



oracle
ADVISORY GROUP

ORACLE FIXED INTEREST FUND

ARSN 650 401 004

Additional Information Booklet

23 June 2021

Responsible Entity

One Managed Investment Funds Limited
ACN 117 400 987
AFS licence 297042
(Responsible Entity, we or us)

Investment Manager

Oracle Investment Management Pty Ltd
ABN 15 149 971 808
AFS licence 430574
(Oracle or Investment Manager)

This Additional Information Booklet (**AIB**) provides important information in relation to the Oracle Fixed Interest Fund ARSN 650 401 004 (**Fund**), in addition to the Product Disclosure Statement for the Fund dated 23 June 2021 (PDS). The information in this AIB forms part of the PDS.

We have prepared the PDS and this AIB without taking account of your investment objectives, financial situation or needs. The PDS and this AIB do not contain investment, legal or tax advice. You should obtain professional advice tailored to your own circumstances before investing.

Contact Details

If you have any questions or would like a copy of the PDS, this AIB or any updates or other information about the Fund, please contact us or the Investment Manager by:

Phone: 02 8277 0000

Email: oracle@oneinvestment.com.au

Website: www.oneinvestment.com.au/oracle

Address: Oracle Fixed Interest Fund
Level 16, Governor Macquarie Tower
1 Farrer Place, Sydney NSW 2000

By post: PO Box R1471
Royal Exchange NSW 1225

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Glossary

Certain capitalised terms used in this AIB are defined in the Glossary.

1. How we invest your money

1.1 Investment products

The Fund's investments may include:

- Cash
- Government bonds
- Term deposits
- Secured debt instruments
- Senior unsecured debt instruments
- Subordinated debt instruments
- Hybrid securities/capital notes*
- Both rated and unrated fixed interest investments

*Hybrid securities are a class of securities that possess both debt and equity characteristics. They usually pay fixed or floating interest payments over an agreed period, at which point they may be repaid or converted into equity. Generally, these securities rank behind all other debt securities and only ahead of ordinary equity. As such, they tend to offer higher income yields, to compensate for the additional risks associated with the investment.

1.2 Selection process

Oracle uses a range of strategies when constructing the Fund.

Oracle always bears in mind that its objective is to outperform the Fund's benchmark (Bloomberg AusBond Bank Bill Index) and so Oracle looks for investment opportunities that will meet this objective. Examples of opportunities that may meet Oracle's objectives are as follows:

- A. Companies that pay a high yield. Oracle has extensive equity market experience and its investment team has the expertise to research and analyse a wide range of companies. Many quality companies have not as yet reached investment grade status, however their balance sheets and profit and loss accounts may be in excellent shape and they may have a long history of being a successful company. Many of these companies offer attractive yields, which Oracle chooses to invest in for the duration of the security.
- B. Oracle aims to invest a high proportion of the portfolio in securities that Oracle believes are mispriced by the market. Oracle spends considerable time analysing the returns offered by the issuer and compare this to the returns offered by companies of similar quality. Where Oracle identifies a variance between the offered return and what Oracle considers to be the market return, Oracle will invest with the view to capitalize on this variance. This is typically undertaken with investment grade securities, many of which are offering modest yields. Oracle is seeking to achieve a superior return through capital gain more than the income generated on this type of investment.

Oracle considers many aspects of the security when undertaking this analysis, including duration of security, fixed or floating, currency, credit rating and margin, as compared to other issuances.

Oracle locates many of these opportunities in new issues, where issuers are providing a premium income due to a variety of factors, including new issuer premium, or simply the need to issue a premium to the market to ensure that the issue is fully subscribed in a timely manner.

- C. Oracle also buys securities at a discount to face value, with the view that it believes the issuer is likely to redeem the securities within an estimated time frame. Reasons for redemption by an issuer may include the security ceasing to be classed by regulators or ratings agencies as equity and transitioning to a period of being classified as debt.
- D. Oracle also takes a top-down approach when considering interest bearing securities. At different times, some sectors may be out of favour with the market and hence their interest bearing securities are offered at a higher than normal interest rate, to attract investors. Oracle may elect to hold the security until the sector is more in favour, which causes the interest rate to fall and the price of the security to rise. This strategy is usually only conducted with investment grade securities.
- E. Oracle will also invest in companies that are investment grade, however some of their securities are lower in the investment hierarchy and hence attract a higher interest rate.
- F. When selling, Oracle's strategy is not to simply focus on the running yield or on the return that has been achieved on the security, but focuses on yields to maturity and on the expected future return.

2. Fees and costs – additional information

2.1 Additional information about management fees and costs

Management costs

The management costs in the fees and costs table in the PDS include an estimate of Other Fees and Expenses, which comprise the Responsible Entity's fees as well as the usual ongoing expenses associated with operating the Fund (such as annual tax and audit costs, fund administration fees, registry fees and custody fees).

The Responsible Entity's fees are tiered, based upon the total value of assets in the Fund. See also 'Maximum fees' in Section 2.3.

The Other Fees and Expenses are capped at 0.20% per annum. Any Other Fees and Expenses over and above 0.20% per annum will be paid by the Investment Manager.

The estimate of the Fund's Other Fees and Expenses does not include any abnormal costs. Abnormal costs are costs that may be incurred by the Fund irregularly or on a one-off basis, such as costs associated with calling unitholder meetings, fees associated with any removal of the Responsible Entity and other unexpected legal or other advisory costs to the Fund.

Management costs do not include transactional and operational costs. Transactional and operational costs are amounts which an investor in a fund would bear if they invested in the assets of the Fund directly. This is explained below under the heading 'Transactional and operational costs'.

The management costs disclosed in the fees and costs tables in the PDS are based on reasonable estimates projected over a 12-month period.

2.2 Transactional and operational costs

These are costs associated with making and disposing of the Fund's investments. They include –

- (a) any buy/sell spread, and
- (b) other transactional and operational costs (i.e. brokerage, settlement and clearing costs).

Buy/sell spread

Where transactional and operational costs are incurred as a result of buying and selling Fund assets for applications and withdrawals, an allowance for those expected costs may be added to, or subtracted from, the Fund's unit price in determining an application price (for applications) and a withdrawal price (for withdrawals) per unit. The difference between the application price and the withdrawal price is the buy/sell spread.

A buy/sell spread is an additional cost to Investors (within the application price or withdrawal price) and is not a fee paid to the Responsible Entity or the Investment Manager, but is instead retained as part of the assets of the Fund.

Other transactional and operational costs

These can include for example brokerage and settlement costs.

Transactional and operational costs are payable from the Fund and may vary from year to year. Because the Fund is a new fund with limited trading history, it is not possible to report the historical transactional and operational costs of the Fund in any year.

However, the Investment Manager estimates transactional costs will be approximately 0.03% of the average gross asset value of the Fund each year. For example, for every \$50,000 of asset value of the Fund, it is estimated the Fund will incur transactional and operational costs of \$15 per annum.

2.3 General

Fees paid to a financial adviser or broker

If you have a financial adviser or broker, then you may also have to pay other fees to your adviser. Details of adviser fees should be set out in the Statement of Advice given to you by your adviser.

Waiver or deferral of fees

The Responsible Entity or the Investment Manager may, in their discretion, accept lower fees and expenses than they are entitled to receive, or may defer or waive payment of those fees and expenses for any time. If payment is deferred, then the fee will accrue until paid.

Maximum fees

Under the Constitution, the Responsible Entity is entitled to charge management fees. The maximum management fees payable to the Responsible Entity under the Constitution is 3% per annum of gross asset value of the Fund (increased each year by the greater of 3% or CPI, with increases commencing from 1 July 2022).

Government and other charges

Government fees, taxes and duties, as well as charges made by your financial institution (including dishonour fees), may also apply to investments and withdrawals, and these are payable from your investment.

Differential fees

The Responsible Entity may negotiate with 'wholesale clients' (as defined in the Corporations Act), on an individual basis, in relation to rebates on management fees in circumstances permitted by the Corporations Act or applicable relief granted by ASIC. In the event rebates are offered, they will be paid by either the Responsible Entity or Investment Manager and therefore will not affect the fees paid by, or any distributions to, other Investors.

3. How managed investment schemes are taxed – additional information

We recommend that investors obtain their own specific income tax advice with respect to their investment in the Fund. The following are simply general comments regarding the Australian income tax rules and may or may not apply to you.

Your tax liability ultimately depends on your circumstances, for example, whether you are an Australian resident or non-resident for tax purposes and it is important that you seek professional advice before you invest or deal with your investment.

Generally no income tax is payable by the Fund and each Investor who is an Australian resident for tax purposes (Australian resident) will be required to include in their assessable income their proportionate share of the net income of the Fund in a year, whether the amounts are distributed or reinvested.

Where payable, distributions could comprise:

- assessable income (such as distributions and interest);
- net taxable capital gains (from the sale of the Fund's investments);
- tax deferred income; and
- tax credits (such as franking credits attached to distribution income and credits for tax paid on foreign income).

For Direct Investors, we will send you the information you need each year to help you to complete your tax return.

Disposal of units

Additionally, Australian residents are generally subject to capital gains tax (CGT) on gains made when they dispose of their Units.

Depending on your particular circumstances, including whether you are an Australian resident and if you have held the Units for at least 12 months, you may be entitled to discount CGT treatment. The CGT concession is 50% for an Australian resident individual or trust and 33 1/3% for an investor that is a complying superannuation fund (please note that the federal opposition has announced plans to reduce this concession for Australian taxpayers). Investors who are companies are not eligible for the CGT discount.

The Fund may distribute tax deferred income (non-assessable amounts) which are generally not subject to income tax. Broadly, the receipt of certain non-assessable amounts may reduce the cost base of the Investor's investment in the Fund. If the cost base of an Investor is reduced to 'nil' by tax-deferred distributions, further tax deferred distributions received may trigger a taxable capital gain. Capital gains arising as a result of this may qualify for discount CGT treatment (if eligible).

Providing a Tax File Number (TFN)

You do not have to disclose your tax file number (**TFN**) or any Australian Business Number (**ABN**) you may have, but most investors do. The law is very strict on how we can use these details.

If you choose not to provide us with your TFN or ABN and do not have an exemption, we must withhold tax at the highest marginal rate, plus the Medicare levy, before passing on any distribution to you.

Non-resident Investors

Tax outcomes can be different for Investors who are not residents of Australia for tax purposes. For example, when a non-resident Investor is entitled to a share of the net income of the Fund, we may be required to withhold tax from certain Australian sourced income or capital gain. The amount withheld will depend on the type of income and the country of residence of the Investor.

Non-resident Investors will not be subject to capital gains tax in the event they dispose of their Units where the Unit is not 'taxable Australian property'. Generally, a Unit will not be taxable Australian property for this purpose, unless the Investor has (with associates) a 10% or more interest in the Fund and more than 50% of the market value of the Fund's assets are attributable to Australian real property.

You are strongly advised to seek your own professional tax advice in respect of your investment in the Fund, including any transfers or withdrawal from the Fund.

Attribution Managed Investment Fund regime

A regime for taxing certain eligible MITs (known as AMITs) is available where the Responsible Entity makes an irrevocable choice for it to apply.

The AMIT regime includes the following measures:

- an attribution method for allocating taxable income to Investors, which is independent of the amount of income distributed to them;
- clarification that income distributed to Investors retains the tax character it had in the hands of the Fund;
- an ability for under-estimations and over-estimations of amounts at the trust level to be carried forward and dealt with in the year in which they are discovered;
- both upwards and downwards adjustments to Investors' cost base for CGT purposes and cost for revenue purposes in specified circumstances;
- clarification of the treatment of tax deferred distributions; and
- deemed fixed trust treatment.

As at the date of this Additional Information Booklet, the Responsible Entity has made no election for the AMIT regime to apply. If in the future the Responsible Entity makes a choice for the AMIT regime to apply, Investors will be advised.

The tax position of the Fund and Investors will change if the AMIT regime begins to apply to the Fund. Investors should seek their own tax advice on the potential impact of the Responsible Entity choosing for the AMIT regime to apply to the Fund.

4. Additional information

4.1 Important documents

Constitution

The Fund has been registered by ASIC as a managed investment scheme pursuant to Chapter 5C of the Corporations Act. The Constitution is the primary document governing the rights and obligations between the Responsible Entity and investors. If you invest in the Fund, you agree to be bound by the terms of the Constitution. A copy of the Constitution is available free of charge from the Responsible Entity.

Compliance Plan

The Responsible Entity has a compliance plan for the Fund lodged with ASIC. The compliance plan describes the procedures used by the Responsible Entity to ensure it complies with the Corporations Act and Constitution, in the operation of the Fund.

Investment Management Agreement

The Investment Management Agreement is an agreement between the Responsible Entity and the Investment Manager, which governs the role of the Investment Manager in investing and managing the Fund and providing other services in relation to the Fund.

The Investment Manager is entitled to receive a management fee of 0.51% per annum (inclusive of GST less RITCs) of the gross asset value of the Fund.

The Investment Manager is entitled to be reimbursed for all expenses (reasonably incurred) by the Investment Manager.

The Investment Management Agreement contains provisions dealing with matters such as the Investment Manager's obligations to report to the Responsible Entity.

The Investment Management Agreement will remain in force until the Fund is wound up, unless the agreement is terminated earlier in accordance with its provisions. The agreement can be terminated by the Responsible Entity if the Investment Manager is in material breach of the agreement, and that breach has not been remedied after a certain time. There are also provisions allowing the Responsible Entity to terminate if, for example, the Investment Manager becomes insolvent.

4.2 Investing through an Investment Service

As explained in the PDS, an Investor through an Investor Directed Property Service (IDPS) or IDPS-like scheme (known commonly as a master trust or wrap account or nominee or custody service) is not a direct investor in the Fund, rather they are an "indirect investor", and some things are different for them.

Indirect investors –

- (a) are not investors in the Fund – the administration platform operator is the investor,
- (b) do not acquire the rights of an investor – the administration platform operator has these rights,
- (c) do not receive distributions or reports directly from us – we send these to the administration platform operator, and
- (d) do not directly participate in investor meetings or directly in any winding up of the Fund, and the administration platform operator can participate if it chooses.

Investors who wish to access the Fund through an administration platform are authorised to use the PDS for that purpose. However, you should contact your Investment Service operator to find out how some of the features of the Fund might be different for you.

4.3 Related party transactions and conflicts of interest

In our position as responsible entity of the Fund, we may from time-to-time face conflicts between our duties as responsible entity, our duties to other funds we manage and our own interests. We will manage any conflicts in accordance with the Corporations Act, the Constitution, ASIC policy, our conflicts of interest policy, and the law.

The Responsible Entity has appointed an associated company, Unity Fund Services Pty Ltd ABN 16 146 747 122, as Administrator for fund accounting services and has also appointed a related party, One Registry Services Pty Limited ABN 69 141 757 360, as Registry Provider for registry services in respect of the Fund. The Responsible Entity has appointed these parties in consultation with, and with agreement from, the Investment Manager.

The Administrator and the Registry Provider may be entitled to be paid removal fees from the Fund if their appointments are terminated within four years of the date of their appointment, in accordance with the relevant service agreements.

We may from time-to-time enter into other transactions with other related entities. All transactions will be effected at market rates or at no charge, and in accordance with the Corporations Act.

We and the Investment Manager have policies on proposed or potential related party transactions to ensure that any actual or potential conflicts of interest are identified and appropriately dealt with. Copies of our policy on related party transactions are available on request.

As part of the Fund's investment strategy, the Fund may invest into other investment funds which are managed by the Investment Manager.

4.4 Change of Responsible Entity

A change of responsible entity for the Fund requires Investors to pass an extraordinary resolution to give effect to the replacement. An extraordinary resolution must be passed by at least 50% of the total votes that may be cast by Investors entitled to vote (including Investors who are not present in person or by proxy).

4.5 Continuous disclosure

If the Fund has 100 or more Investors, it becomes a disclosing entity for the purposes of the Corporations Act and will be subject to regular reporting and disclosure obligations. As at the date of this PDS, the Fund is not a disclosing entity. However, this may change in the future. We will follow ASIC's good practice guidance in satisfying our continuous disclosure obligations via website notices. Information and continuous disclosure notices for the Fund will be available by going to www.oneinvestment.com.au/oracle or by contacting us.

Direct Investors have the right to obtain from the Responsible Entity, free of charge, the following documents:

- The annual financial report most recently lodged with ASIC for the Fund.
- Any half-year financial report lodged with ASIC for the Fund.
- Any continuous disclosure notices given by the Fund.

The above documents will be available by going to www.oneinvestment.com.au/oracle or by contacting us.

4.6 Foreign tax compliance disclosure

The Foreign Account Tax Compliance Act (FATCA) is United States (US) legislation that enables the US Internal Revenue Service to identify and collect tax from US residents that invest in assets through non-US entities. The OECD Common Reporting Standards for Automatic Exchange of Financial Account Information (CRS) is a similar global regime aimed at collecting and reporting on an investor's tax status. If you are a foreign resident for tax purposes, then you should note the Fund will comply with its FATCA and CRS obligations by collecting, retaining and reporting about certain investors to the ATO.

4.7 Indemnity

The Responsible Entity is indemnified out of the Fund against all liabilities incurred by it in properly performing or exercising any of its powers in the proper performance of its duties in relation to the Fund. This indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity. Subject to the law, the Responsible Entity may retain or pay out from the assets of the Fund any sum necessary to effect such an indemnity.

4.8 Consents

Each of the parties referred below has given and not, prior to the date of the PDS and this AIB, withdrawn its written consent to the inclusion of the statements in the PDS and this AIB made in the capacity specified below in the form and content in which the statements appear:

- (a) Oracle Investment Management Pty Ltd – Investment Manager.
- (b) Unity Fund Services Pty Limited – Administrator for the Fund.
- (c) One Registry Services Pty Limited – Unit Registry.

4.9 Reports to investors

Direct Investors will receive the following information:

- An investment confirmation upon issuing Units.
- Periodic Fund updates, generally provided quarterly.
- An annual tax statement detailing information required for inclusion in your annual income tax return.

Annual financial reports are available at www.oneinvestment.com.au/oracle. These will not be sent to you unless requested. Where the Fund becomes a disclosing entity, half-year financial reports will also be available for Direct Investors.

5. Glossary

AFS licence	Australian financial services licence.
AMIT	Attribution managed investment trust.
Constitution	The constitution of the Fund, as amended from time to time.
CPI	Consumer price index.
Direct Investor	Someone who invests directly in the Fund (rather than through an Investment Service).
Fund	Oracle Fixed Interest Fund ARSN 650 401 004.
GST	Goods and services tax.
Investment Manager	Oracle Investment Management Pty Ltd ABN 15 149 971 808.
Indirect Investor	Someone who invests in the Fund through an Investment Service.
Investment Service	An Investor Directed Portfolio Service (IDPS) or IDPS-like scheme (known commonly as a master trust or wrap account or nominee or custody service).
Investor	A holder of Units in the Fund.
MIT	Managed investment trust.
Other Fees and Expenses	The usual ongoing costs of operating the Fund, including Responsible Entity fees, annual tax and audit costs, fund administration fees, registry fees and custody costs.
RITC	Reduced input tax credits
Responsible Entity	One Managed Investment Funds Limited ACN 117 400 987
Unit	A unit in the Fund.