



CAPITAL  
PARTNERS

# LSN Emerging Companies Fund Information Memorandum

June 2022

*Investment Manager:*  
LSN Capital Partners Pty Ltd

*Trustee:*  
Currawong Fund Services Pty Ltd

*Administrator and Custodian:*  
Link Fund Solutions

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## Important Information

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LSN Capital Partners Pty Ltd (**Manager**) ACN 651 222 301 is the investment manager for the LSN Emerging Companies Fund (**Fund**). This confidential information memorandum (**Information Memorandum**) and investment opportunity is being offered by the Trustee of the Fund, Currawong Fund Services Pty Ltd AFSL No. 341759 (**Trustee**) which is the issuer of this document. The Information Memorandum relates to an investment opportunity in the LSN Emerging Companies Fund. **The Information Memorandum is dated June 2022.**

Please read this document carefully as it does not consider your personal circumstances or objectives. You are encouraged to seek professional advice prior to investing. Recipients of this Information Memorandum should not consider the contents of this Information Memorandum as financial product advice or a recommendation to purchase Units in the Fund.

We are not obliged to update the information provided in this information memorandum. However, we may elect to update you by providing details on our website at [www.lsncapital.com.au](http://www.lsncapital.com.au). You should review the website regularly for updates and changes to this Information Memorandum

This Information Memorandum and the investment opportunity are only available to wholesale clients, as defined in the Corporations Act 2001 (Corporations Act). The Fund is structured as an Australian wholesale (unregistered) unit trust and is a managed investment scheme for the purposes of the Corporations Act. The Fund is not, nor is it required to be, registered, with the Australian Securities and Investments Commission (**ASIC**.)

This document is not a disclosure document or product disclosure statement for the purposes of the Corporations Act and has not been, and is not required to be, lodged with ASIC. This Information Memorandum has not been prepared to the same level of disclosure required for a product disclosure statement or prospectus. If you are not a wholesale client, please do not read this Information Memorandum.

This Information Memorandum is confidential, and you must not copy or distribute it to any other person unless they are directly involved in your consideration of the proposed Offer. This Information Memorandum (including any copy of it) may not be distributed outside Australia where it may be unlawful to do so under local laws.

This Information Memorandum is based on information available at the time of preparation and from sources believed to be reliable. The Manager does not make any representation that it has verified the information. No representation or warranty is made as to the fairness, accuracy or completeness of the information, opinions and conclusions contained in this Information Memorandum or any other information the Manager otherwise provides to you.

To the maximum extent permitted by law, the Manager and its officers, employees and advisors are not liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on this Information Memorandum or otherwise in connection with it. Neither the Manager, nor its officers, employees or advisors guarantee a return on your investment or capital.

Unless otherwise indicated, all fees quoted in this Information Memorandum are exclusive of the effect of GST and any input tax credits and all Dollar amounts refer to Australian Dollars.

You can also access additional information on our website and if you have questions, please do not hesitate to contact the Manager. Contact details are at the end of this Information Memorandum.

[www.lsncapital.com.au](http://www.lsncapital.com.au)

[investors@lsncapital.com.au](mailto:investors@lsncapital.com.au)

## Letter from the Manager

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Dear Investor

We are pleased to offer you the opportunity to invest in the LSN Emerging Companies Fund (Fund).

LSN Capital Partners (Manager) is an independent Australian fund manager which is wholly owned by its founders, Nick Sladen and Nick Leitl. We believe the greatest investment opportunities in Australian equities typically sit outside the ASX top 100 and this is where the Fund's investments will be concentrated. The objective of the Fund is to deliver strong capital growth for investors over the long term, by investing in a concentrated portfolio of emerging companies.

The LSN Emerging Companies Fund is an actively managed portfolio built using a robust stock selection process with strong risk controls. The Fund will hold between 30-60 investments, on average hold less than 20% in cash, and does not replicate a benchmark. No short selling, gearing or derivatives will be used. This investment mandate is designed to generate the best outcome for investors across variable market conditions.

We have more than 30 years combined investment experience, managing capital on behalf of institutional superannuation funds, family offices, private wealth groups and individual investors. During this time, we have successfully managed portfolios through the Global Financial Crisis (GFC), European debt crisis and the COVID-19 pandemic.

We are committing significant personal capital to the Fund, which shows our belief in the investment opportunity and strongly aligns our interests with investors.

Please read this Information Memorandum carefully, including the section on risks, and seek professional advice.

If you would like to discuss this document or have any further questions, please don't hesitate to email us at:

[investors@lsncapital.com.au](mailto:investors@lsncapital.com.au)

We look forward to welcoming you to the Fund.

Kind regards

Nick Sladen & Nick Leitl  
Co-founders and Portfolio Managers

## 1. Key Features

The following table provides a summary of the Fund's key features:

<b>Fund Name</b>	<b>LSN Emerging Companies Fund</b>
<b>Manager</b>	LSN Capital Partners Pty Ltd (ABN 651 222 301) has been appointed as the investment manager (the <b>Manager</b> ) of the Fund and is responsible for managing the Fund's assets. The Manager is an authorised representative of Currawong Fund Services Pty Ltd (AFS Licence No. 341759).
<b>Trustee</b>	Currawong Fund Services Pty Ltd (AFS Licence No. 341759).
<b>Custodian</b>	Link Fund Solutions Pty Ltd.
<b>Administrator</b>	Link Fund Solutions Pty Ltd.
<b>Compliance</b>	Compliance & Risk Services Pty Limited.
<b>Auditor</b>	Daniel Allison & Associates.
<b>Investment Horizon</b>	5+ years.
<b>Investment Objective</b>	The Fund's objective is to provide investors with capital growth over the long term by investing in a portfolio of emerging companies.
<b>Investment Strategy</b>	To hold a long only portfolio of quality emerging companies which predominately sit outside the S&P/ASX100.
<b>Benchmark</b>	S&P/ASX Small Ordinaries Accumulation Index.
<b>Unit Pricing</b>	Monthly (Original Units will be issued at \$1.00)
<b>Applications</b>	Monthly, upon receipt no later than 2pm AEST, seven business days prior to the final business day of each month.
<b>Minimum Initial Investment</b>	Minimum initial investment is \$50,000 unless otherwise agreed with the Manager.
<b>Redemptions</b>	Monthly, upon receipt no later than 2pm AEST, seven Business Days prior to the final business day of each month. Minimum redemption requests are \$25,000, subject to the ability of the Trustee to suspend redemptions.

<b>Who Can Invest</b>	Wholesale or Sophisticated Investors, as defined in the Corporations Act 2001.
<b>Management Fee</b>	1.25% (excluding GST, net of RITC) p.a. of the net asset Value.
<b>Performance Fee</b>	20% (excluding GST, net of RITC) of the amount by which the Fund outperforms the Benchmark during a Performance Period (calculated monthly, payable quarterly in arrears) and provided any underperformance from previous periods has been recovered.
<b>Buy/Sell Spread</b>	+/- 0.30%.
<b>Distributions</b>	Annual distributions will be made within 2 months of the end of each Financial Year. Distributions are generally reinvested in the Fund unless you instruct otherwise.
<b>Investor Communications</b>	Monthly.

## 2. About the Fund

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### 2.1 Overview

We invest in companies which the Manager determines have the ability to generate sustainable earnings growth over the long term which are led by highly capable management teams

### 2.2 Fund Strategy & Objective

The Fund's objective is to provide investors with capital growth over the long term by investing in companies listed on the Australian Stock Exchange (**ASX**). The Manager's research efforts will focus on companies which typically sit outside the ASX 100. The Fund is intended to reflect a concentrated portfolio, holding between 30-60 investments, which is actively managed and built using a robust stock selection process with strong risk controls.

The Fund's benchmark is the S&P/ASX Small Ordinaries Accumulation Index (**Benchmark**) for Performance Fee calculation purposes. However, the Fund does not invest relative to a benchmark and aims to hold no more than 20% cash (on average) over the long term.

The Fund seeks to identify emerging companies which can take advantage of changing industry dynamics and innovation. These businesses are characterised by sustainable earnings growth, attractive return metrics and are run by outstanding management teams. The Fund will seek to invest in these companies because the valuations and capital structures allow for strong shareholder returns over the long term.

### **2.3 Investment Strategy**

Companies that consistently grow earnings over time are generally rewarded with higher share prices and investing in these companies helps the Fund to achieve capital growth over the long term. While the Fund focuses on companies which are at the early stage and high growth phase of the company lifecycle, investment opportunities also present themselves further along the company lifecycle. We allocate capital to investments based on a detailed stock selection process with a rigid set of portfolio construction guidelines and risk controls.

### **2.4 Invest in quality businesses**

The Fund's focus is to invest in companies with robust operating models that are producing, or have the potential to produce, sustainable earnings growth and deliver operating cashflow to shareholders. These companies also require an appropriate capital structure which accurately reflects their position in the company's lifecycle.

### **2.5 Invest in quality People**

Investing in quality people leads to superior outcomes. Management teams which are appropriately incentivised and have a track record of consistently delivering strong shareholder returns, have a greater chance of future company success. Founder led businesses can be extremely attractive, given that the alignment of interests generally leads to superior allocation of capital and value creation. However, it is critical to implement appropriate Governance structures to ensure minority investors are not disadvantaged. In analysing potential investments, the Fund puts a strong emphasis on the quality of management teams.

### **2.6 Invest at the right price**

The Fund's focus is to deliver long term capital growth for investors which means valuation metrics play an important role in the investment process. The sustainability of earnings is a key input in assessing the valuation which can be ascribed to a business. This is assessed in the context of the industry in which they operate, identifiable competitive advantage and barriers to entry. Valuations also need to reflect the variability in operating models, industries and growth rates.

### **2.7 Environmental, Sustainability, Governance (ESG) Approach**

The Manager has integrated an ESG framework into its research process and undertakes detailed analysis to identify and address any ESG investment risks. This is a core element of the investment due diligence undertaken for each company. Investing in smaller companies tends to be higher risk than larger companies which is why understanding ESG issues is not only a critical risk management tool, it can also assist identification of opportunities. Interaction with Management and Board is the best way to work through ESG frameworks for smaller companies given they tend to have fewer resources available to produce the detailed reports issued by larger companies.



### **3. Meet the Team**

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#### **3.1 LSN Capital Partners – The Investment Manager**

LSN Capital Partners, founded in 2021, is an independent investment manager specialising in emerging companies that predominately sit outside the S&PASX/100. The Manager was founded by Nick Sladen and Nick Leidl, who have in excess of 30 years investment experience in Australian Equity markets. Previously, the founders worked at leading investment firms, managing capital on behalf of institutional superannuation funds, family offices, private wealth groups and individual investors. The Fund offers investors a capacity constrained portfolio of emerging companies which does not replicate a benchmark. The founders are 100% owners of the business and have committed significant personal capital to the Fund as a demonstration of their belief in the investment opportunity and to ensure their interests are strongly aligned with those of the investors.

#### **3.2 Nick Sladen – Co-Founder & Portfolio Manager**

Nick has in excess of 22 years of Financial Markets experience including over 14 years of direct Australian Equity Investment Management experience with a track record of outperformance.

Prior to establishing LSN Capital Partners, Nick was Portfolio Manager (Australian Equities) at Myer Family Investments. Nick commenced his investment management career with Perennial Growth Management, which was sold to Janus Henderson in 2015, where Nick was Co-Portfolio Manager of the Janus Henderson High Conviction Fund. Nick has a deep understanding of all facets of the Investment Management industry built up over many years' experience having successfully managed large equity portfolios through a range of market conditions.

Nick holds a Bachelor of Business (Economics & Finance) from RMIT University and has also completed a Graduate Diploma in Applied Finance & Investment from FINSIA.

#### **3.3 Nick Leidl – Co-Founder & Portfolio Manager**

Nick has enjoyed a career in financial markets spanning more than 20 years', with over 14 years Global Investment Management experience.

Nick was a key member of a small and highly rated investment team at K2 Asset Management which oversaw significant growth in Funds Under Management driven by outstanding investment returns. Nick was responsible for stock selection and portfolio management within Australian, Global and Asian equity funds and has a track record of strong performance across all market cycles. He was also a member of the K2 Asset Management investment and asset allocation committees.

Nick holds Bachelor of Business (Economics & Finance) from RMIT and a certificate with Corporate Finance Institute® (CFI)- Financial Modelling & Valuation, Honour Roll.

### 3.4 Alignment of Interests

The Manager is wholly owned by the Co-Founders who have both committed their personal assets into the Fund. All employees of the Manager will be restricted from personally investing in companies owned by, or on the focus list, of the Fund. This ensures the best ideas are available to the Fund and it further aligns with investors interests.

## 4. Applications and redemptions

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### 4.1 Applications for Units

Units are issued monthly on the first Business Day of the month (**Issue Date**) or any other date determined by the Trustee (at the direction of the Manager). Applications for Units (other than the Original Units) must be received no later than 2pm seven Business Days before the last business day of the month (**Application Cut Off Date**).

Applications received after the Application Cut Off Date will be processed on the following Application Date.

### 4.2 Original Units

The initial subscription price per Original Unit is AU\$1.00.

### 4.3 Subsequent Units

The application price for subsequent Units will be determined based on the following:

$$\frac{\text{Net Asset Value}}{\text{Number of Units in Issue}} + \text{Buy Spread}$$

The Net Asset Value will be determined on the last day of the month immediately prior to the Issue Date.

### 4.4 Additional investment

The minimum amount for further investments into the Fund is generally \$25,000 unless otherwise agreed in advance with the Manager. Please contact the Manager for the 'Additional Investment Form'.

### 4.5 Unit Redemption

Redemption Requests will be processed on the first Business Day of each month (**Redemption Date**). Applications for redemption must be received no later than 2pm seven Business Days before the last business day of the month (**Redemption Cut-Off Date**). Applications for redemption received after the Redemption Cut Off Date will be processed on the next following Redemption Date.

It is expected that redemption proceeds will be paid within 15 Business Days of Redemption Date.

#### 4.6 How is the Redemption Price determined?

The Redemption Price is determined as follows:

$$\frac{\text{Net Asset Value}}{\text{The number of Units in Issue}} - \text{Sell Spread}$$

The Net Asset Value is determined on the last business day of the month immediately prior to the Redemption Date.

The Trustee, at the direction of the Manager may suspend redemptions for such periods as it determines appropriate where the Manager believes it is in the best interests of Unitholders as a whole or where there is a delay in realising assets to meet a Redemption Request. The Trustee may redeem only a part of a redemption request at the direction of the Manager.

To redeem, complete the Redemption Request Form available from the Manager and submit the form to the Administrator (the details are set out on the Redemption Request).

The minimum withdrawal amount is \$25,000, subject to maintaining a minimum of \$25,000 invested. If processing the Redemption Request leaves an amount less than the minimum investment, we may redeem your entire investment.

Once lodged, Redemption Requests cannot be withdrawn although the Trustee has the discretion to accept a withdrawal request. Your withdrawal will be paid by electronic funds transfer to your nominated account within 15 days of receipt of the Redemption Date.

The Trustee may deduct from any monies payable to an investor (including on winding up) or otherwise recover from an investor all payments due, including:

- (a) any moneys due to the Trustee or Manager from the investor; and
- (b) any moneys the Trustee (as trustee, or in any other capacity) owes a third party relating to the investor or the Fund (for example, to the Australian Taxation Office (ATO)).

#### 4.7 Fluctuations in Indicative Unit Price

Investors should note that, as the Net Asset Value fluctuates, there may be a significant difference between the actual Redemption Price and the published or indicative Unit price as at the time a Redemption Request is submitted and/or received (Indicative Unit Price).

The Trustee is not liable for any loss where the Redemption Price is less than the Indicative Unit price at the time a Redemption Request is submitted and/or received or for any other delays in redemption.

## 5. Fees And Expenses

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### 5.1 Overview of fees

This section shows fees and other expenses that you may be charged. These fees and costs may be deducted from your application amount, from the returns on your investment or from the Fund assets as a whole. The fees and costs are exclusive of the net effect of GST (i.e., exclusive GST net of any input tax credits or reduced input tax credits (RITC), as applicable).

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

Establishment Fee:	<b>Nil</b> (please note buy spread)
Management Fees:	1.25% (excluding GST, net or RITC) of the Gross Asset Value
Performance Fees:	20% (excluding GST, net of RITC) of the amount by which (after deduction of the Management fees and expenses) the Fund exceeds the Benchmark return during a Performance Period (or part period where relevant), and provided any underperformance from previous periods has been recovered.
Withdrawal Fee:	Nil (please note sell spread)

All fees are exclusive of GST.

### 5.2 Management Fees

The Manager is entitled to a management fee of 1.25% of the Gross Asset Value per annum. The Management Fee is calculated and accrued monthly and payable monthly in arrears from the assets of the Fund.

### 5.3 Performance Fees

In addition to the Management Fee, the Manager is entitled to a Performance Fee of 20% (excluding GST, net of RITC) of the total return of the Fund (after any fees and expenses have been deducted) that exceeds the return of the Benchmark during a Performance Period, provided any underperformance from previous periods has been recovered.

5.4 A Performance Period is each Financial Quarter (or part thereof). Where the total return of the Fund is less than the Benchmark return, no Performance Fee is payable. The Performance Fee is calculated and accrued monthly and is payable by

the Trustee to the Manager in arrears, within 30 days of the end of the relevant Performance Period.

### **5.5 Benchmark**

The Benchmark for the Original Units is the S&P/ASX Small ordinaries Accumulation Index as at the date of the conclusion of the issue of the Original Units (**Base Benchmark**).

### **5.6 Buy Sell Spread**

The Buy/Sell spread is an estimate of the transaction costs associated with buying and selling assets of the Fund (such as brokerage) and the Issue Prices and Redemption Prices are adjusted accordingly. The adjustment is:

- (a) Down for the withdrawal price, -0.30% of the Unit Price (Sell Spread); and
- (b) Up for the application price, +0.30% of the Unit Price (Buy Spread).

These spreads are paid to the Fund and not to the Trustee or Manager.

### **5.7 Expenses**

Other expenses of the Fund include trustee fees, audit fees, legal fees, administrator fees, custodian fees, insurance, government charges, AML checking fees, CRS checking fees, transaction costs, taxes, Fund formation costs and other general expenses allowable under the Constitution. Some of these fees are fixed and will fall as a proportion of Fund fees as Fund assets grow. These expenses will be paid by the Manager and may be reimbursed from the Fund assets either when incurred or at a future date. Abnormal expenses are expected to occur infrequently and may include (without limitation) costs of litigation to protect investors' rights, costs to defend claims in relation to the Fund, legal fees, once off or non "business as usual" fees, and termination and wind-up costs. If abnormal expenses are incurred, they will be deducted from the assets of the Fund, as and when they are incurred.

### **5.8 Changes in Fees and Costs**

All fees and expenses can change for a range of reasons such as regulatory changes or changes in economic conditions.

The Manager may change its fees by giving at least 30 days notice in writing to the investors with the consent of the Trustee. The Manager can also give notice to the Trustee to vary the Buy/Sell Spread by giving at least 30 days notice.

### **5.9 Bank and Government Charges**

All government fees, duties and bank charges will apply to your applications and redemptions (withdrawals) as appropriate.

### 5.10 Fee variances

The Manager can pay some of its fees to others if it chooses and, subject to relevant laws, the Trustee and/or Manager may charge lower fees to some investors. These payments do not impact the returns you may receive from the Fund.

### 5.11 Commission Sharing Agreement

The Manager may use Commission Sharing Agreements (CSA) from time to time where commissions may be used for payment of certain investment related expenses such and third-party research or portfolio trading systems.

### 5.12 Sub-underwriting

The Manager, for a fee, may sub-underwrite secondary market capital raisings.

## 6. Investing in the Fund

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### 6.1 How do you qualify as a wholesale client?

To be eligible to apply to invest in the Fund, applicants must be a Wholesale Client or a Sophisticated Investor. Generally, this includes an investor who (if an individual, is above 18 years old):

- (a) invests \$500,000 or more in the Fund; or
- (b) provides a certificate from a qualified accountant (available within the Application Form that states the investor has net assets of at least \$2.5 million or has a gross income for each of the last two financial years of at least \$250,000; or
- (c) is a professional investor (including the holder of an Australian financial services licence, a person who controls more than \$10 million or a person that is a listed entity or a related body corporate of a listed entity).

### 6.2 Subscription of units

The minimum investment amount is \$50,000. To invest, please submit a completed Application Form, required verification documentation and remit cleared funds (**Completed Application**) to the Administrator with BPAY facilities available. Any interest earned on Application Monies received prior to processing is credited to the Fund.

Application Monies should be deposited prior to 2pm at least seven Business Days before the end of the month by BPAY or electronic funds transfer to the Fund's Application account, details of which are set out in the Application Form, to be held to the investor's order, pending issue of Units. See **Section 4** in relation to the Issue Price.

There are no cooling off rights in relation to an investment in the Fund.

As Units are issued, the corresponding monies will be transferred from the Application Account to the Fund's operating accounts and be available to be utilised in the Fund's investments. You will be sent a confirmation once your application is accepted and processed.

### **6.3 How to invest in the Fund**

You need to pay for your investment by electronic funds transfer (EFT) from your financial institution account as follows:

**Bank:** ANZ Bank **BSB:** 012-055

**Account Number:** 8384-04332

**Account Name:** CURRAWONG FUND SERVICES PTY LTD ATF LSN EMERGING COMPANIES FUND

You will receive confirmation when your application is accepted.

All EFT payments must be accompanied by a notification email to [LFS\\_Registry@linkgroup.com](mailto:LFS_Registry@linkgroup.com) to ensure that the investor account is properly credited.

If applicants wish to transfer funds from a foreign bank, additional documentation may be requested, and the application will not be processed until satisfactory documentation has been provided to the Manager. The Manager reserves the right to reject an application. If you apply through a financial planner or other advisor, they may assist you to obtain the necessary documentation and provide it to us. If you apply directly and need assistance with the Application Form or understanding the documentation requirements, you may contact the Administrator on the details below

### **6.4 Processing**

Applications are processed monthly. Any interest on application monies received prior to processing is credited to the Fund. The Manager may refuse investment applications and need not provide reasons.

### **6.5 Application confirmation**

- (a) Following acceptance of your application, you will be sent an application advice.
- (b) You should check the details on the advice carefully and contact the Administrator if you have any questions.

## 6.6 Further Questions

If you have any questions about any matter relating to the Fund's strategy, people and processes, please email the Manager at [investors@lsncapital.com.au](mailto:investors@lsncapital.com.au) or call on +61 3 9225 5456 / + 61 3 9225 5597.

For questions about forms, applications, redemptions, confirmation notices, tax statements or unit pricing please contact the Administrator on +61 2 9547 4311.

## 7. Tax

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### 7.1 General

Investing in the Fund has tax consequences, depending upon your individual situation. Given the complex and dynamic nature of the Australian taxation system, and the fact that different tax circumstances apply to different types of investors, the Manager recommends that investors obtain their own professional tax advice on the tax consequences of investing in the Fund. The taxation information below provides general information only that outlines the Australian tax implications applicable to the Fund and Australian tax investors who hold their Units on capital account for tax purposes. This summary is based on the Australian tax laws and their interpretation as at the date of this Information Memorandum.

### 7.2 Taxation of the Fund

The Fund is resident in Australia for tax purposes. Under normal circumstances, the Fund will not pay income tax because it will distribute all the net taxable income (including capital gains) to investors each financial year. In the case where the Fund makes a revenue loss or net capital loss, this loss cannot be passed onto investors for tax purposes. Instead, revenue tax losses will be carried forward in the Fund as an offset against taxable income of the Fund derived in future years. Net capital losses will be carried forward in the Fund and offset against future capital gains.

### 7.3 Taxation for Australian Tax Residents

An investor's tax liability ultimately depends on their circumstances, for example, if the investor holds their Units in the Fund on capital account, their share of the taxable income of the Fund for each year ended 30 June should be included as assessable income in the tax return for each such year, even if the distribution is reinvested as additional Units in the Fund in the next year.

The Manager will make distributions, if any, within 2 months after 30 June each year. Distributions may represent realised gains on disposal of investments as well as income (i.e. dividends and interest) and tax credits (i.e. franking credits attached to dividend income and foreign income tax offsets). At the end of each financial year, you will be sent a tax statement that will indicate the composition of your distribution and other information you need each year to help you complete your tax return.



Any capital gains distributed by the Fund should benefit from the discount available for shares held on capital account for 12 months or more. This discount is presently 50% for individuals (or trusts) and 33.3% for complying superannuation funds. The discount is not available to companies.

#### **7.4 Unit Disposal**

If you dispose of your Units in the Fund (by way of redemption or otherwise) you may be subject to tax on any gain arising. A discount may be available on the capital gain on Units held for 12 months or more by individuals, trusts or complying superannuation funds.

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

GST should not be payable on your investment in the Fund. However, GST will apply to the Management Fee and Performance Fee and certain fees and costs charged to the Fund. The Fund will generally be able to claim Reduced Input Tax Credits at the prescribed rates of the GST payable on those services. GST will not be applied to the buy/sell spread.

#### **7.6 Tax File Number (TFN) and Australian Business Number (ABN)**

Investors are not obliged to provide their TFN, ABN or details of any relevant exemption. However, failure by an investor to quote a TFN, ABN or provide details of a relevant exemption may cause the Manager to withhold tax at the top marginal rate plus the Medicare Levy, on gross payments including distributions to the investor. Investors will be entitled to claim an income tax offset/refund (as applicable) in respect of the tax withheld by the Manager in their income tax returns.

### **8. Distributions Of Income**

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#### **8.1 Distributions**

It is intended that no income tax will be payable by the Fund. As such, in each financial year ending on 30 June (**Distribution Calculation Date**) the full amount of taxable income available for distribution from the Fund will be distributed to investors. This income will generally be distributed to investors annually, with the payment expected to be made within two months of the Distribution Calculation Date

#### **8.2 Distributions will be automatically reinvested in the Fund unless you instruct otherwise at least 30 days before the end of the relevant Financial Year. Should you elect not to reinvest distributions, they will be paid to your nominated bank account within two months of the end of the relevant Financial Year. Immediately after a distribution is declared, the Unit price of the Fund will usually fall by the amount of the distribution. This is because the distribution reduces the Fund's assets. Units issued on reinvestment of a distribution will be priced using the next NAV per unit calculated after the end of the relevant distribution period.**

- 8.3 Distributions are not pro-rated for investors who were not unit holders for the whole period, meaning that you may receive some of your investment back immediately as income if you invest just before a distribution. Conversely, if you withdraw from the Fund just before a distribution, you might, in effect, turn income into a capital gain.

The Manager has delegated to the Administrator the determination of the NAV of the Fund and the Unit price, subject to the overall supervision and direction of the Manager. In determining the NAV of the Fund and the Unit price, the Administrator will follow the valuation policies and procedures adopted by the Fund.

## **9. Risks**

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### **9.1 General**

Like any investment there are some key risks that may impact the value of your investment in the Fund. You will need to consider the level of risk that you are comfortable with, taking into all factors of your personal circumstances, such as your age, your investment timeframe, other assets and investments you have, and your overall tolerance for risk. Many risks fall outside of the Trustee's and the Manager's control and cannot be completely mitigated.

The following is a non-exhaustive list of the main risks associated with the Fund. Investors should consider the risks, weigh them up carefully and make their own assessment as to whether they are comfortable with them.

### **9.2 Market Risk**

The price of investments in the Fund may fluctuate for a variety of reasons such as economic conditions, technology change, climate, political or legal conditions, unexpected major world events, interest rates and even market sentiment. These factors can (and do) change, and these changes can affect the value of investments in the Fund.

### **9.3 Regulatory**

The value or tax treatment of the Fund or its investments, or the effectiveness of the Fund's investment strategy, may be adversely affected by changes in government (including taxation) policies, regulations and laws affecting managed investment schemes, or changes in generally accepted accounting policies or valuation methods.

### **9.4 Key Person Risk**

The Manager relies on a small investment team. If key personnel from the Manager resign or are terminated, a suitable replacement may not be found within a reasonable timeframe, and any replacement may be subject to similar risks.

## 9.5 Manager Risk

The Fund has no operating history, and the Manager has a limited operating history so there is no investment performance to allow prospective investors to evaluate the performance of the Fund. There is a risk that the Manager may fail to perform, or perform poorly, which may impact the value of the Fund and therefore your investment. You may not receive a return on your investment or a return of capital.

## 9.6 Individual Investment Risk

The price of a specific investment may be impacted by factors which are specific to that investment, especially in small cap stocks, and this may impact the value of your investment in the Fund. Additionally, unexpected changes to the operations and performance of a company may affect the value of the stocks.

## 9.7 Small Companies investment risk

Investing in small to mid-cap companies carries higher risk levels than larger companies due to the greater uncertainties and small companies are generally less liquid.

## 9.8 Investment Timeframe

Selecting the investments that best match your investment needs and timeframe is crucial in managing investment risk. The minimum suggested investment period is based on the Manager's own research and should not be considered as personal advice. You should regularly review your investment decisions with your financial or other professional adviser.

## 9.9 Liquidity / Withdrawal Risk

Liquidity risk is the risk that if the Fund invests in assets that cannot be readily bought and sold, or market events reduce the liquidity of a security or asset class. Reduced liquidity may result in the timeframe for meeting withdrawal requests not being met. This is because it may take longer to sell these types of investments at an acceptable price. In addition, if an investor or a group of investors seek to make large withdrawals, then selling assets to meet those withdrawals may have a detrimental impact on the price received by the Fund for those assets. In certain circumstances, it may be necessary to suspend withdrawals to allow sufficient time for liquidation of assets to meet withdrawals. This means that in these circumstances, you might not be able to make withdrawals during periods of suspension.

**COVID 19** The markets have been significantly impacted by the effects of COVID19 and the uncertainty around the virus is likely to continue for some time. The Manager is unable to predict the effect of COVID19 on future investments.

### **9.10 Cyber Risk**

There is a risk of fraud, data loss, business disruption or damage to the information of the Fund or to an investor's personal information because of a threat or failure to protect the information or personal data stored within the Manager's IT systems and networks or on those of outsourced service providers.

### **9.11 Concentration Risk**

The Fund may invest a relatively high percentage of its assets into a relatively small number of securities, or into securities with a relatively high level of exposure to the same end markets. This may cause the value of the Fund's investments to be more affected by any single adverse economic, political or regulatory event than the investments of a more diversified investment portfolio.

### **9.12 Counterparty Risk**

Counterparty risk is the risk that the counterparty to a transaction or contract (such as a broker or custodian) may default on their obligations and that the Fund may, as a result, experience an adverse investment outcome or liability. The Manager has conducted due diligence on outsourced service providers and based on the information provided by the respective service providers, publicly available information and reference checking, the Manager is satisfied with their credentials and ability to deliver the required service levels.

### **9.13 Distribution Risk**

There is no certainty regarding the distributions made by the Fund, the future earnings of the Fund, the income and capital appreciation of the portfolio or the return of capital invested by Unitholders.

### **9.14 Regulatory risk**

This is the risk that a government or regulator may affect the value of your investment by introducing regulatory or tax changes. A change to the Fund's structure as a result of a regulatory change may materially impact your investment.

## **10. Investor Communication & Reporting**

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You will receive the following regular reports available either via the investor online web portal or via email:

- (a) transaction statements (each time you invest, or your monies are redeemed);
- (b) distribution / income statements (each time the Fund makes a distribution);
- (c) monthly unit holder's reports (with the unit price and net asset value of your holding);
- (d) monthly reports (with updates on the Fund's performance and investments);  
and

- (e) tax return information (after the end of the financial year).

For more information on unit prices and performance, visit our website at [www.lsncapital.com.au](http://www.lsncapital.com.au)

## **11. Additional Information**

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### **11.1 Constitution**

The Constitution is the primary document that governs the way the Fund operates and sets out many of the rights, liabilities and responsibilities of both the Trustee and investors. The Trustee can amend the Constitution without investors' approval only to the extent it reasonably considers the change will not adversely affect investors' rights. The Constitution can also be amended by a special resolution passed by investors.

In the event the Fund is wound up, investors will be paid the net proceeds of the sale of the Fund's assets after the payment of wind-up costs and fund expenses.

A copy of the Constitution is available free of charge by contacting the Trustee at Level 25 / 360 Collins St, Melbourne, Victoria, 3000 or on 0412 536 546.

### **11.2 Investment Management Agreement**

The Investment Management Agreement is the agreement between the Manager and the Trustee under which the Investment Manager provides investment management services to the Fund. The Investment Management Agreement sets out the Manager's obligations to the Trustee and to the Fund. The agreement also contains the arrangements in relation to the fees and costs that are summarised in **Section 5**.

Pursuant to the Investment Management Agreement, the Trustee agrees to act as trustee of the Fund for a minimum period of 3 years. The Manager may request the Trustee to retire at any time provided that where the retirement is requested within the first 3 years from the inception of the Fund, the Manager agrees to pay to the Trustee a termination fee unless retirement is as a consequence of the Trustee breaching its duties.

All property and rights (including other investments) of the Fund must be held at all times, by and in the name of, the Trustee, or any custodian appointed by it, or in such other manner as the Constitution sets out.

### **11.3 Terminating the Fund**

The Trustee (in consultation with the Manager) can decide to terminate the Fund in the manner as set out in the Constitution

After termination, the Trustee will wind up the Fund: generally, the Trustee will realise all the investments, pay all monies owing (including fees and expenses), and distribute the net proceeds to investors as appropriate as soon as it considers practicable.

The Trustee must realise the Assets upon termination of the Fund. The Trustee would first deduct any moneys an investor owes. It can take some time to finalise this process.

#### **11.4 About the Trustee**

Currawong Fund Services Pty Ltd (CFS) is an independent provider of licensing, trustee, compliance and business strategy advice services to the asset management industry. CFS' two co-founding principals have worked for and or provided these specialist services to in excess of 85 money management firms based in Australia and overseas. These firms have ranged in size from boutique start-ups to established, globally recognised industry brands. CFS has a close affiliation with two of Australia's most respected industry specialists, Compliance and Risk Services and Milestream.

#### **11.5 Custodian**

The Trustee has appointed Link Fund Solutions as Custodian of the Fund. Link Fund Solutions is part of Link Administration Holdings Pty Ltd which is listed on the ASX with a market capitalisation in excess of \$2.3 billion and is one of Australia's leading custody service providers and a sub holder for JPMorgan. The Custodian agrees to hold the relevant Fund assets as custodian for the Fund, pursuant to the Custodian Agreement entered into with the Custodian. The Custodian is authorised to act on any proper instructions received from the Manager or its authorised representatives pursuant to the Custodian Agreement.

#### **11.6 Fund Administrator and Registrar**

The Trustee has also appointed Link Fund Solutions as Administrator and Registrar of the Fund. Link Fund Solutions is part of Link Administration Holdings Pty Ltd which is listed on the ASX with a market capitalisation in excess of \$2.3 billion and is a leader in Fund Solutions in Australia within excess of GBP100 billion currently under administration, incorporating a wide variety of both international and domestic investment schemes. The Administrator and Registrar will provide certain financial, accounting, administrative, registry and transfer agency services to the Fund, pursuant to the Administration Agreement.

#### **11.7 Legal Services**

The Manager engages Nicholson Ryan Lawyers as legal advisers to the Fund. Nicholson Ryan Lawyers are commercial law specialists in Financial Services.

## 11.8 Changing Service Providers

The service providers who assist the Trustee to operate the Fund may be changed and added to at any time and without notice to you subject to any minimum terms agreed with the providers.

## 11.9 Compulsory Redemptions

Notwithstanding **Section 4**, the Manager may redeem Units without an investor asking in limited circumstances, including:

- (a) if you have breached your obligations to the Manager;
- (b) to satisfy any amount of money due to the Manager (as trustee or in any other capacity) by you;
- (c) to satisfy any amount of money the Manager (as trustee or in any other capacity) owes someone else relating to your investment (for example, to the ATO);
- (d) where the Manager suspects that law prohibits you from legally being an investor in the Fund; or
- (e) such other circumstance as the Manager determines to be appropriate in its absolute discretion.

The Constitution sets out other circumstances where compulsory redemption may apply. A copy of the Constitution is available free of charge on request.

## 11.10 Privacy

In applying to invest, you are providing the Trustee and the Investment Manager with certain personal details. The Trustee uses this information to establish and manage that investment for you.

Under the Privacy Act 1988 (Cth), you can access personal information about you held by the Trustee, except in limited circumstances. Please let the Trustee know if you think the information is inaccurate, incomplete or out of date. You can also tell the Trustee at any time not to pass on your personal information by advising it in writing.

If you do not provide the Trustee with your contact details and other information, then it may not be able to process your application to invest.

Under various laws and regulatory requirements, the Trustee may have to pass-on certain information to other organisations, such as the Australian Tax Office or the Australian Transaction Reports and Analysis Centre (AUSTRAC).

By applying to invest, you give the Trustee permission to pass information it holds about you to other third-party service providers involved in administering the Fund, or where the Trustee requires it for the purposes of compliance with AML/CTF laws or in connection with the holding of Subscription Moneys. The Trustee may also use your information to provide you with details of future investment offers made by it or the Investment Manager.

### 11.11 Anti-Money Laundering

Applications to invest in the Fund are subject to the requirements of applicable anti-money laundering and counter terrorism financing laws and the Manager's requirements.

Investors must provide verification of their identity. Please refer to the Application Form to determine which documents you will need to provide.

Applications will not be accepted into the Fund until this has been completed. In some instances, such as the case of determining the beneficial owner of the investor, the Manager may request additional information. This must also be provided to proceed with the application.

### 11.12 Foreign Account Tax Compliance (FACTA)

FATCA is United States (US) tax legislation that enables the US Internal Revenue Service (IRS) to identify and collect tax from US residents that invest in assets through non-US entities. If you are a US resident for tax purposes, you should note that the Fund is or is expected to be a 'Foreign Financial Institution' under FATCA and it intends to comply with its FATCA obligations, as determined by either the FATCA regulations or any inter-governmental agreement (IGA) entered into by Australia and the US for the purposes of implementing FATCA. Under these obligations, the Fund will have to obtain and disclose information about certain investors to the Australian Taxation Office (ATO). In order for the Fund to comply with its obligations, we will also request that you provide certain information about yourself, including your US Taxpayer Identification Number (TIN). We will only use such information for this purpose from the date the Fund is required to do so.

11.13 **Internal** dispute resolution [speak to administrator]

## 12. Definitions

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Unless otherwise indicated by the context:

- (a) **Asset** means any holding in or of the Fund that can be expressed as a Unit price or individual securities.
- (b) **Benchmark** is defined as S&P/ASX Small ordinaries Accumulation Index
- (c) **Business Day** means a business day in Victoria, Australia
- (d) **Buy/Sell Spread** is defined in **Section 5.6**



- (e) **Constitution** means the constitution of the Fund.
- (f) **Financial Quarter** means each 31 March, 30 June, 30 September or 31 December in a Financial Year
- (g) **Financial Year** means:
  - (i) For the first financial year, the period from the establishment of the Fund to the next 30 June;
  - (ii) for the last financial year, the period from 1 July before the date the Fund terminates to the date of distribution on winding up of the Fund; and
  - (iii) in all other circumstances, the 12-month period ending on 30 June in each year.
- (h) **Fund** means the LSN Emerging Companies Fund.
- (i) **Gross Asset Value** means the value of all the Assets on a gross (and not net) basis
- (j) **Information Memorandum** or **IM** means this Information Memorandum.
- (k) **Issue Price** means the price at which a Unit is issued in accordance with **Section 4**.
- (l) **Liabilities** means all present liabilities of the Fund including any provision which the Trustee decides should be taken into account in determining the liabilities of the Fund (and includes any accrued but unpaid Management Fees).
- (m) **Manager** means LSN Capital Partners Pty Ltd.
- (n) **Net Asset Value** means the value of the Assets calculated by the Trustee less the Liabilities.
- (o) **Offer** means the offer to acquire Units in the Fund pursuant to this IM.
- (p) **Original Unit** means those Units issued up to and including 30 days from the date of this IM.
- (q) **Performance Fee** means the performance fee payable.
- (r) **Performance Period** means each Financial Quarter during each Financial Year during the term of the Fund (or part thereof in relation to the first Financial Quarter from the Commencement)
- (s) **Redemption Date** is defined in **Section 4**.

- (t) **Redemption Price** means the price at which a Unit is redeemed calculated in accordance with **Section 4**
- (u) **Redemption Request** means a request by a holder of a Unit to redeem Units.
- (v) **Trustee means** Currawong Fund Services Pty Ltd
- (w) **Unit** means an undivided share in the beneficial interest in the Fund as provided in the constitution.
- (x) **Unitholder** means the person Registered as the holder of a Unit (including persons jointly registered).
- (y) **Units on Issue** means the number of Units that have been issued less the number of Units which have been redeemed.

## 13. Contact Us

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### 13.1 Investment Manager

LSN Capital Partners Pty Ltd

ABN 651 222 301

Level 50 / 120 Collins Street, Melbourne, VIC 3000

Phone +61 3 9225 5597

[investors@lsncapital.com.au](mailto:investors@lsncapital.com.au)

[www.lsncapital.com.au](http://www.lsncapital.com.au)

### 13.2 Trustee

Currawong Fund Services Pty Ltd

ABN 80 138 846 723

AFSL 341 759

Level 25 / 360 Collins Street, Melbourne, VIC 3000

Phone: 0412 536 546

Email: [mjones@compliancerisk.com.au](mailto:mjones@compliancerisk.com.au)

0412 536 546

### **13.3 Administrator and Custodian**

Link Fund Solutions Pty Ltd

Link Market Services Limited

PO Box 3721, Rhodes NSW 2138

Phone: +61 2 9547 4311

Email: [LFS\\_registry@linkgroup.com](mailto:LFS_registry@linkgroup.com)