

Unhedged Fund (Fund)

Product Disclosure Statement

Dated: 20 December 2021

ARSN: 655 758 820

Contact via website unhedged.com.au/contact
support@unhedged.com.au

Responsible Entity

Melbourne Securities Corporation Limited
ACN 160 326 545 AFSL 428 289
Level 2, 395 Collins St,
Melbourne Vic 3000
1300 798 790

Manager and Administrator

Cache Investment Management Pty Ltd
ACN 624 306 430 AFSL 514 360
2/6 James St,
Manly NSW 2095
1300 122 243

Unhedged

Unhedged Pty Ltd
ACN 646 541 362 AR001288751
710 Collins Street,
Docklands, Victoria, 3008
support@unhedged.com.au

Content

1. About Melbourne Securities Corporation Limited	2
2. How Unhedged Fund works	3
3. Benefits of investing in the Fund	4
4. Risks of managed investment schemes	4
5. How we invest your money	5
6. Fees and Costs	6
7. How managed investment schemes are taxed	7
8. How to apply	7
9. Additional information	8

Page

Important information

This Product Disclosure Statement (**PDS**) is a summary of significant information about the Fund and is issued by Melbourne Securities Corporation Limited (ACN 160, 326 545, AFSL 428289 (**MSC, we, us, our**)). It refers to important information in the Additional Information Document (available at unhedged.com.au/importantdocuments/AID.pdf) (**AID**) and Investment Options List (available at unhedged.com.au/importantdocuments/IOL.pdf), which both form part of this PDS.

You should consider the information in this PDS (including the AID and the Investment Options List) and obtain financial advice tailored to your personal circumstances before making a decision about the Fund. The information in this PDS is general information only, is not financial product advice and does not take account of your personal financial situation or needs.

The Fund is a fully digital investment product. By making an application, you agree to receive communications in digital form only (including via email or the Unhedged App with a copy of, or

hyperlink to, the relevant communication). The Unhedged App is not incorporated by reference into, and otherwise does not form part of, this PDS.

This offer is only open to investors who are Australian residents for income tax purposes, who have received this PDS in Australia and who have an Australian residential address.

Information in this PDS may change from time to time. Where a change is not materially adverse to investors, it may be updated via a notification at unhedged.com.au. You can ask us to provide a digital copy of any updated information, free of charge, at support@unhedged.com.au.

MSC is not a bank and an investment in the Fund is not a bank account. Neither Unhedged, Cache, us nor any other person guarantees the performance of the Fund, the repayment of capital from the Fund or any particular rate of return.

1. About Melbourne Securities Corporation Limited

Responsible Entity

Melbourne Securities Corporation Limited (ACN 160 326 545, AFSL 428289) (MSC, we, us, our) is the responsible entity of the Fund and the issuer of units in the Fund. MSC is responsible for operating the Fund and the Fund's compliance with its trust deed (Constitution), the Corporations Act (2001) (Corporations Act) and other relevant laws.

Custodian

Phillip Capital Limited ACN 002 918 247 AFSL 246827 has been appointed by MSC to hold Fund assets as custodian, and may also provide other services (including services relating to trade and transaction settlement, corporate action reporting and administration, proxy voting, income and distribution processing and cash management).

Manager and Administrator

Cache Investment Management Pty Ltd (ACN 624 306 430 AFSL 514 360) (Cache) has been appointed by MSC to manage the Fund and its investments and to provide administration, promotion and other services to the Fund.

Unhedged

Unhedged Pty Ltd (ACN 646 541 362 AR 001288751) (Unhedged) is the promoter of the Fund and will assist investors to engage with their investment in the Fund by operating the Unhedged App. Unhedged has been appointed as Cache's authorised representative under its Australian financial services licence.

2. How Unhedged Fund Works

A unit trust and a managed investment scheme

The Fund is a managed investment scheme that is structured as an Australian unit trust and registered with the Australian Securities and Investments Commission under the Corporations Act. There are several classes of units in the Fund (each, an **Investment Option**).

The economic entitlement attached to a unit in the Fund is determined by reference to the assets of the Fund referable to the relevant class of units (described in this PDS as the **Investment Option's assets**). A unit represents an undivided beneficial share in the assets of the Fund as a whole (subject to the Fund's liabilities) and does not entitle the unit holder to any Fund assets in particular.

Each Investment Option has a unit price

Each Investment Option may have a different unit price. The unit price for an Investment Option is determined by dividing the Investment Option's net trust value by the number of units on issue in the Investment Option at that time.

The unit price for each Investment Option will vary as the market value of the Investment Option's underlying assets rise and fall.

For more information, please see the Unit Pricing Policy and Fair Value Pricing Policy for the Fund. You can ask us to provide a digital copy to you free of charge at support@unhedged.com.au.

How to increase or decrease your investment

To open your investment in the Fund, you will need to open an account by completing an approved Application Form or via the Unhedged mobile application (**Unhedged App**), and deposit monies into your account.

When you've successfully opened an account and we've received and accepted your cleared funds, you will be issued units in the relevant Investment Option at the applicable unit price (plus any applicable buy spread).

You may increase the size of your investment by providing us with an investment instruction via an Investment Instruction Form or the Unhedged App coupled with depositing additional funds into your account. These monies, once cleared, will be applied towards acquiring units in the chosen Investment Option.

You may decrease the size of your investment by making a withdrawal request using the approved Withdrawal Form or via the Unhedged App. Withdrawal amounts will usually be paid to you within 5 - 7 days after we receive and accept your withdrawal request (less any applicable sell spread and any amounts you owe us in relation to your investment).

You may also request to switch money from one Investment Option to another, and we will deem that to constitute both a request to withdraw from one Investment Option and an application to invest in another. Where we accept that kind of request, units in the first Investment Option will be redeemed at their applicable unit price (less any applicable sell price) and then the proceeds will be applied towards an application for units in the second Investment Option at their applicable unit price (plus any applicable buy spread). You may hold units in more than one Investment Option at a time.

You will usually be able to increase and decrease the size of your investment in this way 24 hours per day, 7 days per week. Fees apply – see section 6 'Fees and Costs' of this PDS.

Transfers of units

Transfers of units are not permitted without our consent.

Limitations

In some circumstances, such as when there is a freeze on withdrawals or the Unhedged App is unavailable, investors may not be able to withdraw from the Fund within the usual period upon request.

We may accept or reject any deposit or withdrawal request at any time at our discretion, without providing reasons for our decision.

Minimum amounts

The minimum initial investment amount is **\$100**. There is no minimum withdrawal amount or minimum balance.

Distributions

The Fund does not pay distributions to you. Any income received by the Fund in respect of units allocated to you will be automatically reinvested into the Fund and will increase the value of your investment. You can withdraw the amount of any income that has been automatically re-invested by making a withdrawal request using the approved Withdrawal Form or via the Unhedged App.

You should read the important information about acquiring and disposing of units before making a decision. Go to section 1 of the AID. The material relating to acquisitions and disposals of units may change between the time when you read this PDS and the day when you acquire the product.

3. Benefits of investing in the Fund

The key features and benefits of an investment in the Fund include:

Access to investment options

We provide access to sophisticated investment options to help you start investing and steadily build wealth over time, through an easy-to-use Unhedged App. The Fund enables you to choose from a range of Investment Options that give exposure to US listed equities and bonds (either directly or indirectly through ETFs) and cash (US dollars). You can set the allocation to each of the Investment Option(s) that suit you, to build your own portfolio.

Professional team at work

Unhedged employs professional quantitative analysts that improve existing algorithms / execution mechanisms and develop new algorithms to replace algorithms when needed. Unhedged's analysts are experts in algorithmic investing.

Making it work, even for small balances

The key to investing is time. The earlier you start, the better. You can start investing in the Fund even with a low minimum balance.

Mitigating human biases

The Fund is designed to help you build wealth through an algorithmic trading strategy. This strategy has the potential to increase wealth as irrational decisions, that may be based on fear and greed, are mitigated.

Investments on autopilot

Our algorithms are designed to trade continuously when markets are open, and make decisions in an instant. We will automatically reinvest dividends and distributions back into the Fund to grow the value of your investment. We rebalance the investments in the Fund automatically using an algorithm.

Aligned incentives

Our fee structure is aligned to the performance of the Fund. When the Fund is over-performing compared to the relevant benchmark for the Investment Option, a performance fee is charged.

You should read the important information about the key features and benefits of investing in the Fund before making a decision. Go to section 2 of the AID. The material relating to the key features and benefits of investing in the Fund may change between the time when you read this PDS and the day when you acquire the product.

All investment options carry risk

Risks may result in loss of income, loss of principal invested and possible delays in repayment. You could receive back less than you invested and there is no guarantee that you will receive any income. Also remember that past performance is not a reliable indicator of future performance.

4. Risks of Managed Investment Schemes

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

Returns in the Fund are not guaranteed. The value of investments will vary, as will investment returns. Future returns may differ from past returns and investors may lose some or all their money.

The appropriate level of risk for each investor will vary depending on a range of factors including age, investment timeframe, risk tolerance and where other parts of the investor's wealth are invested.

The significant risks of investing in the Fund include but are not limited to:

(Performance risk): the risk that your investment in the Fund does not perform as you expect or meet your financial requirements. There is no guarantee that any investment strategy will be managed successfully.

(Market risk): the risk of investment losses resulting from poor market conditions or changes to the market price of assets held by the Fund. This includes the risk that a market outside Australia experiences poor market conditions.

(Liquidity risk): the risk that the Fund has insufficient liquid assets to pay a withdrawal request in a timely manner.

(Interest rate risk): the risk to performance resulting from changes in interest rates.

(Credit risk): the risk that the credit quality of a bond may decrease (for example, because of a reduction in the creditworthiness of the bond issuer) and adversely impact the value of the bond.

(Fund risk): the risk that the Fund terminates, its fees or other terms change or MSC, Cache, Unhedged or another service provider changes.

(Underlying fund risk): the risk that any underlying fund or ETF terminates, its fees or other terms change or its manager or other service provider changes.

(Concentration risk): the risks associated with investing in a limited number of shares, ETFs or investment classes.

(Authorisation risk) the risk that your investment is accessed by another person that pretends to be you (for example, by using your mobile device or password).

(Operational risk): the risk that our, Cache's, Unhedged's or another service provider's operational processes and procedures malfunction or fail.

(Foreign exchange risk): the risk that the value of the currency in which investments are held falls.

(Data security risk): the risk that information systems fail, are infiltrated or corrupted.

(Algorithmic trading risk): the risks arising from engaging in automated algorithmic trading including the risk that the algorithm design is flawed or that the input data is of poor quality.

(Regulatory risk): the risk that the laws or regulations that impact the Fund (or its assets) change in Australia or overseas.

You should read the important information about the risks of investing in the Fund before making a decision. Go to section 3 of the AID. The material relating to the risks of investing in the Fund may change between the time when you read this PDS and the day when you acquire the product.

5. How We Invest Your Money

The Fund is an algorithmically invested investment vehicle. We offer a range of Investment Options under this PDS. Each Investment Option (except the USD Cash Investment Option) invests in accordance with a particular investment algorithm.

Detailed information about each Investment Option is set out in the Investment Options List.

You should consider the likely investment return, risk and your investment time frame when choosing to invest in an Investment Option.

As an example, we set out detailed information about the 'Sector Rotation' Investment Option below.

Investment return objective – Sector Rotation

The investment return objective for the Sector Rotation Investment Option is to exceed the performance of the S&P Target Risk Growth Index after fees and expenses in Australian dollars by providing exposure to broad-based index ETFs that invest in US equities and bonds

There is no guarantee that the returns of an underlying ETF will reflect its index or meet its objective.

The benchmark to calculate any performance fee in respect of the Sector Rotation Investment Option is the iShares Core Growth Allocation ETF (AOR.ARC).

Investment Option – Sector Rotation

This strategy is designed to allocate between equity and bond exposures depending on market conditions. These conditions are measured by comparing the performance between various pairs of markets.

There are markets which are deemed to be defensive in nature, such as gold, so their relative performance against another market, such as silver, will signal whether the overall market is in a positive or negative sentiment. The allocation to equity or bond exposure will be based on individual sectors with the weightings determined by an allocation algorithm to set an equal risk contribution of each security.

This Investment Option is **High** risk. The recommended investment period is at least 7 years, but investors may make withdrawal requests at any time.

Asset allocation – Sector Rotation

International equities	59.5% [0% - 100%]
International bonds	39.5% [0% - 100%]
USD cash	0% [0% - 100%]
AUD cash	1% [0% - 10%]

This table sets out the strategic asset allocations. In practice, the actual asset allocation may vary from the target asset allocation (within the range specified). The Fund's investment objective and strategy can be changed without notice in some cases. Investors will be informed of any material change to the Fund as required by law.

You should read the important information about how we invest your money before making a decision. Go to section 4 of the AID and to the Investment Options List. The material relating to how we invest your money may change between the time when you read this PDS and the day when you acquire the product.

6. Fees and Costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example reduce it from \$100,000 to \$80,000).

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

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial advisor.

TO FIND OUT MORE

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

Fees and Costs continued

Fee Table

The table below shows fees and other costs that you may be charged in the **Sector Rotation Investment Option** and can be used to compare costs between different simple managed investment schemes.

Fees and costs may be paid directly from your account or deducted from investment returns.

TYPE OF FEE OR COST

Fees when your money moves in or out of the fund	
Establishment fee	Nil
Contribution fee	Nil
Withdrawal fee	Nil
Exit fee	Nil
Management costs¹ The fees and costs for managing your investment	0.96% p.a. of the net trust value of the Fund, comprising: Management fee: 0.49% p.a. Performance fee ² : 0.28% p.a. Indirect costs ³ : 0.19% p.a. Recoverable expenses: Nil

Where a direct debit or other payment is dishonoured (for example, due to insufficient funds) we may charge an amount of \$5.

For more information, or for the fees and costs for other Investment Options, please see section 5 of the AID and sections 1 and 2 of the Investment Options List.

¹These figures reflect fees and costs that MSC reasonably estimates, as at the date of this PDS, will apply for the current financial year (adjusted to reflect a 12-month period) as a percentage of the net trust value of the Fund. Certain additional fees and costs may apply, such as transactional and operational costs.

²The performance fee depends on the Investment Option and is reasonably estimated to range from 0% to 1.61% per annum of the net trust value of the Fund.

³The estimated indirect costs depends on the Investment Option and is estimated to range from 0% to 0.35% per annum of the net trust value of the Fund.

Example of annual fees and costs

This table gives an example of how the fees and costs for the **Sector Rotation Investment Option** can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

EXAMPLE – Sector Rotation ⁴		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution fees	\$0	For every additional \$5,000 you put in, you will be charged \$0.
Plus management costs	0.96% ⁵	And , for every \$50,000 you have in the Sector Rotation Investment Option you will be charged \$480 each year.
Equals cost of Sector Rotation Activity Investment Option		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of: \$480 What it costs will depend on the investment option you choose and the fees you negotiate.

There is a calculator provided by ASIC on its Moneysmart website (www.moneysmart.gov.au) that you can use to calculate the effect of fees and costs on your balance.

⁴Additional costs may apply, namely transactional and operational costs. This example assumes a constant investment of \$50,000 throughout the year and the \$5,000 investment occurs at the end of the year. The performance fee is not payable if your investment did not outperform the relevant benchmark for the Investment Option.

⁵This includes the performance fee of 0.28% per annum of the net trust value of the Fund, which is MSC's reasonable estimate of the performance fee that will apply for the current financial year (adjusted to reflect a 12-month period). Performance fees are calculated as a percentage of the dollar value added by the Fund over the relevant benchmark for the Investment Option.

Fees and Costs continued

Additional explanation of fees and costs

In respect of the Fund, no transaction fees will be charged when you invest money, withdraw money, or move money from one Investment Option to another.

Fees will be deducted from the transaction amount and paid directly from the Fund to Cache, who will pass on some or all that fee to MSC or Unhedged (depending on the scale of the Fund).

All monetary amounts are in Australian dollars. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (GST), any applicable stamp duty and consider expected reduced input tax credits in respect of the GST component of the fee.

We can change our fee structure without your consent, subject to

the maximum fees described in the Constitution. Fees may vary over time due to changes to the Fund, changing economic conditions or changes in regulation. We will provide 30 days' notice of any proposed increase to our fees or charges.

If you have a financial adviser, additional fees may be payable to the adviser. Refer to the Statement of Advice provided by your adviser.

You should read the important information about the fees and costs of the Fund before making a decision. Go to section 5 of the AID and sections 1 and 2 of the Investment Options List. The material relating to the fees and costs of the Fund may change between the time when you read this PDS and the day when you acquire the product.

7. How Managed Investment Schemes Are Taxed

Investing in a registered managed investment scheme is likely to have tax consequences and you are strongly advised to seek professional tax advice.

Registered managed investment schemes generally do not pay tax on behalf of investors. However, we may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. Investors are assessed for tax on any income and capital gains generated by the registered investment scheme.

We will provide an annual summary of distributions made to you during each financial year, as well as the relevant information required to complete your Australian tax return.

You should read the important information about how managed investment schemes are taxed before making a decision. Go to section 6 of the AID. The material relating to how managed investment schemes are taxed may change between the time when you read this PDS and the day when you acquire the product.

8. How to Apply

How to invest

Before you choose to invest, please carefully read and consider this PDS (including the AID and the Investment Options List).

To invest, you will need to download the Unhedged App and then complete and submit an application through the Unhedged App or Application Form.

At the moment, we will only accept applications from Australian resident individuals of at least 18 years of age.

Cooling off

Where your application to invest in the Fund has been accepted, you can request the return of your investment within a 14-day cooling-off period. Please contact Unhedged directly if you would like to exercise this right. If you cool-off, we will return your money to you and no fees will apply. However, the amount you receive will reflect any movement (whether up or down) in the unit price of the Fund and any related expenses. As a result, there may be tax, profit or loss implications for you. The cooling-off period commences on the earlier of the end of the fifth business day after your units are issued or the day you receive confirmation of your investment.

Enquiries or complaints

If you have any suggestions, tips or complaints, please contact:

Unhedged
710 Collins Street, Docklands, Victoria 3008
support@unhedged.com.au

Unhedged will confirm receipt of any complaint by email within 1 business day, investigate the matter (in conjunction with Cache) and get back to you with a response with the aim of resolving your complaint within 30 days.

If an issue has not been resolved to your satisfaction, you can request that the complaint be escalated to MSC for review. You can also lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
afca.org.au
info@afca.org.au
1800 931 678 (freecall)

9. Additional Information

You should read the important additional information about requesting information from us, telling us when your details change, how we keep you updated (i.e. transaction confirmation and reporting), our privacy statement, requirements relating to your foreign tax residency status, what we need to know and understand about you (including under anti-money laundering laws), when we may suspend your investment account or refuse to process a transaction, the Constitution, and how we meet our obligations in respect of the Fund (i.e. our compliance plan).

The AID also contains information about your rights and liability under the Constitution and investor meetings, your liability, financial information we'll give you about the Fund and what happens if the Fund terminates and changes to the Fund. **Go to section 7 of the AID.**

Contact via website:

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Trustee

Melbourne Securities Corporation
Limited (MSC)
ACN 160 326 545 AFSL 428289
Level 2, 395 Collins Street,
Melbourne Vic 3000
1300 798 790
info@msc.group

Manager and Administrator

Cache Investment Management Pty Ltd
ACN 624 306 430 AFSL 514 360
2/6 James St,
Manly NSW 2095
1300 122 243
help@cacheinvest.com.au

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Phillip Capital Limited
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Level 12, 15 William Street Melbourne
VIC 3000
03 8633 9800
info@phillipcapital.com.au