that is, securities that the Manager considers more illiquid are generally smaller positions within the Portfolio in comparison to more liquid securities; and
- (b) monitoring the Portfolio's liquidity on a daily basis.

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## PRE-IPO SECURITIES RISK

The Investment Strategy of the Company may involve investing in Pre-IPO Securities, which will likely be illiquid prior to the listing of the relevant security. There is a risk that the listing of the relevant security does not occur and the Manager may not be able to sell the relevant securities.

The Manager will seek to minimise Pre-IPO Securities risks by:

- (a) only investing in Pre-IPO Securities that are reasonably expected to be listed within 13 months of investment;
- (b) fundamentally analysing Pre-IPO Securities in the same manner as listed securities; and
- (c) only investing in Pre-IPO Securities if the Manager believes it has an attractive risk and return profile based on the Manager's medium term forecast.

## CURRENCY RISK

The Company's Investment Strategy permits investment in international securities. Investing in assets denominated in a currency other than the Company's base or reporting currency may cause losses resulting from exchange rate fluctuations. Additionally, the Company has the ability to engage in any hedging transactions to minimise the currency exposure as a result of the Company's investment in international securities. The Manager may seek to manage the Company's currency exposure using hedging instruments (for example, foreign exchange forwards, swaps, "non-deliverable" forwards, and currency options) and cash foreign exchange trades.

## RISKS RELATED TO ALTERNATIVE INVESTMENT STRATEGIES

The Investment Strategy can be characterised as an "alternative investment strategy". Alternative investment strategies may be exposed to the additional risks set out below when compared to traditional investment strategies, such as long-only equity and fixed income strategies:

- (a) they may display performance characteristics that are not normally associated with more traditional investment strategies;
- (b) they may display more pronounced reactions to events such as macroeconomic shocks;
- (c) they may be influenced by events that do not affect more traditional asset classes;
- (d) they may fail to generate performance in a consistent manner;
- (e) they may fail to recover at all, or to the same extent as traditional investment strategies, after periods of poor performance; and
- (f) they may cease to perform temporarily, or permanently, resulting in an inability to generate positive returns, or to recover prior losses.

Whilst many alternative investment strategies, like the Investment Strategy, aim to be uncorrelated to traditional markets, they may not be successful in achieving this objective and therefore may fail to provide the level of diversification to an investor's portfolio that was expected.

## EMERGING MARKET RISK

The Company may make investments that provide exposure to emerging markets. Emerging markets are generally considered riskier than developed markets due to factors such as lower liquidity, the potential for political unrest, the increased likelihood of sovereign intervention (including default and currency intervention), currency volatility, and increased legal risk. Emerging market investments therefore may experience increased asset price volatility, and face higher currency, default and liquidity risk.

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## **INTEREST RATE RISK**

Interest rate movements may adversely affect the value of the Company through their effect on the price of a security. The Company is exposed to movements in Australian interest rates as well as movements to interest rates in each jurisdiction it holds investments. The Manager aims to minimise this risk by balancing exposures to each foreign currency in the Long and Short Portfolios and through an active treasury management program. See Section 3.6(d) for further information.

## **5.4. RISK ASSOCIATED WITH AN INVESTMENT IN THE COMPANY**

### **OPERATIONAL COSTS**

Operational costs for the Company as a proportion of total assets will be affected by the level of acceptance of the Offer. Operational costs representing a greater proportion of total assets will reduce the operating results of the Company and its ability to pay dividends.

### **DIVIDEND RISK**

The Company's ability to pay a fully or partly franked dividend is contingent on it making taxable profits. No guarantee can be given concerning the future earnings of the Company, the earnings and capital appreciation of the Company's Portfolio or the return of your investment. The Manager may make poor investment decisions which may result in the Portfolio's return being inadequate to pay dividends to security holders.

### **LIQUIDITY RISK**

The Company will be a listed entity and therefore the ability to sell Shares will be a function of the turnover of the Shares at the time of sale. Turnover itself is a function of the size of the Company and also the cumulative investment intentions of all current and possible investors in the Company at any one point in time.

### **SHARE PRICE RISK**

While the Portfolio is typically expected to be net market neutral, the Company will be listed on the ASX and the Shares will be exposed to market movements. As a result, the Share price may trade at a discount or a premium to its NTA.

### **COMPANY RISK**

The Company is a new entity with no operating history and no proven track record.

### **MANAGER LOAN RISK**

The Manager, as the borrower counterparty to the Manager Loan, may not be able to meet its contractual obligations under the Manager Loan. The Manager Loan is an unsecured loan, which means the Company's right to recover the loan will rank behind the secured creditors of the Manager. If the Manager is unable to meet its contractual obligations under the Manager Loan, then the Company may incur a loss and this would have an adverse effect on the Company's NAV.

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## 5.5. RISKS ASSOCIATED WITH INVESTMENT IN SHARES

The prices at which Shares will trade on the ASX are subject to a number of risks, including:

### MARKET RISK

Securities markets tend to move in cycles, and individual securities prices may fluctuate and underperform other asset classes over extended periods of time. The value of securities listed on the ASX may rise or fall depending on a range of factors beyond the control of the Company. Shareholders in the Company are exposed to this risk both through their holding in Shares as well as through the Company's investment in the Portfolio.

### ECONOMIC RISK

Investment returns are influenced by numerous economic factors. These factors include changes in the economic conditions (e.g. changes in interest rates or economic growth), changes to the legislative and political environment, as well as changes in investor sentiment.

In addition, exogenous shocks, natural disasters and acts of terrorism and financial market turmoil (such as the global financial crisis) can (and sometimes do) add to equity market volatility as well as impact directly on individual entities. As a result, no guarantee can be given in respect of the future earnings of the Company or the earnings and capital appreciation of the Portfolio or appreciation of the Share price.

## 5.6. OTHER RISK FACTORS

Before deciding to subscribe for Shares, investors should consider whether Shares are a suitable investment.

There may be tax implications arising from the application for Shares, the receipt of dividends (both franked and unfranked) from the Company, participation in any dividend reinvestment plan that the Company puts in place in the future, participation in any on market share buy-back and on the disposal of Shares. Investors should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of tax legislation.

If you are in doubt as to whether you should subscribe for Shares, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately.

## 5.7. TIME FRAME FOR INVESTMENT

Investors are strongly advised to regard any investment in the Company as a medium to long term proposition (three to five years) and to be aware that substantial fluctuations in the value of the Portfolio and the Shares may occur on a month to month basis over that period.

In addition, the above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares. Therefore, there is no guarantee with respect to the payment of dividends, returns of capital or the market value of the Shares.

You should consider that an investment in the Company is speculative and consult your professional adviser before deciding whether to apply for the Shares.



## SECTION 6. FINANCIAL POSITION OF THE COMPANY

### 6.1. PROCEEDS OF THE ISSUE

The Board intends to use the funds raised from the Offer for investment consistent with the investment objectives and investment process set out in Sections 3 and 4.

### 6.2. UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION

The unaudited pro forma statements of financial position set out below represent the pro forma statements of financial position of the Company adjusted for completion of the Offer. It is intended to be illustrative only and it neither reflects the actual position of the Company as at the date of this Prospectus nor at the conclusion of the Offer.

The pro forma statements of financial position have been prepared in accordance with the accounting policies set out in Section 6.8 below.

## FIRETRAIL ABSOLUTE RETURN LIMITED

### Unaudited Pro Forma Statement of Financial Position Assumes completion of the Offer

The unaudited pro forma statements of financial position are presented in summary form only and do not comply with the presentation and disclosure requirements of Australian Accounting Standards.

The information in this Section should also be read in conjunction with the Risk Factors set out in Section 5 and other information contained in this Prospectus.

	Minimum Subscription \$73.5 million (\$'000)	Maximum Subscription 304.5 million (\$'000)	Over Subscription \$378.0 million (\$'000)
<b>Assets</b>			
Cash	70,843	295,080	366,449
Manager Loan Receivable	2,657	9,420	11,551
<b>Total Assets</b>	<b>73,500</b>	<b>304,500</b>	<b>378,000</b>
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>73,500</b>	<b>304,500</b>	<b>378,000</b>
<b>Equity</b>			
Contributed Equity	73,500	304,500	378,000
<b>Total Equity</b>	<b>73,500</b>	<b>304,500</b>	<b>378,000</b>
<b>NAV Backing Per Share<sup>5</sup> (\$)</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>

5. NAV is calculated as the Company's net assets position in the Pro Forma Statement of Financial Position divided by the shares on issue in Section 6.3 for the corresponding indicated subscription amounts.

## 6.3. CAPITAL STRUCTURE

The anticipated capital structure of the Company on completion of the issue is set out below:

	Minimum Subscription \$73.5 million	Maximum Subscription 304.5 million	Over Subscription \$378.0 million
Shares on Issue	35,000,001	145,000,001	180,000,001

## 6.4. CASH

A reconciliation of the pro forma statements of financial position for cash is as below:

	Minimum Subscription \$73.5 million (\$)	Maximum Subscription 304.5 million (\$)	Over Subscription \$378.0 million (\$)
Initial Subscriber Share	2	2	2
Proceeds of Offer	73,500,000	304,500,000	378,000,000
Manager Loan Receivable	2,656,860	9,419,555	11,551,135
<b>Estimated net cash position</b>	<b>70,843,142</b>	<b>295,080,447</b>	<b>366,448,867</b>

## 6.5. ASSUMPTIONS

These unaudited pro forma statements of financial position and the information in Sections 6.2 to 6.4 have been prepared on the basis of the following assumptions:

- (a) Application of the proposed accounting policies and notes to the accounts set out in Section 6.8;
- (b) In the unaudited pro forma statement of financial position entitled "Minimum Subscription \$73,500,000", the reference is to issuing 35,000,000 Shares to Applicants under this Prospectus;
- (c) In the unaudited pro forma statement of financial position entitled "Maximum Subscription \$304,500,000", the reference is to issuing 145,000,000 Shares to Applicants under this Prospectus;
- (d) In the unaudited pro forma statement of financial position entitled "Over Subscription \$378,000,000", the reference is to issuing 180,000,000 Shares to Applicants under this Prospectus;
- (e) Expenses of the Offer are to be paid by Firetrail Investments Pty Limited; and
- (f) The estimated drawdown for the Manager Loan Receivable to the Company in the Pro Forma Financial Position.

## 6.6. MANAGER LOAN RECEIVABLE

The Manager will draw down on the loan advanced by the Company, an amount estimated below under the different indicated subscription amounts. This amount has been based on the estimated costs to be incurred under the Offer, notwithstanding that the maximum amount that can be advanced under the loan is 4% of the proceeds of the Offer.

	Minimum Subscription \$73.5 million (\$'000)	Maximum Subscription 304.5 million (\$'000)	Over Subscription \$378.0 million (\$'000)
Manager Loan Drawdown	2,657	9,420	11,551

## 6.7. OFFER COSTS

The Manager will pay the Offer Costs (see Section 6.6 for details). Offer Costs include legal, accounting and taxation, printing and initial ASX listing fees.

These expenses have been estimated at \$2,656,860 assuming the minimum subscription is achieved, \$9,419,555 assuming the maximum subscription is achieved and \$11,551,135 assuming oversubscriptions are fully subscribed.

A breakdown of these expenses (including GST), is provided below:

	Minimum Subscription \$73.5 million (\$)	Maximum Subscription 304.5 million (\$)	Over Subscription \$378.0 million (\$)
Joint Lead Manager fees (both the management fee and the Arranger fee)	2,040,654	8,681,904	10,777,536
Legal fees	181,500	181,500	181,500
Investigating accountant fees	45,100	45,100	45,100
ASX fees	146,050	267,495	303,443
ASIC lodgement fees	3,206	3,206	3,206
Other expenses	240,350	240,350	240,350
<b>Total estimated gross expenses of the Offer</b>	<b>2,656,860</b>	<b>9,419,555</b>	<b>11,551,135</b>

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## 6.8. PROPOSED SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A summary of significant accounting policies that have been adopted in the preparation of unaudited pro forma statements of financial position set out in Section 6.2 or that will be adopted and applied in preparation of the financial statements of the Company for the financial year ending 30 June each year, is set out as follows.

### (A) BASIS OF PREPARATION

The pro forma statements of financial position have been prepared in accordance with Australian Accounting Standards and Interpretations, issued by the AASB and the Corporations Act, as appropriate for for-profit oriented entities (as modified for inclusion in the Prospectus). Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated. The financial information presented in the Prospectus is presented in an abbreviated form and does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. The pro forma statements of financial position have been prepared on the basis of assumptions outlined in Section 6.5. The pro forma statements of financial position have been prepared on an accrual basis and are based on historical costs.

### (B) INVESTMENTS

#### (i) Classification

The category of financial assets and financial liabilities comprises:

*Financial instruments held for trading:*

These include futures, forward contracts, options and interest rate swaps. Derivative financial instruments entered into by the Company do not meet the hedge accounting requirements as defined by the accounting standards. Consequently, hedge accounting is not applied by the Company.

*Financial instruments designated at fair value through profit or loss upon initial recognition:*

These can include financial assets and liabilities that are not held for trading purposes and which may be sold. The fair value through profit or loss classification is available for the majority of the financial assets and liabilities held by the Company and the financial liabilities arising from the Shares must be fair valued.

#### (ii) Recognition/Derecognition

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date at which the Company becomes party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they originated.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

#### (iii) Measurement

*Financial Instruments Designated at Fair Value through Profit or Loss:*

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, with transaction costs that are directly attributable to its acquisition recognised in the Statement of Profit or Loss. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss.

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Assets measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Shares that are listed or traded on an exchange are fair valued using last sale prices, as at the close of business on the day the shares are being valued. If a quoted market price is not available on a recognised securities exchange, the fair value of the instruments are estimated using valuation techniques, which include the use or recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

*Loans and receivables:*

Loans and receivables are non-Derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in trade and other receivables within the Statement of Financial Position.

Loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each reporting date to determine whether there is objective evidence of impairment.

### **(C) REVENUE**

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Dividend income is recognised in the profit or loss on the day on which the relevant investment is first quoted on an "ex-dividend" basis.

Net gains/(losses) on financial instruments held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at year end and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend income.

### **(D) EXPENSES**

All expenses, including Performance Fees and Management Fees, are recognised in the statement of profit or loss on an accrual basis.

### **(E) INCOME TAX**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amounts of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and deferred tax liabilities can be presented as a net balance in the statement of financial position when:

- the Company has a legally enforceable right to offset its current tax assets and current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

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**(F) GOODS AND SERVICES TAX (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

**(G) FOREIGN CURRENCY TRANSLATION**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of profit or loss on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

**(I) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(J) TRADE AND OTHER INCOME RECEIVABLES**

Trade and other income receivables relate to outstanding settlements as well as accrued income in relation to interest and dividends.

**(K) TRADE AND OTHER PAYABLES**

These amounts represent liabilities for outstanding settlements as well as services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**(L) SHARE CAPITAL**

Ordinary shares will be classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity, net of any tax effects



## SECTION 7. INDEPENDENT ACCOUNTANT'S REPORT



### PITCHER PARTNERS

SYDNEY CORPORATE FINANCE PTY LTD

Level 22 MLC Centre  
19 Martin Place  
Sydney NSW 2000

Postal Address:  
GPO Box 1615  
Sydney NSW 2001

Tel: 02 9221 2099  
Fax: 02 9223 1762

[www.pitcher.com.au](http://www.pitcher.com.au)  
[sydneypartners@pitcher.com.au](mailto:sydneypartners@pitcher.com.au)

11 September 2018

Board of Directors  
Firetrail Absolute Return Limited  
Level 35  
60 Margaret Street,  
Sydney NSW 2000

#### DEAR DIRECTORS

### PART 1: INDEPENDENT LIMITED ASSURANCE REPORT ON FIRETRAIL ABSOLUTE RETURN LIMITED PRO FORMA HISTORICAL FINANCIAL INFORMATION

#### 7.1. INTRODUCTION

The Directors of Firetrail Absolute Return Limited (the "*Company*") have engaged Pitcher Partners Sydney Corporate Finance Pty Ltd ("*Pitcher Partners*") to report on the pro forma historical financial information of the Company as at 10 August 2018.

We have prepared this Independent Limited Assurance Report ("*Report*") to be included in a Prospectus dated on or about 11 September 2018 and relating to the offer of up to 180,000,000 fully paid ordinary Shares at an offer price of \$2.10 per Share to raise up to \$378,000,000 should the Maximum Subscription be raised and all oversubscriptions be accepted.

The Minimum Subscription is 35,000,000 fully paid ordinary Shares to raise a minimum of \$73,500,000. The Offer is not underwritten.

Unless stated otherwise, expressions defined in the Prospectus have the same meaning in this Report and section references are to sections of the Prospectus.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence ("*AFSL*") under the Corporations Act. Pitcher Partners holds the appropriate AFSL authority under the Corporations Act. Refer to our Financial Services Guide included as Part 2 of this Report.

Pitcher Partners Sydney Corporate Finance Pty Ltd, ABN 77 122 561 184, is an authorised representative of Pitcher Partners Sydney Wealth Management Pty Ltd, AFS License No. 336950, ABN 85 135 817 766. A member of Pitcher Partners, a national association of independent firms. Liability limited by a scheme approved under Professional Standards Legislation.

 an independent member of  
**BAKER TILLY**  
INTERNATIONAL

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## 7.2. BACKGROUND

The Company was incorporated on 10 August 2018 and has not traded. As at the date of this Report, the Company has one Share on issue and has net assets of \$2.20.

## 7.3. SCOPE

This Report deals with the pro forma financial information included in Section 6 of the Prospectus ("*Financial Information*"). The Financial Information consists of the pro forma statements of financial positions as at 10 August 2018 and related notes as set out in Section 6 of the Prospectus.

The unaudited pro forma statements of financial position in Section 6.2 have been prepared to illustrate the financial position of the Company on completion of the Offer and have been prepared on the basis of the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events to which the pro forma assumptions relate, as described in Section 6.5 of the Prospectus, as if those events had occurred as at 10 August 2018. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position.

The pro forma statements of financial position are presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports.

Pitcher Partners disclaims any responsibility for any reliance on this Report or the financial information to which it relates for any purpose other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus and has been prepared for inclusion in the Prospectus.

## 7.4. DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the pro forma statements of financial position including the selection and determination of pro forma assumptions, accounting policies and the notes included in the pro forma historical financial information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

## 7.5. OUR RESPONSIBILITIES

Our responsibility is to express a limited assurance conclusion on the pro forma historical financial information included in Section 6 of the Prospectus based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements Involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion on the pro forma historical financial information of the Company.

Our engagement did not involve updating or re issuing any previously issued audit or review report on any financial information used as a source of the financial information.

## 7.6. CONCLUSION

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma historical financial information (being the pro forma statements of financial position of the Company) are not presented fairly, in all material respects, in accordance with the assumptions described in Section 6.5 of the Prospectus and the stated basis of preparation as described in Section 6.8 of the Prospectus and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Company's accounting policies.

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## 7.7. RESTRICTION ON USE

Without modifying our conclusions, we draw attention to Section 6 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Investors should consider the statement of investment risks set out in Section 5 of the Prospectus.

## 7.8. LEGAL PROCEEDINGS

To the best of our knowledge and belief, there are no material legal proceedings outstanding or currently being undertaken, not otherwise disclosed in this Report, which would cause the information included in the Report to be misleading.

## 7.9. NO OTHER EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no other material transactions or events outside of the ordinary business of the Company have come to our attention, that would require comment on, or adjustment to the information referred to in our Report, or that would cause such information to be misleading or deceptive.

## 7.10. SOURCES OF INFORMATION

Pitcher Partners has made enquiries of the Directors, the Manager and other parties as considered necessary during the course of our analysis of the pro forma historical financial information of the Company. We have also referred to the Prospectus and material documents which relate to the proposed operations of the Company.

We have no reason to believe the information supplied is not reliable.

## 7.11. INDEPENDENCE OR DISCLOSURE OF INTEREST

Pitcher Partners has no financial or other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion on the matters that are subject of this Report for which normal professional fees will be received.

Neither Pitcher Partners Sydney Corporate Finance Pty Ltd, Pitcher Partners Sydney Wealth Management Pty Ltd, any director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of this Offer, other than a fee payable to Pitcher Partners in connection with the preparation of our Report for which normal professional fees will be received.

## 7.12. LIABILITY

Pitcher Partners has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report, this consent has not been withdrawn.

The liability of Pitcher Partners is limited to the inclusion of this Report in the Prospectus. Pitcher Partners has not authorised the issue of the Prospectus. Accordingly, Pitcher Partners makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from, the Prospectus.

## 7.13. FINANCIAL SERVICES GUIDE

We have included our Financial Services Guide as Part 2 of this Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

**Pitcher Partners Sydney Corporate Finance Pty Ltd**



**Scott Whiddett**  
Director

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## PART 2 - FINANCIAL SERVICES GUIDE

### 1. Pitcher Partners Sydney Corporate Finance Pty Ltd

Pitcher Partners Sydney Corporate Finance Pty Ltd ("*Pitcher Partners*") is an authorised representative of Pitcher Partners Sydney Wealth Management Pty Ltd ("*Licence Holder*") in relation to Australian Financial Services Licence No. 336950.

Pitcher Partners may provide the following financial services to wholesale and retail clients as an authorised representative of the Licence Holder:

- Financial product advice in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, deposit and payment products, life products, retirement savings accounts and superannuation (collectively "*Authorised Financial Products*"); and
- Applying for, varying or disposing of a financial product on behalf of another person in respect of Authorised Financial Products.

### 2. Financial Services Guide

The Corporations Act 2001 requires Pitcher Partners to provide this Financial Services Guide ("*FSG*") in connection with its provision of an Investigating Accountant's Report ("*Report*") which is included in the Prospectus provided by Firetrail Absolute Return Limited (the "*Entity*").

### 3. General Financial Product Advice

The financial product advice provided in our Report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our Report is appropriate for you, having regard to your own personal objectives, financial situation or needs. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence ("*AFSL*") to assist you in this assessment.

### 4. Remuneration

Pitcher Partners' client is the Entity to which it provides the Report. Pitcher Partners receives its remuneration from the Entity. Our fee for the Report is based on a time cost or fixed fee basis. This fee has been agreed in writing with the party who engaged us. Neither Pitcher Partners nor its Directors and employees, nor any related bodies corporate (including the Licence Holder) receive any commissions or other benefits in connection with the preparation of this Report, except for the fees referred to above.

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of Pitcher Partners or related entities but any bonuses are not directly connected with any assignment and in particular not directly related to the engagement for which our Report was provided.

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connections with the reports that we are licensed to provide.

### 5. Independence

Pitcher Partners is required to be independent of the Entity.

Neither Pitcher Partners, Pitcher Partners Sydney Wealth Management Pty Ltd, any Director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of this Offer, other than a fee in connection with the preparation of our Report for which professional fees in the order of \$39,000 (excluding GST) will be received. No pecuniary or other benefit, direct or indirect, has been received by Pitcher Partners, their Directors or employees, or related bodies corporate for or in connection with the preparation of this Report.

### 6. Complaints Resolution

Pitcher Partners is only responsible for its Report and this FSG. Complaints or questions about the Prospectus should not be directed to Pitcher Partners which is not responsible for that document.

Both Pitcher Partners and the Licence Holder may be contacted as follows:

- By phone: (02) 9221 2099
- By fax: (02) 9223 1762
- By mail: GPO Box 1615, SYDNEY NSW 2001

If you have a complaint about Pitcher Partners' Report or this FSG you should take the following steps:

1. Contact the Enquiries and Complaints Officer of the Licence Holder on (02) 9221 2099 or send a written complaint to the Licence Holder at Level 22, MLC Centre 19 Martin Place, Sydney NSW 2000. We will try and resolve your complaint quickly and fairly.
2. If you still do not get a satisfactory outcome, you have the right to complain to the Financial Industry Complaints Service at PO Box 579 Collins St West, Melbourne, Victoria 8007 or call on 1300 78 08 08. We are a member of this scheme.
3. The Australian Securities & Investments Commission (ASIC) also has a freecall Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

The Licence Holder, as holder of the AFSL, gives authority to Pitcher Partners to distribute this FSG.



## SECTION 8. DIRECTORS OF THE COMPANY

### 8.1. INTRODUCTION

The Company believes that the Manager has the skill, depth of knowledge and history of achieving results using the Investment Strategy and processes to manage this Portfolio.

The Manager will be overseen by the Board of Directors who have a broad range of experience in investment management combined with financial and commercial expertise.

The following table provides information regarding the Directors, including their positions:

Director	Position	Independence
Deirdre Wroth	Chair	Independent
Katrina Onishi	Non-executive Director	Independent
Alex Ihlenfeldt	Non-executive Director	Non-Independent

### 8.2. BACKGROUND OF THE DIRECTORS



#### DEIRDRE WROTH – CHAIR

Deirdre is an experienced banking and wealth management executive with 30 years' of experience across funds management, insurance, global banking and financial advice. Her previous roles include head of Citi Retail Banking and Wealth Management Australia and head of Private Wealth Advisory & Specialised Investments at NAB. She also held national distribution roles with Macquarie Bank.

Deirdre is currently a partner with Venturetec, consulting to large enterprises on innovation strategy, transformation, and practical innovation capability.

Deirdre is an independent non-executive director of Mine Super Fund, an industry super fund servicing the mining industry and the chair of Mine Super's investment committee.



### **KATRINA ONISHI – INDEPENDENT DIRECTOR**

Katrina is an independent non-executive director of ASX listed Plato Income Maximiser Limited and Scottish Pacific Group Limited, and a member of Scottish Pacific Group Limited’s audit and risk committee. Katrina is also a member of Little Company of Mary (LCM) Advisory Council and a member of the LCM Investment Committee. Until 2010 Katrina was an executive director of Concord Capital Limited (**Concord**), a boutique funds management business that she co-founded in 2000. Prior to co-founding Concord, Katrina held several funds management roles both in Australia and overseas. Katrina holds a Bachelor of Arts (Hons) from the University of Sydney and is a Chartered Financial Analyst.

Katrina is a member of the CFA Institute, a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute, Australasia.



### **ALEX IHLENFELDT – NON-INDEPENDENT DIRECTOR**

Alex Ihlenfeldt has over 25 years’ commercial experience in financial services in Australia and overseas and has proven expertise in the provision of the full suite of turn-key, institutional quality non-investment services for investment managers. He is experienced in operating across the full spectrum, from start-up boutiques to mature investment managers.

Alex is currently a director, Chief Operating Officer and Chief Financial Officer of Pinnacle with whom he has been associated since inception in 2006. Prior to joining Pinnacle in 2011, he spent 10 years with the Wilson HTM Investment Group as Chief Operating Officer, Chief Financial Officer and Head of Wealth Management. Alex is a non-independent director of ASX listed Antipodes Global Investment Company Limited, Plato Income Maximiser Limited and an alternate director of Spheria Emerging Companies Limited. Alex is also an officer of a number of Pinnacle’s affiliate fund managers and he is an alternate director and company secretary of the Manager.

Alex has a Bachelor of Commerce (Hons) and is a member of the Institute of Chartered Accountants Australia and New Zealand as well as a Fellow of the Australian Institute of Company Directors.

## **8.3. INDEPENDENT DIRECTORS**

Deirdre Wroth and Katrina Onishi, being independent Directors, are free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of the person’s judgement.

## **8.4. DIRECTOR DISCLOSURES**

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

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## 8.5. THE ROLE OF THE BOARD

The Directors will ensure the Company has corporate governance procedures and that those procedures are followed. In addition, the Board will be responsible for reviewing the Manager’s performance and ensuring compliance with the Investment Management Agreement terms.

The members of the Board may implement capital management strategies (in line with the policy set out in Section 3.10) from time to time.

It is expected that Board meetings will be held at least quarterly and more frequently as required.

The Company has outsourced its investment management functions to the Manager in accordance with the Investment Management Agreement. The accounting and share registry functions have been outsourced to various service providers. The Board will oversee the performance of the Manager and other service providers.

Each Director has confirmed that, notwithstanding their other commitments, they will be available to spend the required amount of time on the Company’s affairs including attending Board meetings of the Company.

## 8.6. PARTICIPATION BY DIRECTORS

Alex Ihlenfeldt currently holds one Share in the Company, which was issued on incorporation.

The Directors, and entities associated with them, are permitted to participate in the Offer. At completion of the Offer, the Directors are expected to have a Relevant Interest in the following numbers of Shares:

Director	Shares
Deirdre Wroth	25,000
Katrina Onishi	25,000
Alex Ihlenfeldt	25,001

## 8.7. NO OTHER INTERESTS

Except as set out in this Prospectus, there are no interests that exist at the date of this Prospectus and there were no interests that existed within two years before the date of this Prospectus that are, or were respectively, interests of a Director, a proposed Director of the Company or a promoter of the Company or in any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer.

Further, there have been no amounts paid or agreed to be paid to a Director in cash or securities or otherwise by any persons either to induce them to become or to qualify them as a Director or otherwise, for services rendered by them in connection with the promotion or formation of the Company.

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## 8.8. DIRECTORS' REMUNERATION

The Company's independent (non-executive) Directors may be paid Directors' fees of up to \$250,000 per annum. The Company's non-independent (non-executive) Director, Alex Ihlenfeldt will not receive Directors' fees from the Company.

Additional remuneration may be paid in accordance with the Company's Constitution. As at the date of the Prospectus, the Company has agreed to pay the independent (non-executive) Directors' the following annual fees:

Director	Director's Fees
Deirdre Wroth	\$40,000
Katrina Onishi	\$30,000

For the year ending 30 June 2019, the Directors will be paid a pro rata amount calculated by reference to the date of this Prospectus.

The remuneration for Directors will be reviewed by the Board on a periodic basis as the Company develops its business and, subject to the Listing Rules, may be increased. Directors are also entitled to the reimbursement of expenses reasonably incurred in relation to their duties as a Director of the Company.

## 8.9. DIRECTORS' INDEMNITY

The Company has agreed to provide an indemnity to the Directors in limited circumstances. See Section 9.4 for details.

## 8.10. CORPORATE GOVERNANCE POLICIES

The Board has the responsibility of ensuring the Company is properly managed so as to protect and enhance Shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to all parties with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and the nature of activities.

The Board endorses the Corporate Governance Principles and Recommendations (**ASX Recommendations**) published by the ASX Corporate Governance Council and has adopted corporate governance charters and policies reflecting those ASX Recommendations (to the extent that such principles and recommendations are applicable to an entity of the size and structure of the Company). These will be available on the section of the Manager's website dedicated to the Company, at [www.firetrail.com/firetrail-absolute-return-ltd](http://www.firetrail.com/firetrail-absolute-return-ltd).

The Board will review the corporate governance policies and structures that the Company has in place on an ongoing basis to ensure that these are appropriate for the size of the Company and nature of its activities, and that these policies and structures continue to meet the corporate governance standards to which the Board is committed.

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## 8.11. RELATED PARTY DISCLOSURES

Each Director has entered into a director protection deed with the Company pursuant to which the Company has agreed to, amongst other things, indemnify (to the extent permitted by law) each Director in respect of certain liabilities incurred in their capacity as Directors. These deeds contain standard commercial terms and are consistent with market practice (see Section 9.4).

Alex Ihlenfeldt is an officer of the Manager (Alex is the company secretary and an alternate director), a director of Pinnacle and minority shareholder in Pinnacle's holding company, Pinnacle Investment Management Group Limited.

Pinnacle owns approximately 24% of the Manager, and will provide accounting and company secretarial services to the Company and distribution services to the Manager in relation to the Offer (details of the distribution services are set out below). Pinnacle and the non-independent Director, Alex Ihlenfeldt, will benefit from the Investment Management Agreement (through the payment of fees to the Manager by the Company) and the Company's services agreement with Pinnacle (through the payment of fees to Pinnacle).

In light of the financial benefits payable under the Investment Management Agreement (see Section 9.1) and the services agreement (see below), the Company has agreed that Alex Ihlenfeldt will not receive Directors' fees from the Company.

Under the direction of the Board, Pinnacle will provide corporate advisory services and accounting and company secretarial services reasonably required by the Company to conduct its business. These services may include:

- (a) portfolio reconciliation services (including calculation of NAV and NTA and reviewing the calculation of Management Fees and Performance Fees payable to the Manager);
- (b) maintenance of the corporate and statutory records of the Company;
- (c) liaison with ASIC with respect to compliance with the Corporations Act;
- (d) liaison with the ASX with respect to compliance with the Listing Rules;
- (e) liaison with the Company's service providers (including the Share Registry and the auditor);
- (f) liaison with the Company's Shareholders; and
- (g) corporate advisory services and administrative support services (including access to Pinnacle's legal counsel).

In consideration for Pinnacle providing these services to the Company, on commercial arm's length terms, the Company will pay Pinnacle an annual fee (paid quarterly) of \$120,000 per annum (plus GST) (indexed by 3% annually) and will reimburse Pinnacle for any expenses it incurs in providing the services.

Pinnacle has been appointed as the distribution partner by the Manager pursuant to a distribution agreement between Pinnacle and the Manager. Pinnacle will provide distribution services in relation to the Offer and is expected to provide additional services to the Manager in relation to shareholder engagement pursuant to the distribution agreement. The Manager has agreed to pay Pinnacle for these services. This distribution agreement between the Manager and Pinnacle is entered into on arms' length terms.

Other than as set out above or elsewhere in this Prospectus, there are no existing agreements or arrangements and there are no currently proposed transactions in which the Company was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest.



## SECTION 9. MATERIAL CONTRACTS

The Directors consider that the material contracts described below and elsewhere in this Prospectus are those which an investor would reasonably regard as material and which investors and their professional advisors would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer. This Section contains a summary of the material contracts and their substantive terms.

### 9.1. INVESTMENT MANAGEMENT AGREEMENT

The Company entered into the Investment Management Agreement with the Manager on 11 September 2018 with respect to the investment management services to be provided to the Company's Portfolio. Set out below is a summary of the material terms of the Investment Management Agreement.

#### **SERVICES**

The Manager is appointed on an exclusive basis by the Company to manage and supervise the Portfolio and all investments within the Portfolio.

#### **PERMITTED INVESTMENTS**

The Manager is permitted to undertake investments on behalf of the Company without Board approval. However, if the proposed investment is not in accordance with the approved Investment Strategy, Board approval for the investment is required. The Board may approve changes to the approved Investment Strategy from time to time.

To the extent the Manager does not have the requisite authorisations required to provide advice or deal in certain investments, the Manager may engage external advisors with the appropriate AFSL authorisations.

#### **POWERS OF THE MANAGER**

Subject to the Corporations Act, the Listing Rules and the Investment Strategy agreed with the Company from time to time, the Manager has the powers necessary to, on behalf of the Company, invest money constituted in or available to the Portfolio, and make, hold, realise and dispose of the Company's investments. Any investment outside the Investment Strategy of the Board requires Board approval.

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Subject to an obligation to liquidate the Portfolio to meet the Company's operating costs, dividend payments, capital returns, buy-backs or other distributions, the Manager has absolute and unfettered discretion to manage the Portfolio and to do all things considered necessary or desirable in relation to the Portfolio, including:

- (a) investigation, negotiation, acquisition, or disposal of every investment;
- (b) to sell, realise or deal with all or any of the investments or to vary, convert, exchange or add other investments;
- (c) if any investments are redeemed or the capital paid on it is wholly or partly repaid by the entity by which that investment was created or issued:
  - (i) to convert that investment into some other investment; or
  - (ii) to accept repayment of the capital paid or advance on the investment and any other monies payable in connection with that redemption or repayment;
- (d) to exercise any and all rights attached to investments within the Portfolio including the right to convene, attend and vote at any meetings conferred on the holder of any investment that forms part of the Portfolio and to appoint directors to the boards of investee companies;
- (e) retain or sell any shares, debentures or other property received by the Company by way of bonus, or in satisfaction of a dividend in respect of any investments or from the amalgamation or reconstruction of any entity; and
- (f) to sell all or some of the rights to subscribe for new securities in an investment, to use all or part of the proceeds of the sale of such rights for the subscription for securities or to subscribe for securities pursuant to those rights.

## VALUATIONS

The Company must arrange for calculation of the value of its investments at least monthly or at such more frequent times as may be agreed between the Manager and the Company. The Manager must provide reasonable assistance to the Company to determine such calculations. All costs incurred in arranging this calculation are to be paid by the Company. To assist with the reconciliation of all valuations, the Company has entered into a separate agreement with Pinnacle pursuant to which Pinnacle will provide administrative support services including reconciliation services. See Section 8.11 for details.

## DELEGATION

The Manager may, with the prior approval of the Company (not to be unreasonably withheld), appoint or employ any person, including any Related Body Corporate of the Manager, to be a sub-contractor for the Manager to perform any or all of the duties and obligations imposed on the Manager by the Investment Management Agreement.

## NON-EXCLUSIVITY AND CONFLICT MANAGEMENT

The Manager may from time to time perform similar investment and management services for itself and other persons similar to the services performed for the Company under the Investment Management Agreement, provided the Manager does not prejudice or otherwise derogate its responsibilities specified in the Investment Management Agreement.

## CONFIDENTIALITY

To protect the confidentiality of information related to the Company and its assets under management, the Manager has provided various confidentiality undertakings in the Investment Management Agreement. These undertakings are consistent with market practice. Importantly these undertakings:

- (a) effectively prohibit the Manager from using the Company's information for any purpose other than in its role as the Company's Manager; and
- (b) require the Manager to take all reasonable, proper and effective precautions to maintain the confidential nature of the Company's information.



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## RELATED PARTY PROTOCOLS

The Manager is not prohibited under the Investment Management Agreement from acquiring assets from, or disposing assets to, a related party.

## AMENDMENT

The Investment Management Agreement may only be altered by the agreement of the Company and the Manager. The Company and the Manager have agreed that they will only make material changes to the Investment Management Agreement if the Company has obtained Shareholder approval for these material changes.

## CHANGE OF CONTROL PROVISIONS

The Manager has no right to terminate the Investment Management Agreement in the event of a change of control of the Company.

Similarly, the Company has no right to terminate the Investment Management Agreement in the event of a change of control of the Manager.

The Investment Management Agreement does not contain any pre-emptive rights over the Portfolio which are exercisable by either the Company, the Manager or a related entity of the Manager in the event of a change of control of either the Company or the Manager.

## COMPANY INDEMNITY

The Company must indemnify the Manager against any losses or liabilities reasonably incurred by the Manager arising out of, or in connection with, and any costs, charges and expenses (including legal expenses) incurred in connection with the Manager or any of its officers, employees or agents acting under the Investment Management Agreement or on account of any bona fide investment decision made by the Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, default, fraud or dishonesty of the Manager or its officers or employees.

This obligation continues after the termination of the Investment Management Agreement.

## MANAGER'S LIABILITY

Subject to the Corporations Act, the Listing Rules and the Investment Management Agreement, the Manager will, in relation to all the powers, authorities and discretions vested in it, have absolute and uncontrolled discretion as to:

- (a) whether or not to exercise them; and
- (b) the manner or mode of, and time for, their exercise.

In the absence of negligence, default, fraud or dishonesty, the Manager will not be in any way whatsoever responsible for any loss, costs, damages or inconvenience that may result from the exercise or failure to exercise those powers, authorities and discretions.

## MANAGER INDEMNITY

The Manager must indemnify the Company against any losses or liabilities reasonably incurred by the Company arising out of, or in connection with, and any costs, charges and expenses incurred in connection with any negligence, default, fraud or dishonesty of the Manager or its officers. This obligation continues after the termination of the Investment Management Agreement.

## MANAGEMENT FEE

In return for the performance of its duties as Manager of the Portfolio, the Manager is entitled to be paid a Management Fee equal to 1.50% (excl. GST) per annum of the Value of the Portfolio (calculated on the last business day of each month and paid at the end of each month in arrears).

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The Management Fee is to be paid to the Manager regardless of the performance of the Company. Management Fees will increase if the value of the Company's investments increases, and decrease if the value of the Company's investments decreases, over the period.

As a worked example, assuming a Management Fee Calculation Period of 1 January 2019 to 31 December 2019 an initial Value of the Portfolio of \$295,000,000 and nil Portfolio performance, the Management Fee payable would have been \$4,393,950 (plus GST).

## PERFORMANCE FEE

The Manager is entitled to be paid by the Company a fee (**Performance Fee**) equal to 20% (plus GST) of the base amount (**BA**), subject to a high watermark mechanism. **BA** for a Performance Calculation Period is calculated in accordance with the following formula:

$$BA = (FV + CP - IV) - (IV \times CR)$$

Where:

**FV** is the Value of the Portfolio, after deduction of the Management Fees in respect of the relevant Performance Calculation Period, calculated on the last Business Day of the relevant Performance Calculation Period;

**IV** is the Value of the Portfolio, after deduction of the Management Fees in respect of the preceding Performance Calculation Period, calculated on the last Business Day of the preceding Performance Calculation Period;

**CP** is the total net cash payments into (as a negative value) and out of (as a positive value) the Portfolio during the Performance Calculation Period in respect of the Manager Loan, dividend distributions, Performance Fees and other costs and expenses incurred by the Company (that relate directly to the running of the Company), but excluding the value of the Management Fees already deducted from FV above;

**CR** is the average of the Cash Rate in respect of each day during the Performance Calculation Period expressed as a percentage for a period equal to the number of days in the Performance Calculation Period.

If the amount calculated for BA above is a negative number:

- (a) no Performance Fee is payable in respect of that Performance Calculation Period;
- (b) it is to be carried forward to the following Performance Calculation Period(s) until it has been recouped in full against future positive performance. No Performance Fees will be payable until the full recoupment of prior underperformance.

In calculating the Performance Fee for a Performance Calculation Period, changes in the Value of the Portfolio as a result of the issue of securities, capital reductions or share buy-backs undertaken will be disregarded or adjusted for in a manner determined by the Company's auditor at the conclusion of that Performance Calculation Period.

For the purpose of this calculation, the Value of the Portfolio is defined in the Investment Management Agreement as the aggregate sum of the Australian dollar values of each investment less any liability directly or indirectly attributable to the acquisition, maintenance or disposal of any investment or the administration of the Portfolio other than Management and Performance Fees incurred or accrued on or before the date of the calculation (including but not limited to any unpaid purchase consideration, accrued legal or other expenses, brokerage, stamp duty or borrowings).

The auditor of the Company must review the calculation of the Performance Fee prior to payment.

The Company must estimate the Performance Fee monthly and must calculate and disclose the Performance Fee in the audited or audit reviewed financial statements issued by the Company in relation to each Performance Calculation Period. The Company must pay the Performance Fee in arrears within 30 days of announcing the Performance Fee payable in respect of a Performance Fee Period.

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As a worked example, assuming a Performance Calculation Period of 1 January 2019 to 30 June 2019, an initial Value of the Portfolio of \$295,000,000, and a Value of the Portfolio at the end of the Performance Calculation Period that is 10% higher than at the beginning of \$324,500,000 after Management Fees for the Performance Calculation Period of \$2,400,000 have been paid:

- (a) If the RBA Cash rate stayed constant at 1.5% for the Performance Calculation Period, there would be an aggregate outperformance of \$27,287,500; and
- (b) In this instance, there would be a Performance Fee payable at 20% of this amount equating to \$5,457,500 (plus GST) for the Performance Calculation Period as the Portfolio has outperformed the Benchmark.

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As a second worked example (continuing on from the first), assuming a Performance Calculation Period of 1 July 2019 to 31 December 2019, an initial Value of the Portfolio of \$324,500,000 and a Value of the Portfolio at the end of the Performance Calculation Period that is unchanged from the beginning of \$324,500,000 after Management Fees for the Performance Calculation Period of \$2,500,000 have been paid:

- (a) If the RBA Cash rate stayed constant at 1.5% for the Performance Calculation Period, there would be an aggregate underperformance of \$2,433,750; and
- (b) In this instance there would be no Performance Fee payable for the Performance Calculation Period as the Portfolio has underperformed the Benchmark. The aggregate underperformance of \$2,433,750 is to be carried forward to the following Performance Calculation Period(s) until it has been recouped in full against future Portfolio Performance.

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As a third worked example (continuing from the second), a Performance Calculation Period of 1 January 2020 to 30 June 2020, an initial Value of the Portfolio of \$324,500,000, and a Value of the Portfolio at the end of the Performance Calculation Period that is 10% higher than at the beginning of \$356,950,000 after Management Fees for the Performance Calculation Period of \$2,600,000 have been paid:

- (c) If the RBA Cash rate stayed constant at 1.5% for the Performance Calculation Period, there would be an aggregate outperformance of \$27,582,500 (after deducting \$2,433,750 in respect of the underperformance in the second worked example above); and
- (d) In this instance there would be a Performance Fee payable at 20% of this amount equating to \$5,516,500 (plus GST) for the Performance Calculation Period as the Portfolio has outperformed the Benchmark.

## EXPENSES

The Company is liable for and must pay or reimburse the Manager for the fees, costs and expenses approved by the Board provided they were properly incurred in connection with services provided to the Company including the acquisition, disposal or maintenance of any investment, including:

- (a) fees payable to any securities exchange, ASIC, share register, any approved valuer or other regulatory body; and
- (b) all costs, custody fees, stamp duties, financial institutions duties, bank account debits tax, legal fees and other duties, taxes, fees, disbursements and expenses, commissions and brokerage incurred by the Company or the Manager in connection with:
  - (i) the acquisition and negotiation of any investment or proposed investment;
  - (ii) any sale or proposed sale, transfer, exchange, replacement or other dealing or proposed dealing with or disposal or proposed disposal of any investment;
  - (iii) the receipt of income or other entitlements from the Company's direct investments;
  - (iv) the engagement of a custodian to hold an investment on behalf of the Company;
  - (v) the receipt of income or other entitlements from the Investments of the Portfolio
  - (vi) outgoings in relation to the Company's direct investments such as rates, levies, duties, taxes and insurance premiums; and
  - (vii) all accounting and audit costs of the Company whether or not in relation to the Portfolio.

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Notwithstanding the above, the Manager is solely responsible for payment of the fees of any manager engaged by the Manager to assist it in undertaking its duties under the Investment Management Agreement.

## **ASSIGNMENT**

The Manager may assign the Investment Management Agreement to a third party with the prior consent in writing of the Company, which must not be unreasonably withheld or delayed.

## **TERM OF AGREEMENT**

The initial term of the Investment Management Agreement is currently five years, which will be automatically extended for successive five year periods, unless terminated earlier in accordance with the Investment Management Agreement. The Company will apply to the ASX for a waiver of ASX Listing Rule 15.16 to allow for the initial fixed term of the Investment Management Agreement, to run for 10 years. If this waiver is refused, the initial term of the Investment Management Agreement will remain as five years.

The Investment Management Agreement gives the Company certain termination rights including the right to immediately terminate if the Manager becomes insolvent, the Company has demanded early repayment of the Manager Loan or the Manager breaches its obligations under the Investment Management Agreement in a material respect and such breach cannot be rectified or is not remedied within 30 days after receiving notice of that breach. No termination fee is payable to the Manager if the Investment Management Agreement is terminated in accordance with these rights.

The Company may also terminate the Investment Management Agreement following the initial term on three months' notice if Shareholders pass an ordinary resolution directing the Company to terminate the Manager's appointment. If the Company terminates the Investment Management Agreement in this way, it must pay to the Manager a termination fee equal to all Management Fees and Performance Fees that accrued in the 12 month period up to the date of termination.

This termination fee must be paid by the Company to the Manager in addition to any accrued but unpaid fees owing to the Manager as at the termination date.

All fees (including the termination fee if applicable) must be paid by the Company to the Manager within 30 days of the termination date.

The Manager may terminate the Investment Management Agreement at any time after the first five years by giving the Company at least six months' written notice.

## **AFTER TERMINATION**

If the Investment Management Agreement is terminated by the Company, the Company must call a general meeting to change the Company's name by removing "Firetrail". If the Company's name has not been changed within three months of the date of termination, the Manager will grant the Company a personal, non-transferable licence to use the "Firetrail" name for so long as the Company's name includes the word "Firetrail". In consideration for this licence, the Company must pay the Manager an annual licence fee (in advance) equal to 1.5% of the value of the Company's investments calculated on the date of termination and each subsequent anniversary of that date.

The Company does not have an AFSL and so requires an investment manager to manage the Portfolio and implement its Investment Strategy. If the Investment Management Agreement is terminated while the Company remains an investment entity, the management of the Company's Portfolio of investments would need to be assigned to a replacement manager and a new management agreement would need to be put in place. Under the Investment Management Agreement the Manager must vest control of the Portfolio to the Company within 30 business days of termination. The Company would seek any necessary Shareholder approvals if this were to occur.

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## 9.2. MANAGER LOAN

The Manager has agreed to be responsible for the payment of the Offer Costs that the Company would normally be liable for (set out in Section 6.7). The Manager will pay the Offer Costs with the proceeds of a working capital loan (**Manager Loan**) that will be made by the Company to the Manager on the terms set out in a loan agreement dated 11 September 2018 (**Manager Loan Agreement**). The Manager Loan Agreement permits the Manager to draw a maximum amount of 4% of the proceeds of the Offer (which equals between \$2,940,000 and approximately \$15,120,000 depending on the proceeds of the Offer).

The Manager Loan is an interest bearing unsecured loan that the Manager may use for working capital purposes. For example, it may be used to provide ongoing services to the Company including but not limited to investor relations, capital management, to facilitate future fundraisings and to pay costs of the Offer.

The applicable interest rate is the Reserve Bank of Australia cash rate. The term of the Manager Loan Agreement is 36 months from the date of allotment and the Manager Loan must be repaid in full regardless of whether the Manager is the investment manager of the Company. The Manager is required to repay both principal and interest on the Manager Loan in monthly instalments over the 36 month term of the Manager Loan Agreement.

The Manager may repay the Manager Loan early at its absolute discretion. The Company has a right of recourse against the Manager for the amounts owed under the Manager Loan Agreement. The Company can require immediate payment of the Manager Loan if during the term an Event of Default occurs, being the Manager becomes insolvent or the Company considers that there has been a material adverse change in the Manager's financial condition, the Investment Management Agreement is terminated, the Manager breaches any of its obligations under the Manager Loan Agreement or any part of the Manager Loan Agreement becomes unenforceable.

The Company may offset the outstanding amount of the Manager Loan (if any) against any fees or other amounts that are or become due and payable to the Manager by the Company after the 36 month term, if an Event of Default occurs or if the parties agree to offset some or all of such amounts during the term of the Manager Loan.

## 9.3. OFFER MANAGEMENT AGREEMENT

The Company and the Manager have entered into an offer management agreement dated 11 September 2018 (**Offer Management Agreement**) with the Joint Lead Managers pursuant to which the Joint Lead Managers will manage the Offer. Under the Offer Management Agreement, the Company appoints Commonwealth Securities Limited as the Lead Arranger and Authorised Intermediary to make offers to arrange for the issue of the Shares under the Offer.

In return for providing the services under the Offer Management Agreement, the Manager will pay:

- (a) the Lead Arranger an arranger fee of 0.10% (plus GST) of the total proceeds raised under the Offer; and
- (b) the Qualifying JLMs (being each Joint Lead Manager which is responsible for raising (together with its associated Brokers) more than \$25,000,000), a management fee equal to 1.20% (plus GST) of the total proceeds raised under the Offer (in respect the first \$200 million raised under the Offer, this fee will be split equally between them and in respect of any amounts in excess of \$200 million, the fee will be split between the Qualifying JLMs in proportion to the amount each Qualifying JLM is responsible for having raised). If there is no Qualifying JLM, no management fee will be paid. If this happens each Joint Lead Manager will be paid a fee equal to 0.25% (plus GST) of the total amount raised under the Broker Firm Offer by that Joint Lead Manager, its associated Brokers and any of its associated Co-Managers that raise \$10 million or more under the Offer (i.e. the proceeds attributed to Co-Managers that raise less than \$10 million are ignored for the purpose of this fee).

In addition, each Joint Lead Manager will be paid a Broker Firm selling fee of 1.50% (inclusive of GST) of the Broker Firm Offer raised by the relevant Joint Lead Manager and its Brokers. The Joint Lead Managers will have sole responsibility to pay any other commissions and fees payable to Co-Managers or any Brokers.

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The Manager has agreed to pay or reimburse the Joint Lead Managers for all reasonable legal costs and expenses incurred by them in connection with the Offer, of up to \$25,000 (plus GST and disbursements), as well as other additional out-of-pocket expenses.

The Offer Management Agreement is conditional on a number of things including the Company obtaining any ASX waivers in in-principle form and any ASIC modifications (in a form and substance acceptable to the Joint Lead Managers) to enable the Offer to proceed in accordance with the timetable in the Offer Management Agreement and the Prospectus.

In accordance with the Offer Management Agreement and as is customary with these types of arrangements:

- (a) the Company and the Manager have (subject to certain usual limitations) agreed to indemnify the Joint Lead Managers, their related bodies corporate, their directors, officers, advisers and employees against any losses arising directly or indirectly in connection with the Offer (including for publicity, regulatory reviews or non-compliance of the Prospectus), or a breach by the Company and the Manager of any provision, including representation or warranty of, the Offer Management Agreement;
- (b) the Company and the Manager have given representations, warranties and undertakings in connection with (among other things) the conduct of the Offer and content of the Prospectus;
- (c) the Joint Lead Managers are entitled to appoint co-lead managers and Brokers to the Offer; and
- (d) the Joint Lead Managers may (in certain circumstances, including having regard to the materiality of the relevant event) terminate the Offer Management Agreement and be released from their obligations under it on the occurrence of certain events on or prior to the final settlement date of the Offer, including (but not limited to) where:
  - (i) a statement contained in the offer materials is or becomes materially misleading or deceptive or likely to mislead or deceive or the Offer materials omit any information they are required to contain (having regard to the relevant Corporations Act requirements);
  - (ii) the ASX does not approve the listing of the Company;
  - (iii) there are changes in senior management of the Manager or the Board of Directors of the Company;
  - (iv) material adverse changes to the financial markets, political or economic conditions of key countries, trading halts on all securities listed on certain security exchanges, banking moratoriums, hostilities commence or escalate in key countries or a major terrorist act is perpetrated in key countries;
  - (v) the Company or the Manager breaches any law or regulatory requirements or the Company fails to conduct the Offer in accordance with the law;
  - (vi) there is, or is likely to be, a material adverse change, or event involving a prospective material adverse change, in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company;
  - (vii) a regulatory investigation or legal action is commenced against the Company; or
  - (viii) a breach of the representations, warranties and undertakings or default of the Offer Management Agreement.

Please note that the above is not an exhaustive list of the termination events in the Offer Management Agreement.

## 9.4. DIRECTOR PROTECTION DEEDS

The Company has entered into director protection deeds with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each officer in respect of certain liabilities which the officer may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. The Company has also agreed to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers.



## SECTION 10. ADDITIONAL INFORMATION

### 10.1. INCORPORATION

The Company was incorporated on 10 August 2018.

### 10.2. BALANCE DATE AND COMPANY TAX STATUS

The accounts for the Company will be made up to 30 June annually.

The Company will be taxed as a public company.

### 10.3. RIGHTS ATTACHING TO THE SHARES

The following information is a summary of the Company Constitution. Shareholders have the right to acquire a copy of the Company Constitution, free of charge, from the Company until the expiry of this Prospectus.

Each Share confers on its holder:

- (a) the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- (b) the right to receive dividends, according to the amount paid up on the Share;
- (c) the right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to priority given to holders of Shares that have not been classified by the ASX as "restricted securities" and the rights of a liquidator to distribute surplus assets of the Company with the consent of members by special resolution; and
- (d) subject to the Corporations Act and the Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in a general meeting by special resolution.

### 10.4. ASX WAIVER

ASX Listing Rule 15.16 sets a maximum fixed term of five years for an investment management agreement. The Company will apply for a waiver of ASX Listing Rule 15.16 to allow for the initial fixed term of the Investment Management Agreement to be 10 years.

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## 10.5. ASIC RELIEF

The Company's first financial year will end on 30 June 2019. The Corporations Act requires that the half year be the first six months of each financial year and normally imposes certain reporting requirements with respect to that period.

The Company's first half year therefore commences on incorporation (i.e. 10 August 2018) and will end around 10 February 2019. Without ASIC relief, the Company would be required to prepare and lodge half yearly accounts for the first half year ending 10 February 2019. Once the Company is listed, the ASX may also require the Company to provide half yearly accounts for the period from incorporation to 31 December 2018.

The Company has applied for ASIC relief to reduce the reporting period with respect to the first half year imposed by the Corporations Act from 10 February 2019 to 31 December 2018 so that it aligns with any the ASX reporting requirements and market practice.

## 10.6. INVESTOR CONSIDERATIONS

Before deciding to participate in this Offer, you should consider whether the Shares to be issued are a suitable investment for you. There are general risks associated with any investment in an entity listed on the ASX. The value of securities listed on the ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

## 10.7. AUSTRALIAN TAXATION IMPLICATIONS OF INVESTING UNDER THE OFFER

### INTRODUCTION

The tax implications provided below only relate to Australian resident Shareholders who hold their Shares on capital account. Different tax implications apply to non-resident Shareholders or Shareholders whose Shares are held on revenue account.

The comments in this Section 10.7 are general in nature on the basis that the tax implications for each Shareholder may vary depending on their particular circumstances.

Accordingly, it is recommended that each Shareholder seek their own professional advice regarding the taxation implications associated with the Offer.

The comments in this Section 10.7 are based on the *Income Tax Assessment Act 1936* (Cwlth), the *Income Tax Assessment Act 1997* (Cwlth), *A New Tax System (Goods and Services Tax) Act 1999* (Cwlth), and the relevant stamp duties legislation as at the date of this Prospectus.

This Section 10.7 provides a general overview of the Australian income tax implications of investing in the Company, based on current tax law. As such, it is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances.

If you are in doubt as to the course you should follow, you should seek independent tax advice.

### INCOME TAX POSITION OF THE COMPANY

The Company will be taxed as a company at the prevailing company tax rate for the 2018/19 income year, which is currently 30.0% for companies with an aggregated turnover of more than \$50,000,000, or 27.5% for certain companies with an aggregated turnover of less than \$50,000,000.

The Company will be required to maintain a franking account and may declare franked dividends to Shareholders. The Directors intend to frank dividends at 100.0%, or to the maximum extent possible.

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## INCOME TAX POSITION OF AUSTRALIAN RESIDENT SHAREHOLDERS

A general outline of the tax implications associated with the Offer for Australian resident Shareholders who hold their Shares on capital account are set out below.

### TREATMENT OF SHARES

The Offer comprises the issue of Shares in the Company. Broadly, the Capital Gains Tax (CGT) cost base of Shares subscribed under the Offer will be equal to the Application Price plus certain non-deductible incidental and holding costs. The reduced cost base of the Shares is essentially the same as the CGT cost base of the Shares, subject to certain modifications.

On disposal of Shares in the Company, an investor will realise a capital gain if the capital proceeds it receives or is deemed to have received for the disposal of the Shares exceeds their respective cost base. On the other hand, an investor will incur a capital loss if the reduced cost base exceeds the capital proceeds from the Shares.

A CGT discount may be available where the Shares have been held for twelve months or more. Where this concession applies, any such capital gain will be reduced (after applying capital losses) by the following percentages:

- (a) 50.0% for an individual or trust; or
- (b) 33.33% for a complying superannuation fund.

### DIVIDENDS

Dividends received by Shareholders should be included in the assessable income of Shareholders. Generally, Shareholders will be taxed on the dividends at their relevant marginal rate. If the Shareholder is a company, the Shareholder will be taxed at the prevailing company tax rate for the 2018/19 income year, which is currently 30.0% for companies with an aggregated turnover of \$50,000,000 or more and 27.5% for certain companies with an aggregated turnover of less than \$50,000,000.

Generally, to the extent that the dividends are franked, an amount equal to the franking credits attaching to the dividends will be included in the assessable income of the Shareholder. Further, Shareholders will generally be entitled to a tax offset equal to the amount of the franking credits on the dividend (i.e. Shareholders will effectively get a tax credit for the corporate tax paid in respect of the dividends).

Certain Shareholders (including individuals and complying superannuation funds) may be entitled to a refund of "excess franking credits" where their tax offset in respect of the franked dividends exceeds their tax liability. The income tax rate for complying superannuation funds is 15.0%. Complying superannuation funds generally obtain a tax offset from franked dividends against the fund's income tax liability, and any excess franking credits may be fully refunded.

A complying superannuation fund 100.0% in pension phase would be entitled to a full refund of franking credits, as all income of the fund would be attributable to the fund's liability to pay current pensions, and are therefore exempt from income tax.

### GOODS AND SERVICES TAX (GST)

Shareholders should not be liable to GST in Australia in respect of the acquisition of Shares under the Offer. Shareholders may not be entitled to input tax credits (GST credits) for GST incurred on costs associated with the acquisition of Shares under the Offer.

### STAMP DUTY

Shareholders should not be liable to stamp duty in Australia in respect of the acquisition of Shares under the Offer.

## 10.8. LEGAL PROCEEDINGS

The Company is a newly incorporated company which has not conducted any business to date. The Company is not and has not been, since its incorporation to the date of this Prospectus, involved in any legal or arbitration proceedings that have had a significant effect on the financial position of the Company.

As far as the Directors are aware, no such proceedings are threatened against the Company.

## 10.9. CONSENTS AND RESPONSIBILITY STATEMENTS

Each of the following parties has given and, before lodgement of the paper Prospectus with ASIC and the issue of the Electronic Prospectus, has not withdrawn its written consent to be named as performing the below role in the form and context in which it is so named.

Name	Role / Responsible
Firetrail Investments Pty Limited	<p>Manager</p> <p>All information about it and the Firetrail Investment Team, including its Investment Process and performance history of the Investment Strategy in Sections 3 and 4 and elsewhere in this Prospectus</p>
Pinnacle Fund Services Limited as responsible entity of the Firetrail Absolute Return (ARSN 624 135 879)	<p>Firetrail Absolute Return Fund</p> <p>All information about the Firetrail Absolute Return Fund, including its performance history in Section 4 and elsewhere in this Prospectus</p>
Pinnacle Fund Services Limited as responsible entity of the Firetrail Australian High Conviction Fund (ARSN 624 136 045)	<p>Firetrail Australian High Conviction Fund</p> <p>All information about the Firetrail Australian High Conviction Fund in Section 4 and elsewhere in this Prospectus</p>
KardosScanlan Pty Limited	Australian Solicitor to the Offer
Webb Henderson	New Zealand Solicitor to the Company
Pitcher Partners Sydney Corporate Finance Pty Limited	<p>Investigating accountant for the Company</p> <p>The Investigating Accountant's Report on Pro Forma Financial Information in Section 7</p>
Automic Pty Limited	Share Registrar for the Company
Commonwealth Securities Limited	Lead Arranger and Joint Lead Manager to the Offer
Wilson Corporate Finance Limited, Ord Minnett Limited, Taylor Collison Limited and Morgans Financial Limited	Joint Lead Managers to the Offer
Crestone Wealth Management Limited, Patersons Securities Limited, FinClear Execution Ltd and Bell Potter Securities Limited	Co-Managers to the Offer
Commonwealth Securities Limited	Authorised Intermediary
Pinnacle Investment Management Limited	All information about Pinnacle including its AFSL, its role as distribution partner to the Manager and its role as service provider to the Company in Sections 4 and 8.11 elsewhere in this Prospectus

Each of the above parties has only been involved in the preparation of that part of the Prospectus where they are named. Except to the extent indicated above, none of the above parties have authorised or caused the issue of the Prospectus and takes no responsibility for its contents.

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Each of the Joint Lead Managers and the Co-Managers has consented to being named as specified above, but does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by that Joint Lead Manager or Co-Manager.

## 10.10. OFFER EXPENSES

The Manager will pay all of the costs associated with the Offer from the proceeds of the Manager Loan. These costs are fully described in Section 6.7.

## 10.11. INTEREST OF EXPERTS

Other than as set out below, no expert nor any firm in which such expert is a partner or employee has any interest in the promotion of or any property proposed to be acquired by the Company.

*KardosScanlan Pty Limited* has acted as Australian solicitors to the Offer and have performed work in relation to preparing the due diligence program and performing due diligence enquiries on legal matters. In respect of this Prospectus, the Company estimates that it will pay amounts totalling approximately \$120,000 (plus GST and disbursements) to KardosScanlan.

*Webb Henderson* has provided New Zealand legal advice to the Company in relation to the Offer and provided the Company with an address for service in New Zealand. In respect of this Offer, the Company estimates that it will pay amounts totalling approximately NZ\$10,000 (plus GST if any and disbursements) to Webb Henderson.

*Pitcher Partners Sydney Corporate Finance Pty Limited* has prepared the investigating accountant's report included in this Prospectus and have also performed work in relation to the due diligence enquiries on financial matters. In respect of this work, the Company estimates that it will pay amounts totalling approximately \$41,000 (plus GST and disbursements) to Pitcher Partners Sydney Corporate Finance Pty Limited.

*Commonwealth Securities Limited* is the Lead Arranger to the Offer. In accordance with the Offer Management Agreement, the Company will pay the Lead Arranger an arranging fee of 0.10% (excl. GST) of the total proceeds raised under the Offer.

*Commonwealth Securities Limited, Wilsons Corporate Finance Limited, Taylor Collison Limited, Ord Minnett Limited and Morgans Financial Limited* will act as Joint Lead Managers to the Offer. In accordance with the Offer Management Agreement, each qualifying Joint Lead Manager (being each Joint Lead Manager which has raised more than \$25,000,000) will be paid in equal proportions, a management fee of 1.20% (plus GST) of the total proceeds raised under the Offer (in respect the first \$200 million raised under the Offer, this fee will be split equally between them and in respect of any amounts in excess of \$200 million, the fee will be split between the Qualifying JLMs in proportion to the amount each Qualifying JLM is responsible for having raised). If there is no Qualifying JLM, no management fee will be paid. If this happens each Joint Lead Manager will be paid a fee equal to 0.25% (plus GST) of the total amount raised under the Broker Firm Offer by that Joint Lead Manager, associated Brokers and any of its associated Co-Managers that raise \$10 million or more under the Offer (i.e. the proceeds attributed to Co-Managers that raise less than \$10 million are ignored for the purpose of this fee). In addition, each Joint Lead Manager will be paid a selling fee of 1.50% (inclusive of GST) of the total proceeds of the Broker Firm Offer raised by the relevant Joint Lead Manager and their associated Brokers.

*Commonwealth Securities Limited* is the Authorised Intermediary to the Offer. Commonwealth Securities Limited will not be paid a fee for its services as Authorised Intermediary.

*Crestone Wealth Management Limited, Patersons Securities Limited, FinClear Execution Ltd and Bell Potter Securities Limited* will act as Co-Managers to the Offer and neither the Company nor the Manager will not pay or give a benefit to those companies for those services. The Joint Lead Managers are liable for the payment of any fees, commissions or rebates due to any Brokers or Co-Managers appointed to the Offer.

Certain partners and employees of the above firms may subscribe for Shares in the context of the Offer.



## SECTION 11. DEFINITIONS AND INTERPRETATION

### 11.1. DEFINED TERMS

In this Prospectus:

**AASB** means the Australian Accounting Standards Board.

**AFSL** means Australian Financial Services Licence.

**Applicant** means an applicant for Shares under this Prospectus.

**Application** means an application for Shares under this Prospectus.

**Application Form** means the application form attached to this Prospectus.

**Application Monies** means the Application Price of \$2.10 multiplied by the number of Shares applied for.

**Application Price** means \$2.10 per Share.

**Approved Valuer** has the meaning given to it in Section 3.12.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** or **Australian Securities Exchange** means ASX Limited or the securities exchange operated by ASX Limited.

**ASX Recommendations** means the ASX Corporate Governance Council's Corporate Governance Principles and Recommendation (third edition, March 2014).

**Authorised Intermediary** means Commonwealth Securities Limited, in its capacity as the authorised intermediary of the Offer.

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

**Board** means the board of Directors of the Company.

**Broker** or **Broker Firm** means any ASX participating organisation selected by the Joint Lead Managers in consultation with the Company to act as a broker to the Offer.

**Broker Firm Application Form** means the Application Form to be used by Applicants who are participating in the Broker Firm Offer.

**Broker Firm Offer** means the broker firm offer referred to in Section 2.2.

**Broker Firm Offer Closing Date** means the closing date of the Broker Firm Offer, expected to be 5.00pm (Sydney time), 19 October 2018 or such other date as the Company may determine in its discretion.

**CHES** means Clearing House Electronic Subregister System.

**Closing Date** means the date by which valid Application Forms must be received, being 19 October 2018 or such other dates as the Company may determine in its discretion.

**Co-Manager** means a co-manager to the Offer, being Crestone Wealth Management Limited, Patersons Securities Limited, FinClear Execution Ltd and Bell Potter Securities Limited.

**Company** means Firetrail Absolute Return Limited (ACN 628 082 879).

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**Constitution** means the constitution of the Company.

**Corporations Act** means *Corporations Act 2001* (Cwlth).

**CRN** means Customer Reference Number.

**Derivatives** means a security, such as an option or futures contract whose value depends on the performance of an underlying asset and includes exchange traded Derivatives and over-the-counter Derivatives.

**Directors** or **Board** means the directors of the Company.

**Electronic Prospectus** means the electronic copy of the Prospectus, a copy of which can be downloaded at [www.firetrail.com/firetrail-absolute-return-ltd](http://www.firetrail.com/firetrail-absolute-return-ltd).

**Eligible Participant** means a person eligible to participate in the Priority Allocation, being any:

- (a) registered shareholder of Pinnacle Investment Management Group Limited (ASX: PNI); and
- (b) existing investors in the Firetrail Absolute Return Fund or the Firetrail Australian High Conviction Fund, with registered addresses in Australia or New Zealand.

**Exposure Period** means the period of seven days after the date of lodgement of the Prospectus with ASIC, which may be extended by ASIC by not more than seven days pursuant to Section 727(3) of the Corporations Act.

**Firetrail Absolute Return Fund** means the Firetrail Absolute Return (ARSN 624 135 879).

**Firetrail Australian High Conviction Fund** means the Firetrail Australian High Conviction Fund (ARSN 624 136 045).

**Firetrail Investment Team** means the investment personnel responsible for implementation of the Investment Strategy, being the personnel detailed in Sections 6 and 4.7.

**Firetrail Portfolios** means the portfolios managed by the Firetrail Investment Team from time to time. At the date of the Prospectus being two managed investment schemes (the Firetrail Absolute Return Fund and the Firetrail Australian High Conviction Fund) and capital for a range of investors in Australia and globally, including large superannuation funds, insurance companies, private banks, financial planning groups, asset consultants, family offices, high net worth individuals and retail investors. Following the Offer, Firetrail Portfolios will include the Company's Portfolio.

**Fundamentally Driven Positions** means mispriced securities identified by the Manager using fundamental, bottom-up research.

**General Offer Application Form** means the Application Form to be used by Applicants who are not participating in the Broker Firm Offer or Priority Allocation.

**GST** means Goods and Services Tax and has the same meaning as contact in *A New Tax System (Goods and Services Tax) Act 1999* (Cwlth).

**HIN** or **Holder Identification Number** means the unique identifier of holders of shares on the CHESS subregister issued by ASX Settlement.

**Investment Management Agreement** means the investment management agreement between the Manager and the Company, the terms of which are summarised in Section 9.1.

**Investment Process** means the process used by the Manager as manager of the Company, summarised in Section 3.5.

**Investment Strategy** means the strategy to be used by the Manager as manager of the Company, summarised in Section 3.3, in accordance with the guidelines set out in Section 3.7 (as amended from time to time).

**Joint Lead Managers** means each of Wilsons Corporate Finance Limited, Taylor Collison Limited, Commonwealth Securities Limited, Morgans Financial Limited and Ord Minnett Limited.

**Lead Arranger** means Commonwealth Securities Limited, in its capacity as the lead arranger to the Offer.

**Listing Rules** means the listing rules of the ASX.

**LIC** means a listed investment company.

**Long Position** means holding either physically or via a Derivative a positive amount of an asset in the expectation that the value of that asset will appreciate.

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**Macquarie Pure Alpha Fund** means the market neutral fund that between July 2015 and October 2017 used the same Investment Strategy that the Manager will employ as the Manager of the Company (prior to December 2016 this fund was known as the Macquarie Capital Events Fund).

**Manager** means the manager of the Portfolio appointed under the terms of the Investment Management Agreement, being Firetrail Investments Pty Limited (ACN 622 377 913).

**Management Fee** means the management fees payable to the Manager in accordance with the Investment Management Agreement.

**Maximum Subscription** means the maximum subscription being sought by the Company under the Offer, being 180,000,000 Shares.

**Minimum Subscription** means the minimum subscription being sought by the Company under the Offer, being 35,000,000 Shares.

**NAV or Net Asset Value** means the value of the Company's total assets less the value of any liabilities.

**Net market neutral** means having assets (i.e. Long Positions) and liabilities (i.e. Short Positions) with values that are roughly equal. **Net market neutral structure** has the same meaning.

**NTA** means the value of the Company's total assets less the value of its intangible assets and the value of its liabilities.

**Offer** means the offer of up to 145,000,000 fully paid ordinary Shares (at an Application Price of \$2.10 per Share) to raise up to \$304,500,000 with the ability to accept up to \$73,500,000 in oversubscriptions.

**Offer Costs** means all costs and expenses associated with the establishment of the Company, including the costs and expenses of the Offer.

**Offer Management Agreement** means the offer management agreement between the Joint Lead Managers and the Company, the terms of which are summarised in Section 9.2.

**Official List** means the official list of the ASX.

**Opening Date** means the date the Offer opens, expected to be 24 September 2018.

**Performance Calculation Period** means:

- (a) for the first Performance Calculation Period, the period from the Commencement Date to the earlier of the date of termination and 31 December 2018;
- (b) thereafter and subject to paragraph (c), each full six month period commencing on either 1 July or 1 January (and ending on 30 June or 31 December respectively);
- (c) if the term of the Investment Management Agreement expires on a day other than 30 June or 31 December, the last Performance Calculation Period is the period from the first day after the preceding Performance Calculation Period to the date this Agreement is terminated or expires.

**Performance Fees** means the performance fees payable under the Investment Management Agreement.

**Pinnacle** means Pinnacle Investment Management Limited (ACN 109 659 109).

**Portfolio** means the portfolio of investments held by the Company.

**Pre-IPO Securities** means securities issued by an entity under a private placement prior to the issuing entity undertaking an initial public offering and the issued security becoming listed on a licensed market within 13 months of investment.

**Priority Allocation** means the allocation of up to 5,000,000 Shares to Eligible Participants on the terms set out in Section 2.3.

**Priority Allocation Application Form** means the Application Form to be used by an Eligible Participant who is not participating in the Broker Firm Offer.

**Prospectus** means this prospectus as modified or varied by any supplementary document issued by the Company and lodged with ASIC from time to time.

**Related Body Corporate** has the meaning given to that term under Section 50 of the Corporations Act.

**Relevant Interest** has the meaning set out in the Corporations Act.

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**Risk Short Position** means a Short Position within the Portfolio selected by the Manager to:

- (a) limit the Company's net market exposure to securities markets (to be close to net market neutral) and macroeconomic risks; and
- (b) to generate additional funding (i.e. cash generated from borrowing and Short Selling securities) which is then used to increase the gross exposure in Long Positions up to a maximum of 200% of the Portfolio's NAV.

**Share** means a fully paid ordinary share in the Company.

**Shareholder** means a registered holder of a Share.

**Shareholder Reference Number** or **SRN** is the unique identifier of holders of shares on the issuer sponsored sub-register.

**Share Registrar** or **Registry** means Automic Pty Limited (ACN 152 260 814).

**Short Position** means holding, either physically or via a Derivative, a negative amount of an asset in the expectation that the value of that asset will decrease.

**Short Selling** or **Shorting** means selling an investment (which has been borrowed from another party) with the intention of buying it back at a later date. Short Selling also includes achieving this outcome through the use of Derivatives.

**Value of the Portfolio** is defined in the Investment Management Agreement as the aggregate sum of the Australian dollar values of each investment less any liability directly or indirectly attributable to the acquisition, maintenance or disposal of any investment or the administration of the Portfolio other than Management and Performance Fees incurred or accrued on or before the date of the calculation (including but not limited to any unpaid purchase consideration, accrued legal or other expenses, brokerage, stamp duty or borrowings).

## 11.2. INTERPRETATION

In this Prospectus the following rules of interpretation apply unless the context otherwise requires:

- (a) Words and phrases not specifically defined in this Prospectus have the same meaning that is given to them in the Corporations Act and a reference to a statutory provision is to the Corporations Act unless otherwise specified;
- (b) The singular includes the plural and vice versa;
- (c) A reference to an individual or person includes a corporation, partnership, joint venture, association, authority, company, state or government and vice versa;
- (d) A reference to any gender includes both genders;
- (e) A reference to clause, section, annexure or paragraph is to a clause, section, annexure or paragraph of or to this Prospectus, unless the context otherwise requires;
- (f) A reference to "dollars", "AUD" or "\$" is to Australian currency;
- (g) In this document, headings are for ease of reference only and do not affect its interpretation; and
- (h) Except where specifically defined in the Prospectus, terms defined in the Corporations Act have the same meaning in this Prospectus.

## 11.3. GOVERNING LAW

This Prospectus is governed by the laws of New South Wales.

## 11.4. APPROVAL

This Prospectus has been approved by unanimous resolution of the Directors of the Company.

Dated: 11 September 2018



**Deirdre Wroth**  
Chair



## FINANCIAL SERVICES GUIDE

### THE ISSUER OF THIS FINANCIAL SERVICES GUIDE

This Financial Services Guide (FSG) is issued by Commonwealth Securities Limited (ABN 60 067 254 399 AFSL 238814) (CommSec, our, we or us) and is dated 11 September 2018. CommSec is a wholly owned but non-guaranteed subsidiary of the Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945. CommSec is also a Participant of the ASX Group and Chi-X Australia.

### ISSUE OF SHARES BY FIRETRAIL ABSOLUTE RETURN LIMITED

CommSec has entered into an arrangement with Firetrail Absolute Return Ltd (FTA) to make offers to you to arrange for the issue of the shares in FTA being offered by FTA in accordance with the Corporations Act 2001 (Cth). This is the service we are providing to you.

### PROPOSE OF THIS FSG

This FSG has been produced to inform you about the financial services that we will be, or are likely to be, providing to you, the kinds of financial products to which those services relate and the fees that we charge in relation to the service we are providing to you.

### RELATIONSHIPS

CommSec is a subsidiary of the Commonwealth Bank of Australia.

### REMUNERATION

CommSec will be paid a selling fee of 1.50% (inclusive of GST) of the amount it is responsible for raising under the Broker Firm Offer.

Each Joint Lead Manager, including CommSec, that is responsible for raising (together with its associated Brokers) more than \$25,000,000 (each a **Qualifying JLM**), will be paid a management fee of 1.20% (exclusive of GST) of the total proceeds of the Offer (in respect the first \$200 million raised under the Offer, this fee will be split equally between all Qualifying JLMs and in respect of any amounts in excess of \$200 million, the fee will be split between the Qualifying JLMs in proportion to the amount each Qualifying JLM is responsible for having raised).

If there is no Qualifying JLM, no management fee will be paid. If this happens, CommSec will be paid a fee equal to 0.25% (plus GST) of the total amount it is responsible for raising under the Broker Firm Offer. CommSec is also entitled to an arranger fee of 0.10% (exclusive of GST) of the total proceeds raised under the Offer.

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## HOW IS MY CUSTOMER INFORMATION DEALT WITH?

At CommSec, the privacy of your customer information is important to us. We collect your customer information to ensure that we are able to provide you with the products and services most appropriate to your needs.

Telephone conversations with CommSec may be recorded to ensure our service standards are met or exceeded and to allow records to be kept of the advice given and orders taken.

CommSec has adopted the principles set out in the Privacy Act 1998 (Cth) as part of our continuing commitment to client service and maintenance of client confidentiality. Further details are contained in the terms and conditions for each product. Please also refer to our Privacy Policy at [www.commseccom.au](http://www.commseccom.au) or ask your representative for a copy.

## WHAT IF I HAVE A COMPLAINT?

If you are not satisfied with the service or advice you receive from CommSec, you are entitled to complain.

CommSec has established procedures to ensure that all enquires and complaints are properly considered and dealt with. To save yourself valuable time, gather all the facts and documents about the complaint, think about the questions you want answered and decide what you want CommSec to do. Next, contact the department that handled the matter and explain the problem. A quick call is all that is required to resolve most issues. If you are unsure which department to contact please call 13 15 19 and speak to an Equities Associate. If your complaint is not satisfactorily resolved within 3 business days after you first notified CommSec, please put your complaint in writing addressed to the CBA Group Client Relations team:

By phone: 1800 805 605  
By fax: 1800 025 542  
By email: [www.commbank.com.au/feedback](http://www.commbank.com.au/feedback)  
By mail: CBA Group Customer Relations  
Reply Paid 41 Sydney NSW 2001

If, after giving CommSec Client Relations the opportunity to resolve your complaint, you feel we have not resolved it satisfactorily, you may lodge a written complaint with the Financial Ombudsman Service Limited ("FOS"):

For further information please contact FOS at:  
Mail Address: GPO Box 3 Melbourne VIC 3001  
Telephone: 1300 780 808  
Fax: 03 9613 6399  
Internet: [www.fos.org.au](http://www.fos.org.au)

## HOW DO WE MANAGE OUR COMPENSATION ARRANGEMENTS?

Where we are liable to meet a claim, payment will generally be paid from our cash flows and available resources. For claims, we may rely on and claim under the professional indemnity insurances that we hold. These insurances are between us and the insurer and are intended to respond to civil liability resulting from significant claims for compensation made against us for financial services provided by us or our representatives. These insurances provide cover even if one of our representatives has ceased to act or work for us. Our compensation arrangements comply with the arrangements required by Australian Securities and Investments Commission.



# Firetrail

ABSOLUTE RETURN LIMITED

## YOUR PRIVACY

Automic Pty Ltd (ACN 152 260 814) trading as Automic advises that Chapter 2C of the Corporation Act 2001 requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – [www.automic.com.au](http://www.automic.com.au).

## CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual	Mr John Richard Sample	J R Sample
Joint Holdings	Mr John Richard Sample & Mrs Anne Sample	John Richard & Anne Sample
Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Trust
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample <Food Health Club A/C>	Food Health Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

## INSTRUCTIONS FOR COMPLETING THE FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

This is an Application Form for Ordinary Fully Paid Shares ('Shares') in Firetrail Absolute Return Limited (ACN 628 082 879) ('Company'), made under the terms set out in the Prospectus dated 11 September 2018. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus.

The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser.

To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable) and an Application Form, on request and without charge.

- Shares applied for & payment amount** – Enter the number of Shares you wish to apply for. Your application must be for a minimum of 2,000 Shares (A\$4,200). Applications for greater than 2,000 shares must be in multiples of 100 Shares (A\$210). Next, enter the amount of the Application Monies payable. To calculate this amount, multiply the number of Shares applied for by the offer price, which is A\$2.10 per share.
- Applicant name(s) and postal address** – Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. You should refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact Details** – Please provide your contact details for us to contact you between 9.00am AEDT and 5.00pm AEDT should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at <https://investor.automic.com.au/#/home>
- CHESSE Holders** – If you are sponsored by a stockbroker or other participant and you wish to hold shares allotted to you under this Application on the CHESSE subregister, enter your CHESSE HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" (SRN) will be allocated to you.
- TFN/ABN/Exemption** – If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFNs is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
- Payment** – Payments for applications made through this application form can only be made by cheque. Payment can be made by both BPAY and EFT but only by making an online application, which can be accessed by following the web address provided on the front of the application form. **Do not forward cash with this Application Form as it will not be accepted.**

Your cheque must be made payable to "Firetrail Absolute Return Limited" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

## DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, YOU DECLARE THAT:

- all details and statements made on the form are complete and accurate;
- where information has been provided about another individual, that individual's consent has been obtained to transfer the information to the Company;
- the Company and their respective officers and agents are authorised to do anything on your behalf (including the completion and execution of documents) to enable the Shares to be allocated to you;
- you agree to be bound by the constitution of the Company;
- neither the Company nor any person or entity guarantees any particular rate of return on the Shares, nor do they guarantee the repayment of capital.

## LODGEMENT INSTRUCTIONS

The Offer opens at 9.00am (AEDT) on 24 September 2018 and is expected to close at 5.00pm (AEDT) on 19 October 2018. The Company may elect to extend the Offer or close it (after the Offer is open) at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and cheques must be:

**POSTED TO:**  
Firetrail Absolute Return Limited  
C/- Automic  
PO Box 2226  
STRAWBERRY HILLS NSW 2012

**DELIVERED TO (during business hours only – 9.00am to 5.00pm (AEDT)):**  
Firetrail Absolute Return Limited  
C/- Automic  
Level 29, 201 Elizabeth Street  
SYDNEY NSW 2000

**Your Application Form must be received by Automic no later than 5.00pm (AEDT) 19 October 2018.**

If you have any enquiries in respect of this Application, please contact Automic by either phone on **1300 288 664** or at [corporate.actions@automic.com.au](mailto:corporate.actions@automic.com.au).



# Firetrail

ABSOLUTE RETURN LIMITED

## YOUR PRIVACY

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## CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual	Mr John Richard Sample	J R Sample
Joint Holdings	Mr John Richard Sample & Mrs Anne Sample	John Richard & Anne Sample
Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Trust
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample <Food Health Club A/C>	Food Health Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

## INSTRUCTIONS FOR COMPLETING THE FORM

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This is an Application Form for Ordinary Fully Paid Shares ('Shares') in Firetrail Absolute Return Limited (ACN 628 082 879) ('Company'), made under the terms set out in the Prospectus dated 11 September 2018. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus.

The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable) and an Application Form, on request and without charge.

- Shares applied for & payment amount** – Enter the number of Shares you wish to apply for. Your application must be for a minimum of 2,000 Shares (A\$4,200). Applications for greater than 2,000 shares must be in multiples of 100 Shares (A\$210). Next, enter the amount of the Application Monies payable. To calculate this amount, multiply the number of Shares applied for by the offer price, which is A\$2.10 per share.
- Applicant name(s) and postal address** – Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. You should refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact Details** – Please provide your contact details for us to contact you between 9.00am AEDT and 5.00pm AEDT should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at <https://investor.automic.com.au/#/home>
- CHESS Holders** – If you are sponsored by a stockbroker or other participant and you wish to hold shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" (SRN) will be allocated to you.
- TFN/ABN/Exemption** – If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFNs is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
- Payment** – Payments for applications made through this application form can only be made by cheque. Payment can be made by both BPAY and EFT but only by making an online application, which can be accessed by following the web address provided on the front of the application form. **Do not forward cash with this Application Form as it will not be accepted.**

Your cheque must be made payable to "Firetrail Absolute Return Limited" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

## DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, YOU DECLARE THAT:

- all details and statements made on the form are complete and accurate;
- where information has been provided about another individual, that individual's consent has been obtained to transfer the information to the Company;
- the Company and their respective officers and agents are authorised to do anything on your behalf (including the completion and execution of documents) to enable the Shares to be allocated to you;
- you agree to be bound by the constitution of the Company;
- neither the Company nor any person or entity guarantees any particular rate of return on the Shares, nor do they guarantee the repayment of capital.

## LODGEMENT INSTRUCTIONS

The Offer opens at 9.00am (AEDT) on 24 September 2018 and is expected to close at 5.00pm (AEDT) on 19 October 2018. The Company may elect to extend the Offer or close it (after the Offer is open) at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and cheques must be:

**POSTED TO:**  
Firetrail Absolute Return Limited  
C/- Automic  
PO Box 2226  
STRAWBERRY HILLS NSW 2012

**DELIVERED TO (during business hours only – 9.00am to 5.00pm (AEDT)):**  
Firetrail Absolute Return Limited  
C/- Automic  
Level 29, 201 Elizabeth Street  
SYDNEY NSW 2000

**Your Application Form must be received by Automic no later than 5.00pm (AEDT) 19 October 2018.**

If you have any enquiries in respect of this Application, please contact Automic by either phone on **1300 288 664** or at [corporate.actions@automic.com.au](mailto:corporate.actions@automic.com.au).

Firetrail Absolute Return Limited. ACN 628 082 879

### BROKER FIRM OFFER

To participate in the Broker Firm Offer your completed application form must be returned to your broker by no later than 5.00pm Sydney time on the Broker Firm Offer Closing date.

Broker Reference – Stamp Only

Broker Code

Adviser Code

### YOUR APPLICATION DETAILS

Enter your details below (clearly in capital letters using pen), attach cheque and return in accordance with the instructions on the reverse.

**1. Number of Shares applied for** **Application payment (multiply box 1 by A\$2.10 per share)**

,     ,

**A\$**     ,

**Applications must be for a minimum of 2,000 Shares (A\$4,200), and thereafter in multiples of 100 Shares (A\$210)**

**2. Applicant name(s) and postal address: refer to naming standards for correct form of registrable title(s) overleaf**

Name of Applicant 1

Name of Applicant 2 or <Account Designation>

Name of Applicant 3 or <Account Designation>

**Postal address**

Unit / Street Number / Street name or PO Box

Suburb/Town State Postcode

Country and ZIP Code (if outside Australia)

**3. Contact details**

**Telephone Number** **Contact Name (PLEASE PRINT)**

(  )

**E-mail Address**

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible).

**4. CHESS Holders Only – Holder Identification Number (HIN)** **Note: if the name and address details in section 2 do not match exactly with your registration details held at CHESS, any Shares issued as a result of your Application will be held on the Issuer Sponsored subregister.**

**5. TFN/ABN/Exemption Code**

Applicant #1 Applicant #2 Applicant #3

If NOT an individual TFN/ABN, please note the type in the box. C = Company; P = Partnership; T = Trust; S = Super Fund

# Firetrail

ABSOLUTE RETURN LIMITED

## YOUR PRIVACY

Automic Pty Ltd (ACN 152 260 814) trading as Automic advises that Chapter 2C of the Corporation Act 2001 requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – [www.automic.com.au](http://www.automic.com.au).

## CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual	Mr John Richard Sample	J R Sample
Joint Holdings	Mr John Richard Sample & Mrs Anne Sample	John Richard & Anne Sample
Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Trust
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample <Food Health Club A/C>	Food Health Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

## INSTRUCTIONS FOR COMPLETING THE FORM

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