

**ALIGNED CAPITAL PARTNERSHIP**

*Information Memorandum*

**Aligned Capital Partnership Investment Trust**

**Information Memorandum**

  
**ALIGNED  
CAPITAL  
PARTNERSHIP**

DRIVEN BY INDEPENDENT THINKING  
VALUATION FOCUSED  
+  
NO MANAGEMENT FEES  
NO INDEX HUGGING  
NO LEVERAGE  
+  
NO NONSENSE



# ALIGNED CAPITAL PARTNERSHIP

## *Information Memorandum*

**Aligned Capital Partnership Pty Ltd (ACN 618 424 016)**

**Date of Information Memorandum: 1<sup>st</sup> July 2021**

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#### IMPORTANT LEGAL INFORMATION

This document (“Information Memorandum”) contains information about the Aligned Capital Partnership Investment Trust (ABN 52 704 511 804) (the “Trust”). It is issued by Aligned Capital Partnership Pty Ltd (ACN 618 424 016) (“ACP”), the trustee and investment manager of the Trust.

This Information Memorandum is intended solely for the use of persons eligible to apply for Units in the Trust for the purpose of evaluating a possible investment in the Trust. Offers made under this Information Memorandum are made exclusively to ‘Wholesale Investors’ that are Wholesale Clients within the meaning of the *Corporations Act 2001 (Cth)* (“Corporations Act”). This Information Memorandum is not intended for, and should not be construed as an offer or invitation to, any other person or in any other jurisdiction where it would be unlawful to offer units for subscription under this Information Memorandum. No action has been taken to register or qualify the Units or the offer under this Information Memorandum, or to otherwise permit a public offering of the Units in any jurisdiction. The distribution of this Information Memorandum outside Australia may be restricted by law and persons who come into possession of this Information Memorandum outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

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The information in this Information Memorandum is up to date as at the time of preparation. ACP may amend or withdraw this Information Memorandum at any time and may issue a new or amended information memorandum from time to time. A copy of the Deed of Trust is available from ACP.

**Neither ACP nor any of its affiliates, related bodies corporate, directors, officers, employees, representatives or advisors (“Specified Persons”) guarantees the rate of return of any investment in the Trust, the meeting of any investment objectives, the performance of the Trust, nor repayment of capital.**

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This Information Memorandum is not, and is not required to be, a disclosure document or product disclosure statement (within the meaning of the Corporations Act) and does not contain the same level of disclosure as those documents. No verification or substantive due diligence review of the information contained in this Information Memorandum has been undertaken.

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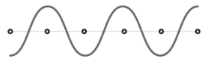
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#### LETTER FROM THE INVESTMENT MANAGER

Dear Investor

Aligned Capital Partnership Pty Ltd (“ACP”) is the trustee and investment manager of the Aligned Capital Partnership Investment Trust (the “Trust”). There are no external investors in Aligned Capital Partnership, so what I am doing is exercising my independent judgement about what is going to deliver the best investment returns over the long-term for the Trust.

Like most others, the Trust aims to grow wealth for its investors. Despite this common objective, I believe this Trust and its investment manager are different to many others in several key respects, the most important of which is that of true alignment.

My objective is to make money *for* my co-investors and *with* my co-investors. Not *off* my co-investors. I want to be the best investor I can be, and I want my co-investors in the Trust to benefit from what results.

Rather than living up to preconceived ideas, standards or formula of how things should be done, being the best investor I can, involves channelling my love for the work I do in a way that is unique to me. That is how I can serve my co-investors in the best possible way. The Trust’s purpose is to play a role for its co-investors that nothing else can substitute - not because it is the best or anything of the sort, but because it is completely itself and the right match to every co-investor.

With this in mind, I have chosen the name carefully. Aligned Capital Partnership “*does exactly what it says on the box*”. I have one strategy. My sole focus is on investing well for the Trust – not on the management of a large team or that of building a funds management business. My view is that if I focus only on investing my co-investor’s money well (along with that of my own family), things will take the natural course. By following this approach since early 2010, I have generated a pre-tax return of >20% p.a. measured till mid-2020. This return has not been smooth nor a straight-line annual return. The pre-tax return profile since mid-2020, when I commenced measuring the portfolio monthly in anticipation of setting up the Trust, can be seen in figure 1.

These results are shared with great humility. One-year performance numbers are subject to more randomness than skill. The focus of the Trust is to produce great 10-year+ returns. These returns have not been audited and past performance is no guarantee of future results.

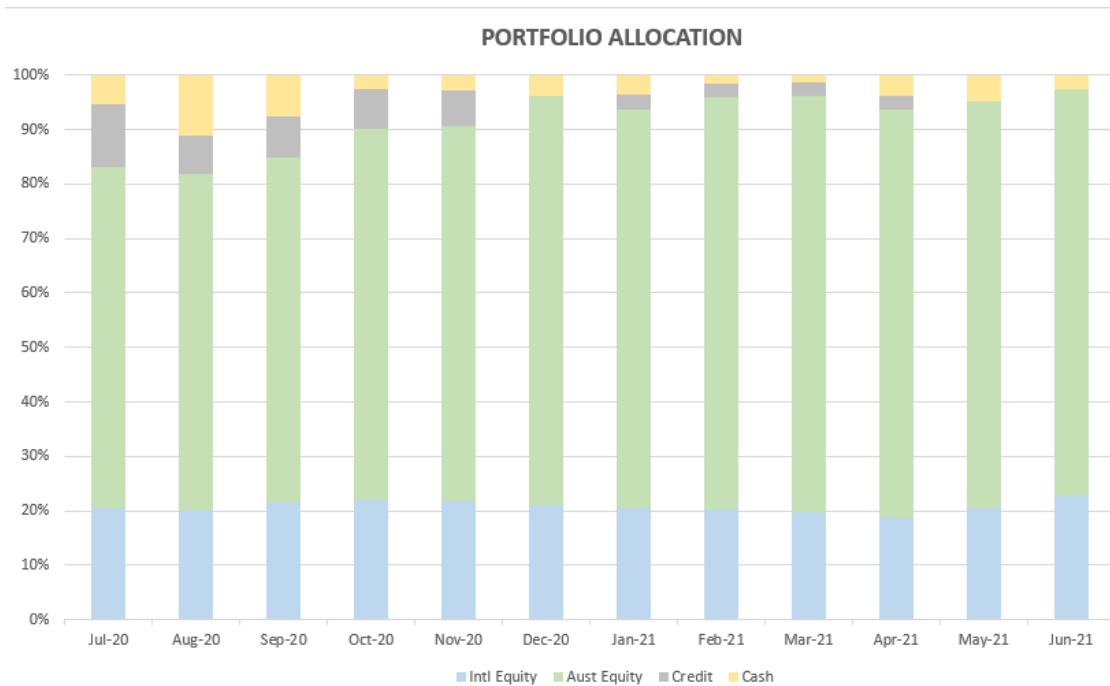
**Figure 1 – Aligned Capital Partnership Investment Trust return profile FY21 and portfolio allocation (unaudited)**

Portfolio Performance (Gross)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
ACP Investment Trust FY21	4.28%	4.92%	-3.35%	1.07%	10.57%	5.74%	7.98%	2.75%	-3.21%	6.76%	5.92%	-0.40%	43.04%



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Source: Aligned Capital Partnership

The purpose of this Information Memorandum is to provide suitable and potentially interested co-investors with information that will assist their decision making about co-investing in the Trust. It is my objective to provide the information that I would wish to see, if making such investment decision. That means this section of the Information Memorandum might be longer than what is typically the case in other similar documents. I hope you agree it is for good reason.

#### **Trust overview**

Although Units are only available to 'Wholesale Clients' as defined under the Corporations Act, I do not view those who join the Trust as 'clients', but rather co-investors. This removes the traditional labelling of a 'principal' and 'agent'. My entire personal worth (including that of my family) is invested in the Trust, apart from our house and investments that we currently<sup>1</sup> own and cannot meaningfully exit. Once I can, I will exit these investments and the funds from these will then also be invested in the Trust.

I view the investors in the Trust as my fellow principals. To allow the Trust the absolute best opportunity of superior long-term success, the maximum number of co-investors is limited to 20 and with a cap of \$100 million in contributed capital.

I believe consistent excellent performance can only be achieved through superior knowledge of companies and their securities – not through attempts at predicting what is in store for the economy, interest rates or the securities markets. Therefore, my investment process is entirely bottom-up. I rely on my own research on the investments that I am considering for the Trust. Every day, my only considerations are "*will this investment enhance the portfolio? Will this one detract from it?*" There are no other questions.

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<sup>1</sup> As at July 2021



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I consider myself neither a value nor a growth investor. I am an investor. I try to operate with a microscope for details and a telescope for the future. I tilt to the long-term and that is the way the Trust is organised.

In all I do for the Trust, I always reserve the right to use my brain. Additionally, I will continuously:

- insist on a margin of safety;
- believe that this time is never different;
- be patient and wait for the fat pitch<sup>2</sup>;
- be prepared to be contrarian;
- understand that risk is never a number, and it can only be attempted to be measured after the fact; and
- be cautious of leverage.

Conversely, I will never

- seek to time the market;
- hedge;
- short anything;
- employ leverage;
- trade frequently;
- panic when the market falls;
- follow when others chase the next investment fad;
- engage in “Greater Fool Theory”<sup>3</sup>; or
- invest in some sectors at all, including those I know nothing about, those I cannot understand and/or those where the odds are stacked against succeeding (e.g. biomed and exploration).

It is important for you to be aware:

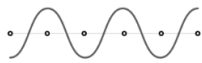
- the Trust at times may have a more concentrated portfolio than most other investment vehicles;
- although performance in recent years has been favourable, the Trust has had periods of poor performance, and will do so again;

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<sup>2</sup>Warren Buffett has been using a baseball metaphor to explain his investing philosophy for decades, going back to his admiration of Hall of Fame baseball hitter Ted Williams. In the book “The Science of Hitting,” Williams analysed the interaction of a wooden stick and a horsehide sphere. He concluded that he would hit four out of 10 pitches — a feat few players match — if he swung only at balls in the “sweet spot,” the middle of the strike zone. Success is half as likely with balls in the edges and corners, Williams believed.

Buffett follows that concept in investing: Success is most likely if the potential purchase is exactly right (the *fat pitch*), and strikeouts tend to happen at the margins.

<sup>3</sup> Where the successful outcome of an investment is relying on someone more gullible to come along and pay an even higher price for it. I wisely assume that there is no greater fool than me.



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- illiquid and/or obscure securities may at times comprise part of the Trust's portfolio. If you want to invest only in well-known, blue-chip securities, this Trust is not for you;
- at times, a small proportion of the Trust may be invested in speculative securities. Some of these will pay off. Others will become worthless, as some have done;
- the Trust has been designed to be unsuitable for investors seeking a short-term home for their money;
- not to rely on the Trust to pay a regular income;
- that in times of panic you should expect the Trust to be an aggressive buyer of more speculative securities if their prices fall to levels judged to be ridiculously cheap.

#### ***Some thoughts about making mistakes***

I am cynical by nature and years in business and markets have added to my cynicism. My own experiences and multiple ongoing mistakes are a further multiplying effect. I feel certain that many investors reading this Information Memorandum think similarly in this respect.

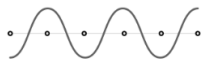
I have found most material from people and companies that manage other people's money to be largely promotional and lacking in elements of humility, and transparency. Typically, it will consist of long lists of all the things that have gone well coupled with extensive explanations of investments that were successful and the detailed processes that were followed to deliver these positives.

OK, so these people know what they are doing. I would expect nothing less from someone who wants to get paid for the privilege of investing my capital, often irrespective of how well they invest it.

Famous basketballer, Michael Jordan, said *"I've failed over and over and over again in my life. And that is why I succeed"*. With this in mind, I think it is more valuable to understand what mistakes have been made and how prepared someone is to talk about them. In my opinion this speaks to the integrity of the person or the company in question. Another take on this is that of Warren Buffett who asks a somewhat unconventional question to determine the integrity of those he asks: *"Would you rather be the greatest lover in the world yet be known as the worst, or would you rather be the worst lover and be known as the greatest?"*

I believe that experience is what you get when you did not get what you wanted. The unfortunate reality is the most valuable experience is that which has been learned the hardest way. I have caught several falling knives, some scars have developed, and I am certain many more are still to come. Investing is inherently an act of uncertainty, and therefore I think it is folly to say, *"I will never let that happen again"*. Sure, there are awfully specific mistakes that I will not repeat, yet the pool of possible mistakes is too large to avoid all of them all the time. No amount of market quotes by famous investors or philosophers will change the fact that losing money is part of investing. Risk management is part of investing. Repeating mistakes is part of investing. It is all part of investing. So too, in my opinion, is operating with integrity. And I believe that if I focus on avoiding making unforced errors, then I will not need to rely on market phrases that sound great, but in reality, only provide a false sense of security.

I will share with you three influential investment mistakes I have made - real mistakes, not errors of omissions. I will explain what I have learned from them and what I have changed in how I operate after having endured these mistakes.



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*Mistake #1* - relates to a company that was a grower, manufacturer, marketer and seller of organic food products. This was a business which a business partner and I built from scratch through multiple acquisitions and that I ran over a period of 6 years before floating it on the Australian Stock Exchange via an IPO, when sales were on track to reach \$100 million into 26 countries.

It was a capital-intensive business. Up until about 18 months before the IPO, it was funded solely with equity contributed from myself and my business partner and bank debt. Several acquisition opportunities appeared at the time and to act on these, outside capital was needed. Investment banks and legal advisors were engaged. It was deemed necessary for an independent Board to be appointed, and once that was in place pre-IPO funding was secured.

The acquisitions were completed, and within approximately 18 months, so too was the IPO.

Integration of the acquisitions took longer than anticipated and poor weather conditions impacted negatively on the business in the year after the IPO. The price of the company's shares fell by ~60% and my business partner and I were ousted from the business. We were both substantial shareholders. Since then, the price of the company's shares has fallen by a further ~95%.

Mistakes I made included:

- Being too greedy and wanting the business to grow to what I thought was its full potential too quickly, thereby not allowing for the assets and the people operating these to reach a steady-state level before adding to them.
- Apportioning too low a probability to things that could go wrong that were not in our control and too high a probability to things that could go right and were in our control.

The key learnings I gained from this experience are:

- The value of patience. To not be greedy and only seek to grow when the business platform is structurally ready to carry new initiatives.
- The importance of candidly setting and managing expectations of capital providers' time horizon and the cycles the business is exposed to.
- Making sure the reality is understood even when it is not as desired. Especially when it is not as desired.
- That influential shareholders and Boards matter.

Things I do differently because of the mistakes I made:

- I am cautious when a company from a small base grows extremely fast or tells me it will grow extremely fast. Especially if it is a capital-intensive business.
- My margin-of-safety requirements are elevated beyond their normal high levels if considering investing in a business with agricultural exposure. Even more so if the company carries debt on its balance sheet.
- I seek to choose wisely who to invest alongside and remind myself always to allow for the self-serving conduct of others.

*Mistake #2* – This was a company focused on designing, engineering, constructing, owning and operating modular colocation data centres.



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I had studied the business in depth for a few years. It was a business not without some challenges to be overcome. I turned down participating in a capital raise, mainly due to pricing. Later, the company sought to undertake another capital raise at a significantly lower price – a discount of approximately 50% to what I believe the business would be worth. I participated in the raise and subsequently the price of the shares rose to nearly double what I thought they were worth.

I did not sell any of the shares and after a while the price of the shares drifted back to the price of the capital raise that I had participated in.

Mistakes I made included:

- Not selling when the price had exceeded what I believed the business was worth by a substantial margin, and hence achievement of almost unrealistically high expectations being met when being priced.

The key learnings I gained from this experience are:

- The truism of the saying that time is the friend of a good business and the enemy of a poor one.
- Being clear about which investments should be allowed to run, and which to sell, if they are valued at or above the level I believe they reasonably should be worth.
- To take advantage of prices being offered by “Mr. Market”.

Things I do differently because of the mistakes I made:

- Before investing in a business, I form a clear view as to whether this is a business that can reinvest its earnings at attractive returns and hence I may not sell if even the price reaches a point which I thought the business was worth when making the investment.
- I do not only revisit my original investment hypothesis when the price of an investment has gone down.

*Mistake #3* – was made in a company that was engaged in the production, exploration and development of oil and natural gas in the United States.

The company had aggressively expanded its portfolio of oil and gas leases in the United States. It was heavily indebted and hence equity investors were highly leveraged to the company increasing its production of oil and natural gas, with the potential for higher oil and natural gas prices being further beneficial.

The broker, who had worked with the company to raise the equity required to fund the expansion, was projecting an upside to the price of the equity of more than 350%.

The company encountered some production difficulties, the price of oil and natural gas fell, and debt covenants were violated. Eventually the value of the equity in the company went to zero and the debt providers took control of the company.

Mistakes I made included:

- Being talked into a deal by a stockbroker, allured by a staggeringly high near-term potential investment return.



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- Not doing enough work to fully understand the sensitivity to the price of the equity from the realistic risks associated with the business.

The key learnings I gained from this experience are:

- If something sounds too good to be true, there is a real chance that it is.
- Never to rely on someone else's work.
- To be extra guarded when high levels of leverage and highly cyclical businesses form part of the same investment hypothesis.

Things I do differently because of the mistakes I made:

- I actively seek to dismiss my investment hypothesis to identify areas of threats that I have not assigned a high enough probability of occurring.
- I understand that if the prospects for an investment opportunity are as promising as they have been projected to be by a promoter, then it will be a fine investment in a year, and a year after that too. It is fine to watch from the sidelines to get comfort that things are indeed as they have been projected. Or that they are not.

These three mistakes are just some of the many I have made during my years of investing. Of course, I have made many more, like not appreciating the full potential impact of a company changing the classification method for valuing its assets under the relevant accounting standards, or not assessing the realistic sales process of a SaaS product. And I will undoubtedly make many more mistakes in the years to come.

One very important thing I have learnt from the mistakes I have made, is to worry about the things that I can control. This leads me to invest with my strengths, while remembering that I am not as smart as I think I am.

### ***Risk Management***

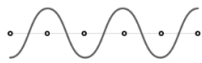
Many investors define risk as being "the permanent loss of capital". This sounds reassuring because it implies that the investor will not lose capital. I think most rational investors, myself included, would sign up to not endure any permanent loss of their capital. Of course, the problem with defining risk as the permanent loss is that it cannot be verified till after it has occurred.

Volatility is a measure used by a lot of investors to measure risk. Not by ACP. Yes, volatility can be quantified, yet as Albert Einstein said, "*Not everything that counts can be counted, and not everything that can be counted counts*". I think a permanent loss of capital is very different from price fluctuations. A downward fluctuation in price, which by definition is temporary, does not present a problem to an investor able to hold on and wait for the correction back up. A permanent loss, from which there will be no rebound, can occur for one of two reasons:

1. an otherwise temporary dip in the price is locked in when the investor sells during a downturn, whether because of a loss of conviction, timeframe, financial constraints or emotional pressures; or
2. the investment itself is unable to recover for fundamental reasons.

It is possible to ride out volatility, but not to undo a permanent loss.

Furthermore, I believe that even *after* having incurred a permanent loss of capital, the only thing I know for sure is that I have lost that capital and how much I have lost. Yet those realisations tell me



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nothing about whether it was a risky investment, i.e. what the probability of a permanent loss of the capital was at the time I made the investment.

A common perception is that riskier investments will produce higher returns. I believe this to be nonsense and a very dangerous conclusion. If the two were positively correlated: returns increase as risk increases - then that would mean riskier investments could be counted on to deliver higher returns. If that were the case, I argue that would make them less, not more, risky.

I know that I cannot know what will happen in the future. I can form what I believe are educated views about the possible outcomes and how likely these are. I think that if I have more insight into these things than other investors, then I am likely to do well for the Trust. My job for the Trust is to, with some regularity, find asymmetric investment opportunities where I believe the potential upside exceeds the downside risk.

Investment performance can be compared to choosing a winning lottery ticket from a bowl full of tickets. The process through which the ticket is chosen can be influenced by randomness, and by a set decisive process. Irrespective, it still amounts to one ticket being chosen from the bowl of many. My job for the Trust is to have a better sense of what is in the bowl, and for whether it is worth buying a ticket from that bowl. But, even then, I cannot know for sure.

*“Risk means more things can happen than will happen”*

London Business School professor, Elroy Dimson.

*“Essentially risk says we don’t know what is going to happen. We walk every moment into the unknown. There is a range of outcomes, and we don’t know where the actual outcome is going to fall within the range. Often we don’t know what the range is”*

Financial historian, Peter Bernstein.

I like to think of risk by inverting the above statement by Dimson: even though many things can happen, only one will. I believe that while we may know what to expect, on average, that may have no connection with what will actually happen.

Taking heed to the above two quotes, I do not think the future can be viewed as a single fixed outcome that is destined to happen and hence capable of being predicted. Instead, ACP seeks to consider the future as being a range of possibilities against which, hopefully based on insight, a likelihood of each can be assigned – thereby providing us with a probability distribution of:

- what might happen in the future; and
- what the probability of it happening is.

To me, this is the essence of understanding and managing risk. It is a discipline.

### ***Investing edge***

At the heart of investing is understanding why something is mis-priced. Contrary to the belief casually held by many, ACP does not think ‘it’s cheap’, ‘it’s a good company’ or ‘it’s growing rapidly’ is a sufficient reason to believe that a mispricing exists. Cheap companies can be overvalued because the businesses are deteriorating rapidly. Good companies or those experiencing rapid growth may be priced at a level that implies they are even better companies or growing faster than they are.

I think investing patterns can be divided into analytical patterns and behavioural patterns. Analytical patterns are those where investors systematically under or over-estimate the future cash flow



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streams. Behavioural patterns occur when events trigger investors to react unreasonably rather than analytically, and as a result create an investment opportunity where rational analysis would result in a higher value than the market price.

*"I'm no genius. I'm smart in spots – but I stay around those spots"*

Founder of IBM, Thomas Watson Sr.

There are several investing patterns that I know of, and likely many more that I do not. My aim is to stay well within the boundaries of what I understand. I do not think that just because an investing pattern exists it means that I should necessarily try to take advantage of it. I also think the pattern must be inside my mental comfort zone, because only then am I able to stay the course and make rational decisions along the way.

Over my career, I have found that there are four investing patterns that works for me, and sits inside my mental comfort zone:

1. Cyclical: cyclical temporary problems that are over-extrapolated by the market.
2. Turnarounds: company-specific temporary problems that are over-extrapolated by the market.
3. Long-duration quality: above-average quality characteristics that can continue for a long time and are underappreciated by the market.
4. Behavioural misjudgement: the pricing of a security by market participants is for emotional rather than economic reasons.

Of course, other investing patterns exist. For example, 'high-growth compounders' that have attractive reinvestment economics for a long period of time, resulting in decades of high growth not fully appreciated by the market. Or companies that are early in an adoption for their product and which are about to experience staggering growth that is not yet reflected by the market in the price of their securities.

The reason why I do not seek to take advantage of these patterns as well is that they are outside of my mental comfort zone. I have found that the starting valuation is usually quite high for these investing patterns and hence I would, in many cases, be required to ignore base rate probabilities to make the investment. I am uncomfortable doing that.

I have found that taking advantage of these investing patterns works when I am able to remain calm and act rationally, ideally when others are not. When I don't, there is a decent chance that it is me, rather than other market participants, making the mistake at some point in the investment journey.

### ***Fees and the meaning of alignment***

Taking inspiration from the partnership Warren Buffett ran in the 1950's, prior to taking over Berkshire Hathaway, I have set up a fee model I believe is right and fair. In doing so, I concentrated on the correct philosophical approach to incentives, and so the job was easy:

- the management fee should not be a profit centre as I do not create value through managing ACP per se; and
- a performance fee should respect the notion of the opportunity cost of capital for my fellow principals and me.



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So, I have landed on **not** charging any management fees and will only get reimbursed for the incremental costs associated with operating the Trust, compared to that of the investment of my personal worth<sup>4</sup>.

The objective of the Trust is to invest for the long term and generate a minimum 7% return compounding annually. No index or share market benchmark is relevant. Why 7%? Because I believe 7% p.a. represents a reasonable premium to the long-run opportunity cost of capital of that of my fellow principals and me.

Should the performance of the Trust exceed 7% compound p.a. then ACP will earn a fee of 20% of the performance by which the Trust return exceeds 7% p.a. This will be measured once per year and *all* performance fees earned will be reinvested in the Trust.

What this means is that as a co-investor in the Trust you pay nothing for performance under 7% p.a. compound, and you only pay significant fees if there is significant performance (for example, ACP earns nothing for 7% compound returns, 0.6% for 10% returns, 1% for 12% returns, etc.). But importantly, ACP must also recoup losses, being any amount below the 7% p.a. compound hurdle rate.

I think this last point is critical. Many funds, trusts or other investment vehicles use a hurdle rate, but very few have a hurdle rate that compounds.

This fee structure means that your capital must earn 7% per year compounded from the most recent yearly high-water mark before any performance compensation is paid. So not only do losses need to be recouped before performance fees begin accruing, but any deficit under 7% annualised returns must be recouped as well. The high-water mark is compounding at 7% p.a.

For example, if you start with \$1,000,000 on 1<sup>st</sup> July your capital account must reach \$1,070,000 by 30<sup>th</sup> June before any performance fees are payable. If the account ends the year at \$1,100,000, there will be a \$6,000 performance fee payable (20% of the balance over \$1,070,000). This is straightforward.

However, instead of a gain in that first year, let us assume the account dropped 10% to \$900,000. Since the account did not end the year over \$1,070,000 (the 7% hurdle), there is no fee. But in addition, the account needs to recoup not only the \$100,000 loss, but now needs to exceed \$1,144,900 (7% over \$1,070,000) for a performance fee to be payable.

So, to summarise, the fee structure is remarkably simple: your money must be growing at 7% per year from the previous high-water mark for ACP to collect any compensation. Co-investors in the Trust keep 100% of the profits up to 7%, and any profits over 7% get split: 80% to the co-investors; 20% to ACP.

To stay true to my overarching belief in the importance and value of real alignment, *all* performance fees earned will be reinvested in the Trust.

Summarising what I mean when I say that Aligned Capital Partnership “*does exactly what it says on the box*”:

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<sup>4</sup> Being actual costs incurred, and NOT paying myself a salary and calling that a cost.



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- The entire net worth<sup>5</sup> of me and my family is invested in the Trust in the same class of Units (the only class that will exist!) that will be issued to the co-investors in the Trust;
- No management fees will be charged to co-investors in the Trust;
- A performance fee of 20% is payable to ACP for returns exceeding 7% p.a. compound; and
- All performance fees earned will be reinvested in the Trust.

#### ***Important things for you to consider***

Common sense tells you that the price and value of securities, including those the Trust invests in, can vary greatly, and whilst I do not aim for this, I also recognise that permanent impairment of capital is possible.

The Trust at times may be concentrated in relatively few investments, perhaps more concentrated than many others, and as such the results may be more volatile than that of many others. I am of the opinion most fund managers own too many companies. Apart from making their performance track the indices, which you can achieve much more cheaply with an index fund, I am of the opinion it also makes it difficult for them to invest in the companies they own with conviction. Realistically, how much is it possible to know about the 30<sup>th</sup> company in one's portfolio? When I find investments I really like, I will sometimes invest a high proportion of the Trust in that investment. I think it usually makes sense to invest much more money into your best idea, than your 30<sup>th</sup> best idea. Occasionally, the Trust may buy large stakes in companies and take an active role in their management, including replacing company directors.

Unlike many other managers of investment vehicles, I am not afraid to hold a high proportion of the Trust in cash, if I cannot find investments I deem attractive.

I believe that, in general, investors are too active. Including investors who invest in funds run by managers who are too active. 'Active' is one of those bits of investment jargon which has more than one meaning and that I believe is often misunderstood as a result. The Trust will not run like a passive or index fund – far from it. But investment activity in the form of buying and selling shares has a frictional cost in terms of the commissions and the difference between the bid-offer spread which brokers charge. I understand that the more I can minimise these costs for the Trust, the better.

The Trust is also a very long-term investment. I do not think it is suitable for investors with time frames less than five years. I also do not think the Trust is suitable for investors overly conflicted with principal-agent issues. If you are at all uncomfortable then, I suspect, this investment is not for you.

Your understanding of the above matters is important whilst you are a co-investor in the Trust. So too is the understanding that there may be investment fads which others are following but that I will not. It is important to me that you understand this since I wish to concentrate all my efforts on making the Trust work for us. I am unable to do that if I must deal with endless queries about why I am not following a particular investment fad.

Over the short term our friend, 'Mr. Market', acts like a wildly emotional guy who can buy or sell securities at depressed or inflated prices.

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<sup>5</sup> Apart from my house and investments that I currently (July, 2021) own and cannot meaningfully exit. Once I can exit these investments I will, and the funds from these investments will then also be invested in the Trust.



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Over the long run it is a completely different story – Mr. Market gets it right. Yes, over the long run the often-irrational Mr. Market is actually a very rational fellow. It may take a few weeks or a few months and at times (not infrequently) a few years, but eventually Mr. Market will pay a fair price for our securities.

My investment strategy has proven to work well over the long term, yet it may not work for several years in a row. Please understand, I focus on long-term outcomes and I expect to be misunderstood in the short-term, frequently.

Most investors cannot stick with a strategy that has not worked for a while.

For this strategy to work for you, it is important you must believe it will work and maintain a long-term investment horizon.

The importance of being able to stick with an investment strategy is not new. According to a study conducted by Fidelity Investments, covering the Magellan Fund managed by famed investor, Peter Lynch, from 1977-1990

- the average annual return for the fund over that 13-year period was 29%; however
- over the same period the average investor in the fund lost money!!

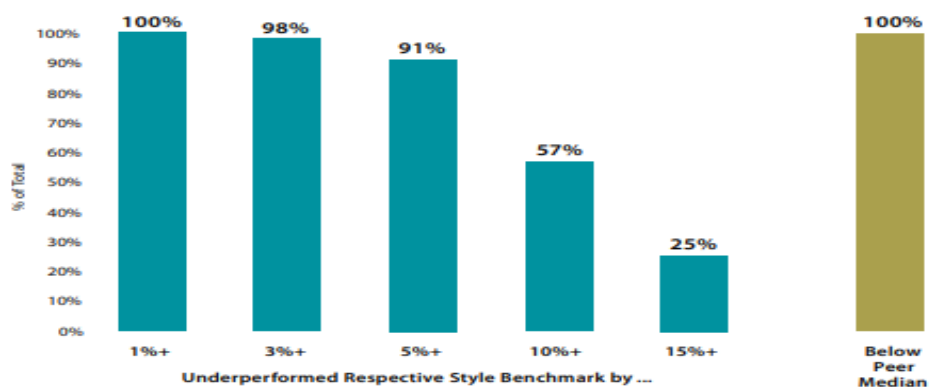
In fact, most investors make some classic mistakes which prevent them from capturing the best investment performance they could obtain by sticking with a good strategy. They buy at the top and sell at the bottom of markets or share price cycles, motivated by greed and fear.

It takes considerable emotional discipline to buy when others are fearful and sell when others are greedy. Doing nothing takes iron discipline when faced with the fears and temptations of the markets.

Independent US investment bank Baird, in 2011 conducted a study called “The Truth About Top-Performing Money Managers”. In undertaking the study, Baird looked at more than 1,500 funds with 10-year track records. They then narrowed the list to 600 funds that outperformed their respective benchmarks by one percentage point or more, on an annualised basis, over the 10-year period. The list was further narrowed to 370 funds, to include only those funds that both outperformed and exhibited less volatility than their market benchmark.

Per Figure 2, the outcome of the study shows that in at least one of the 37 one-year holding periods (370 funds assessed over a 10-year period), nearly all the top funds underperformed their benchmark by 3% or more and fell below their peer group.

**Figure 2 – Percent of high performing funds that underperformed their benchmark over any 12-month period**





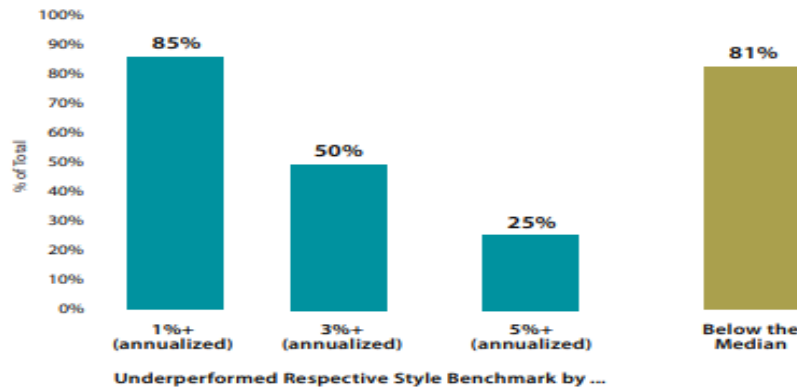
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Source: Morningstar, Baird

Extending the assessment out to a three-year period (Figure 3) shows a similar picture with virtually all the best funds, experiencing three-year stretches inside the ten-year study period, where they underperformed their respective benchmarks and peer group.

**Figure 3 – Percent of high performing funds that underperformed their benchmark over any 3-year period**



Source: Morningstar, Baird

The conclusions from the study are clear:

- virtually every top-performing fund has instances where it underperforms its benchmark and its peers, particularly over time periods of three years or less; and
- therefore, rather than abandoning a top-performing strategy during one of these periods, investors will do best if they anticipate and accept this performance cycle.

I am aware of the irrationality of Mr Market, and as such I know I must be prepared to tolerate periods of short-term pain. As my co-investor in the Trust, I will need for you to be prepared to follow my tolerance levels.

The objective of my investing for the Trust is to capture superior long-term results. Annual performance is not a focus.

As I invest for the Trust with a long-term horizon, it is possible that, at times, a substantial proportion of the Trust's portfolio is in what some may consider relatively obscure securities. For these reasons, I encourage unit holders with long-term investment horizons. The Trust is not for everyone. The entire net worth<sup>6</sup> of me and my family is invested in the Trust in the same class of Units (the only class that will exist!) that will be issued to co-investors in the Trust. In order to provide the Trust with the best opportunity of delivering co-investors with excellent long-term results, redemptions under the Trust Deed will generally only be permitted once per year<sup>7</sup>.

Consistent with the long-term horizon investment strategy for the Trust, I will use best endeavours to provide written updates to co-investors twice per year.

<sup>6</sup> Apart from my house and investments that I currently (July, 2021) own and cannot meaningfully exit. Once I can exit these investments, I will, and the funds from these investments will then also be invested in the Trust.

<sup>7</sup> Please refer to clause 19 of the Trust Deed for full description of the conditions to be met, and process required to be followed, in order for a Unitholder to redeem Units.



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If, after reading this Information Memorandum and the Trust Deed, you decide to invest in the Trust, I look forward to welcoming you as a co-investor, and hope that our time together is both long and prosperous.

Yours sincerely,

Erling Sorensen

**Aligned Capital Partnership Pty Ltd**



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#### KEY INFORMATION

<b>Trust Name</b>	Aligned Capital Partnership Investment Trust
<b>Trustee and Investment Manager</b>	Aligned Capital Partnership Pty Ltd (ACN 618 424 016)
<b>Trust Administrator</b>	Collins House Advisory Pty Ltd
<b>Investment Objective</b>	The Trust's investment objective is to generate a compound return, aiming for a minimum 7% p.a. for Unitholders, while trying to minimise the risk of permanent loss of their capital
<b>Investment Strategy</b>	<p>The Trustee is empowered to:</p> <ul style="list-style-type: none"><li>● invest in both Australian and international equity and debt securities, listed and unlisted.</li></ul> <p>The Trust will always:</p> <ul style="list-style-type: none"><li>● insist on a margin of safety;</li><li>● believe that this time is never different;</li><li>● be patient and wait for the fat pitch;</li><li>● be prepared to be contrarian;</li><li>● understand that risk is never a number, and it can only be attempted to be measured after the fact; and</li><li>● be cautious of leverage.</li></ul> <p>Conversely, the Trust will never:</p> <ul style="list-style-type: none"><li>● seek to time the market;</li><li>● hedge;</li><li>● short anything;</li><li>● employ leverage;</li><li>● trade frequently;</li><li>● panic when the market falls;</li></ul>



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- follow when others chase the next investment fad;
- engage in “Greater Fool Theory”; or
- invest in some sectors at all, including those the Investment manager knows nothing about, those it cannot understand and/or those where the odds are stacked against succeeding (e.g. biomed and exploration).

#### Applications, Redemptions and Distributions

In respect of the Trust:

- Units are available only to Wholesale Investors, that are Wholesale Clients as defined under the Corporations Act, which do not require the provision of a disclosure document;
- Investment will be closed to new Investors once
  - the number of Investors reach 20; or
  - once the amount of contributed capital reaches \$100 million;
- The Trust will require a minimum investment of \$500,000;
- The Trust will require a minimum redemption amount of \$50,000;
- The Trust will require a minimum balance of \$300,000;
- New Units may be issued by the Trustee, and for a price calculated pursuant to clause 7 of the Trust Deed;
- Units may be redeemed at a time, and for a price calculated pursuant to clause 19 of the Trust Deed (averaged over a 3 month period leading up to redemption);
- The Trustee/Investment Manager aim to distribute all distributable income annually in respect of every tax year, ending June

#### Management Fee

Zero

#### Performance Fee

Equal to 20% of pre-tax performance above the Investment Hurdle, subject to a highwater mark (see clause 15 of the Trust Deed)

#### Fees and Expenses

Trustee entitled to deduct costs, charges and expenses, actually incurred, from distributions to



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Unitholders, in accordance with the terms of the Trust Deed, in relation to the establishment, administration or management of the Trust in the proper performance of its duties.

**Investment Hurdle**

7% per annum compound

**Buy / Sell Spread**

Zero

## RISK FACTORS

All investments have an inherent level of risk. The key risks outlined below do not purport to be a complete explanation of all the risks associated with investing in the Trust.

### *Investment risk*

All investments carry risk. Generally, investments with higher expected returns also carry higher levels of risk. Investing in the Trust carries risk. There is no guarantee that the Trust will achieve its investment objective and you may lose some or all of your investment.

### *Market risk*

Economic, political and other factors may cause the overall investment market to fall in value. You may lose money on your investment in the Trust due to decreases in the price of securities held by the Trust or periods of below-average performance in a specific security or in the securities market as a whole.

### *Liquidity risk*

Liquidity risk is the risk that if the Trust invests in assets that cannot be readily bought and sold at an acceptable price and within a generally acceptable timeframe, it may not be able to sell sufficient assets to pay redemptions. If this occurs, it may be necessary for the Trust to suspend redemptions to allow sufficient time to liquidate the assets required to meet redemptions.

### *Foreign Exchange risk*

The Trust invests in offshore markets and is exposed to the risk of exchange rate movements as well as its underlying investment performance. Accordingly, the Trust is unsuitable for those who are not prepared to accept the risks associated with exchange rate movements.

### *Regulatory risk*

Regulatory risk is the risk that regulatory or taxation changes introduced by a government or regulator, may affect the value of investments of the Trust. These changes may occur in Australia or other countries in which the Trust invests and include changes in government policies (including taxation), regulations and laws or changes in generally accepted accounting policies or valuation methods.

### *Counterparty risk*

Counterparty risk is that the Trust's trading counterparties may become insolvent or otherwise not meet their obligations to the Trust. This may affect the value of your investment in the Trust.



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#### *Derivatives risk*

Derivatives are financial instruments the value of which is derived from an underlying asset, rate or index. The Trust may use derivatives. Derivatives carry risks of their own, including liquidity risk, market risk and counterparty risk. Sometimes changes in the value of a derivative may not correlate directly with the underlying asset, rate or index.

#### *Trust and Taxation risks*

Investing in a pooled investment vehicle like the Trust is not the same as investing directly in its underlying assets which may have tax consequences for Unitholders. For example, there is a risk that investing in the Trust may give different results than investing directly in the assets because of income or capital gains accrued in the Trust and the consequences of redemption by other investors. The “Taxation Considerations” section below contains more information on this subject.

#### *Concentration risk*

The Trust will likely, for the majority of the time, aim to have a portfolio containing securities issued, typically, by around 20-30 companies. At times holdings in a single security may represent a substantial proportion of the Trust due to market movements or corporate actions. This may lead to more volatile returns than investing in a more diversified portfolio.

#### *Emerging markets*

The Trust invests from time to time in emerging markets. These markets are often volatile and may involve a greater risk of permanent loss of capital than investing in developed economies.

## ADDITIONAL INFORMATION

### ABOUT ALIGNED CAPITAL PARTNERSHIP PTY LTD

Aligned Capital Partnership Pty Ltd (ACN 618 424 016) (“ACP”) is a boutique investment management company based in Melbourne, Victoria in Australia, registered on 6 April 2017.

The DIRECTOR OF ACP is Erling Sorensen, who is also the sole shareholder (owning all 12 Ordinary Shares beneficially).

The core values of ACP are deeply ingrained principles that guide all of ACP’s actions – they serve as its cultural cornerstones. ACP’s core values are inherent and sacrosanct – they will never be compromised, either for convenience or short-term economic gain.

**Figure 4 – ACP’s core values**





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Leaving home at the age of 15 to join the merchant navy as a cadet with Maersk, one of the largest companies in Denmark, Erling learned at an early age what it means to work hard, to sacrifice and to work thoughtfully with others, as well as the importance of perseverance. This has shaped the way he lives his life and runs ACP, and it governs the way ACP interacts with its co-investors and invests for the Trust.

**Figure 5 – The way we strive to behave at ACP**



Erling is a Fellow of the Australian Institute of Company Directors and has worked with and sat on boards of publicly listed, unlisted and private companies in Australia, UK, USA, Holland, France, Belgium and China.

He has spent most of his career working in businesses with international exposure where the key ingredients to success were his entrepreneurial drive, strategic focus and steadfast leadership based around taking ownership - coupled with an intense focus on capital and resource allocation, operational excellence, cost management, an innate understanding of the customer, rigorous risk management and a constant drive for innovation.

After an extensive and formative career in commodities trading and corporate finance in the natural resources industry, Erling has built, owned and lead businesses across three different industries: asset management, financial services training & conferences and food & agriculture.

Erling has learnt some lessons the easy way. Yet he believes that experience is what you get when you did not get what you wanted, and as such he has learnt many, more difficult, and now invaluable, lessons the very hard way. All are lessons that he draws from.

Erling believes the skills he has learned from being a businessman are invaluable to his investing, and vice versa.

ACP's investment approach is both intuitive and adaptive, drawing on the skills and experience of its Director which have been developed during his extensive career in business and in financial markets, researching business models across a broad range of sectors, analysing and understanding companies, their competitive landscape and their capital allocation opportunities.



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Erling is passionate about identifying superior investment opportunities to actively grow and protect investors' capital, accordingly he is fully invested in the Trust<sup>8</sup>.

Erling spends all his professional time in managing the Trust. Risk management is central to every decision ACP makes, as it only seeks to generate returns within acceptable risk parameters.

## ABOUT THE TRUST ADMINISTRATOR

Collins House Advisory Pty Ltd are Chartered Accountants, located at 90 Collins Street, Melbourne Victoria 3000. The directors of Collins House Advisory Pty Ltd have over 90 years of combined experience as Accountants in Public Practice. Since 1992, they have assisted businesses achieving and maintaining compliance with a significant part of their business focused on servicing the ever-changing financial services landscape. Areas of expertise include, but are not limited to, establishment and administration of investment trusts.

As independent Chartered Accountants, Collins House Advisory Pty Ltd are well placed to provide the Trust with quality accounting administration assistance free of all conflicts of interest.

ACP outsources the following functions for the Trust to the Trust Administrator:

- Maintaining customary financial and accounting books and records, including:
  - Reconciliation of the Trust's bank accounts
- Portfolio reconciliation and valuation
- NAV calculation
- Providing reporting packs of financial statements
- Calculating and processing distribution payments declared by the trustee
- Preparing and lodging BAS returns
- Performance fee calculations
- Preparing annual statutory accounts in accordance with Australian Accounting Standards
- Taxation services

## INVESTMENT STRATEGY

Even though it may be tempting to flatter oneself, ACP understands it is the businesses it invests in that do almost all the heavy lifting in the wealth creation process. If ACP brings something to the investment party, it is to be more rational than other investors.

ACP, on behalf of the Trust, views itself primarily as an owner of businesses, and typically hold its positions for a very long time with low turnover. ACP tries to think and act like successful business owners that truly take a multi-year approach in its thinking, portfolio management and the all-important temperament. ACP is not a macro investor.

The Trust will have several investments in its portfolio. The number may vary, yet is typically in the range of 20-30, which may include Australian and international shares, debt securities and other

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<sup>8</sup> Apart from his house and investments that he currently (as at July 2021) owns and cannot meaningfully exit. Once he can exit these investments, he will, and the funds from these investments will then also be invested in the Trust.



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securities and investments deemed suitable, depending on where ACP perceives opportunities to be most attractive.

Most of the Trust's securities are intended to either be listed on a stock exchange or can be actively traded in a market that permits independent third-party confirmation of pricing. However, some of its assets may be unlisted or have limited liquidity, hence Unitholders of the Trust are encouraged to take a long-term view.

The Trust has a preference for being a 'buy and hold' investor in most of its holdings. Finding, researching and getting to know companies is a slow and time-consuming process. ACP aims to generally keep its weighting in any security held in the Trust below 10% of the Trust but may exceed this level from time to time.

**Figure 6 - ACP's investment philosophy**

<b>TAKE A BUSINESS APPROACH</b>	<b>SEEK A MARGIN OF SAFETY</b>	<b>EMBRACE VOLATILITY</b>	<b>DO NOT OVERPAY</b>	<b>STAY DISCIPLINED</b>
ACP views an investment as an actual stake in a business. ACP seeks to determine the intrinsic value of an investment by diving deep into its business fundamentals.	ACP tests its downside scenarios to protect against permanent losses, and invest only when favourable reward-risk ratios can be found.	ACP's focus is on the true worth as opposed to price. ACP views volatility as a lens through which the disconnect between the price and the value of an investment can be exploited.	ACP selects investments where it believes there is a wide divergence between the price at which ACP can invest and the actual fundamental value ACP have determined.	ACP has the emotional discipline to act when it believes an opportunity is presented and not otherwise. Because ACP buys well, ACP can afford to be patient even if value takes longer than anticipated to materialise.

Everyone has a different perspective, different objectives and different approaches. ACP's perspective is that of an investor. To ACP that means that by owning shares in a company, ACP has a fractional ownership of that company. As an investor, ACP makes buy and sell decisions based on the current price of the shares compared with ACP's perceived value of the company.

In ACP's experience, the time to buy is when ACP thinks it knows something others do not know, do not care about, or prefer to ignore – it is when ACP looks at something differently to what others do.

ACP believes that over the long run the share price of a company tends to reflect the fundamental developments involving the underlying business. This provides the Trust's investments with the opportunity to profit in at least one of the following three possible ways:

1. from free cash flow, generated by the underlying business, that can be used to buy back shares or distributed as dividends, which eventually will be reflected in a higher share price;
2. from an increase in the multiple that market participants are willing to pay for the underlying business as reflected in a higher share price; or
3. by a narrowing of the gap between share price and underlying business value.

Speculators, by contrast, and in ACP's opinion, buy and sell shares (and or other securities/assets) based on whether they believe those shares will next rise or fall in price. The speculators' judgement regarding future price movements is based, not on fundamentals, but on the prediction of the



## ALIGNED CAPITAL PARTNERSHIP

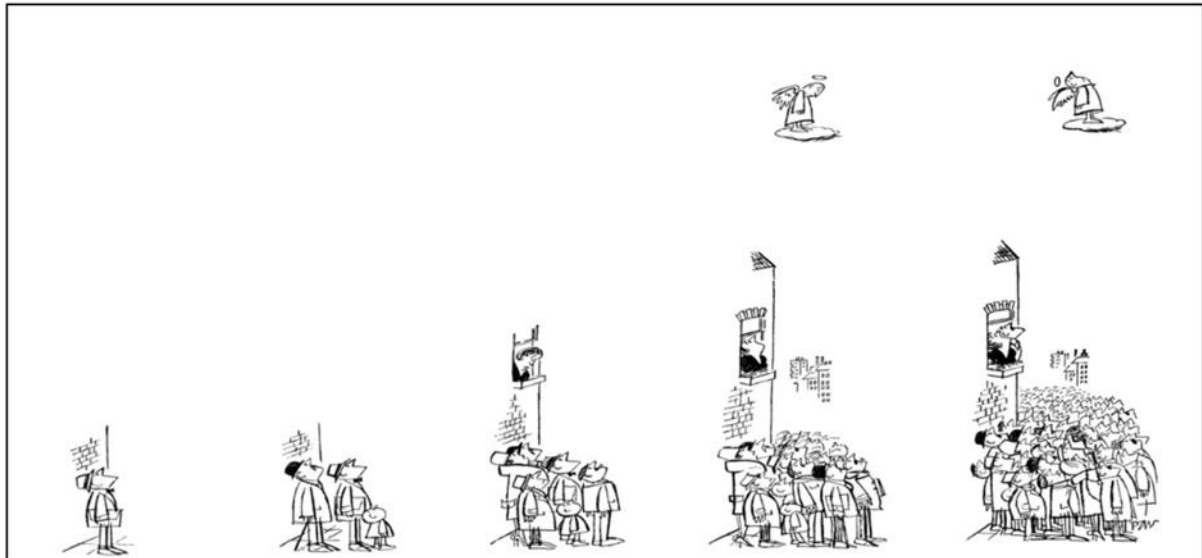
### Information Memorandum

behaviour of others - with a tendency to buy shares because they 'act' well and sell when they do not. Speculators will be seen to be obsessed with predicting - guessing - the direction of share prices.

In ACP's experience, no one knows what the market will do - trying to predict is a waste of time and investing based upon prediction is in ACP's opinion a speculative undertaking.

Speculation offers the prospect of instant gratification - why get rich slowly if you can get rich quickly? Moreover, speculation involves going along with the crowd, not against it. There is comfort in consensus - those in the majority gain confidence from their very number.

**Figure 7 - It is hard not to be drawn towards the crowd.**



In ACP's opinion, many financial-market participants, knowingly or unknowingly, are speculators and therefore may not even realise that they are playing a 'greater fools' game'.

There is great allure to treating share prices as just numbers on a screen that can be traded. Viewing shares this way requires neither rigorous analysis nor knowledge of the underlying business - moreover, trading in and on itself can be exciting and, if the market is rising, lucrative. But essentially it is, in ACP's opinion, still speculating, not investing. There may be a buyer at a higher price - a greater fool - or there may not.

## TAXATION CONSIDERATIONS

Investing in the Trust is likely to have tax consequences for Unitholders. The tax information provided below is general tax information only, it does not purport to be comprehensive, and it should not be relied upon by Unitholders as it may not relate to a Unitholder's particular situation.

We strongly advise Unitholders to seek their own professional tax advice in relation to any investment decision they make with respect to investing in the Trust. The Trust is intended to be operated as a managed investment scheme ("MIS") which does not require registration with ASIC, and ACP intends to make an election to apply the attribution managed investment trust ("AMIT") regime to the Trust. Under the AMIT regime, taxable income flows through to Unitholders on an attribution basis rather than a distribution basis. The Trust is resident in Australia for tax purposes



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and should not generally be liable for income tax, as it will generally distribute all of its taxable income to investors each year. The Trust does not pay tax on behalf of Unitholders. Unitholders will be assessed for tax, depending on their circumstances, on the income they receive from the Trust.

ACP will be required to withhold an amount from a payment of Australian sourced net income (other than dividends, interest and royalties, certain capital gains and amounts that are not from an Australian source) to Unitholders that are foreign resident.

ACP is the Trustee for the Trust. The Units to be issued under this Information Memorandum have been designated "A Class Units" ("A" for "Aligned"). This is the only class of Units that will be issued in the Trust. There are no separate class Units for the Trustee or the Investment manager. All Units are equal and will be treated equal at all times.

## HOW TO INVEST

New investors in the Trust must fully complete, sign and lodge the following documents, annexed to this Information Memorandum:

1. an **Investor Questionnaire**, with responses to be considered by ACP in the first instance; and
2. upon ACP deeming the potential new investor suitable as a co-investor in the Trust (based on the responses to the Investor Questionnaire), the potential new investor will then be invited to submit the **Application for Units Form**, accompanied by payment for the Units to be subscribed, in accordance with the instructions and as directed in the Application Form.

New investors must provide all relevant information requested in the Application for Units Form, including but not limited to, the relevant certification (if required) in relation to the new investor's status as a Wholesale Investor that is a Wholesale Client.

The Application for Units Form and monies should be received by the last Business Day of the month in order to be issued as at the Unit price next determined for the Trust.

The offer of Units contained in this document is restricted to Wholesale Investors that are Wholesale Clients within the meaning of the Corporations Act. The Initial Minimum Investment is currently \$A500,000. ACP may in its absolute discretion reject an application for Units without giving a reason. If the application is rejected, the application monies without interest will be returned to the investor at the address notified on the Application for Units Form.

## HOW TO REDEEM UNITS

Unitholders who wish to redeem their Units must contact ACP in writing ("Redemption Request").

A Redemption Request must be received by ACP per the procedure set out in clause 19 of the Trust Deed, (inter alia, requiring 12 months' prior written notice of 30<sup>th</sup> June each year).

The proceeds of a Redemption Request will generally be paid to the redeeming Unitholder within 20 Business Days of the end of the month of June.

Any redemption proceeds will be transferred to the Unitholder's nominated bank account.



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ACP will not generally consider Redemption Requests, unless exceeding a minimum redemption amount (“Minimum Redemption Amount”) of \$A50,000.

ACP may reject a Redemption Request if the amount payable is less than the Minimum Redemption Amount.

A minimum balance (“Minimum Balance”) is intended to be set at \$A300,000. If a Unitholder submits a Redemption Request that will result in the Unitholder holding less than the current Minimum Balance, ACP may treat the Redemption Request as applicable to all Units held by that Unitholder.

ACP may, in its discretion, satisfy the amount payable on redemption of Units by the transfer of assets in specie.

## DISTRIBUTIONS

ACP will aim to distribute all distributable income in the Trust at the end of the relevant tax year.

Distributions are paid in AUD and will normally be paid within 60 Business Days from the end of the relevant distribution period.

Investors can choose to have their distributions:

- reinvested in the Trust as additional Units of the same class; or
- credited to their nominated bank account.

Investors can make their choice by notifying ACP in writing. If investors do not make a choice, ACP will reinvest their distribution in the Trust, by default.

If an investor chooses to reinvest their distribution, new Units of the same class will be issued in the Trust at the relevant Unit price (ex-distribution) for that class of Units at the beginning of the new financial year.

If an investor wishes to change their distribution instructions, ACP will need to receive these instructions ideally, at least 2 weeks before the Trust’s distribution date.

## FEES AND EXPENSES

ACP is entitled to be paid a performance fee (“Performance Fee”) as set out in clause 15 of the Trust Deed, calculated as 20% of the Investment Outperformance. The Investment Outperformance is the difference between the percentage proportion by which the Trust has increased or decreased from one year earlier, and the Investment Hurdle (of 7% p.a. prorate cumulative).

ACP will otherwise generally be entitled to deduct costs, charges and expenses, actually incurred, from distributions to Unitholders, in accordance with the terms of the Trust Deed, in relation to the establishment, administration or management of the Trust in the proper performance of its duties.

For the avoidance of doubt, ACP will not charge any management fees, and no management fee will be categorised as a cost, charge or expense deductible from the distributions to Unitholders.



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## DEED OF TRUST

The Trust is governed by the Trust Deed which, together with other relevant laws, regulate the Trust, sets out ACP's powers as trustee, and the legal relationship with Unitholders. The Unitholders agree to be bound by the terms of the Trust Deed upon becoming Unitholders in the Trust.

ACP, as trustee has a general right of indemnity against all expenses, losses and liabilities that are incurred in relation to the establishment, administration or management of the Trust, or in the proper performance of its duties.

This Information Memorandum sets out certain elements of the Trust Deed. To the extent that any inconsistencies exist between this Information Memorandum and the Trust Deed, the terms of the Trust Deed prevail. A copy of the Trust Deed is available on request from ACP.

Other provisions in the Trust Deed also deal with:

- distribution of income;
- duties and powers of the Trustee;
- transfers of Units;
- Unitholders meetings;
- calculation of the Performance Fee;
- termination and winding up of the Trust; and
- redemption of Units.

The beneficial interest in the Trust is divided into Units. A Unitholder holds Units subject to the rights, restrictions and obligations attaching to the Units. A Unit does not provide an interest in any particular part of the Trust or in any particular asset or property.

## DISPUTE RESOLUTION

### Internal Dispute Resolution

Complaints may be made to ACP either verbally or in writing. ACP will attempt to deal with your complaint in a prompt and efficient manner.

ACP will follow its internal procedures to ensure that where possible a complaint is resolved within a period of 28 days. Some complaints can be resolved more quickly depending on the facts and the nature of the complaint. If the complaint is more complex and takes longer than 28 days, ACP will communicate the reasons for the delay.

A summary of ACP's complaints handling procedures is available to co-investors on request.

### Contact details for complaints

Complaints can be registered with ACP by telephone, in writing or email and should be addressed to:

Erling Sorensen  
Aligned Capital Partnership Pty Ltd  
48 Mills Street  
Hampton, Victoria 3188, Australia.



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Email: [erling@alignedcap.com](mailto:erling@alignedcap.com)

Phone: +61 457 730 175

ACP will not charge you to investigate your complaint.

## PRIVACY

ACP collects personal information in the Application Form and may also collect personal information from you over the phone or via the internet during the course of your relationship with ACP.

All personal information is handled, stored, used and disclosed by ACP in accordance with its policies and procedures.

You can obtain a copy of ACP's privacy policy by contacting us.

If your details change, please advise ACP in writing as soon as possible in order that we can update your records and maintain accurate and complete records.

## ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING LAWS

ACP and the Trust Administrator (where appointed) ("Entities") have implemented a number of measures and controls to ensure they comply with their obligations under the anti-money laundering and counter-terrorism financing laws ("AML Laws"), including carefully identifying Unitholders. As a result of the implementation of these measures and controls:

- transactions may be delayed, blocked, frozen or refused where an Entity has reasonable grounds to believe that the transaction breaches the law or sanctions of Australia or any other country. Applications cannot be processed unless all the necessary information is provided;
- where transactions are delayed, blocked, frozen or refused, the Entities are not liable for any loss Unitholders suffer (including consequential loss) as a result of their compliance with the AML Laws as they apply to the Entities; and
- an Entity may from time to time require additional information from you to assist it in this process.

The Entities have certain reporting obligations under the AML Laws and are prevented from informing Unitholders that any such reporting has taken place. Where required by law, an Entity may disclose the information gathered to regulatory or law enforcement agencies, including AUSTRAC.

## FOREIGN TAXES AND FOREIGN TAX COMPLIANCE

The Foreign Account Tax Compliance Act ("FATCA") is a US tax law which was enacted in 2010 for the purpose of improving tax information reporting regarding US persons in respect of their offshore investments to the United States Internal Revenue Service ("IRS"). On 28 April 2014, an Intergovernmental Agreement ("IGA") was signed between Australia and the US to facilitate the implementation of FATCA by Australian financial institutions.



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In order to comply with FATCA requirements, the Trust:

- will require Investors to provide certain information regarding their identification and related information (including tax residency information) and will undertake certain due diligence procedures with respect to investors of the Trust to determine their status for FATCA reporting purposes. This information may be required at the time an application is made for the issue of units in the Trust or at any time after the units have been issued;
- will report annually to the IRS, via the ATO, in relation to relevant investors' information required by the ATO (if any) in respect of any investment in the Trust; and
- may withhold tax on US connected payments to non-participating foreign financial institutions.

Accordingly, by making an application to invest in the Trust, prospective investors agree to provide the Trust with certain identification and related information in order to enable it to comply with its obligations in connection with FATCA.

## COMMON REPORTING STANDARDS

The Common Reporting Standard ("CRS") is the single global standard for the collection, reporting and exchange of financial account information on foreign tax residents. Australia has signed the OECD Multilateral Competent Authority Agreement on Automatic Exchange of Account Information. This agreement enables CRS information to be exchanged between jurisdictions' tax authorities where relevant legislation has been adopted.

The Trust is required to collect certain information about any foreign tax residents to provide it to the Australian Taxation Office ("ATO"). The ATO may pass this information onto tax authorities in other jurisdictions who have adopted the CRS.

The requirements are similar to those which exist under FATCA, however, there are a greater number of countries in respect of which the ATO may provide information to the respective tax authorities.

By making an application to invest in the Trust, prospective investors agree to provide the Trust with certain identification and related information (including tax residency information) in order to enable it to comply with its obligations in connection with CRS.

## CONFIDENTIALITY

Neither this Information Memorandum nor any other information provided by ACP or its Specified Persons may be disclosed to any other party, except for the purpose of obtaining independent advice in connection with the consideration of an investment in the Trust, or used for any purpose other than the consideration of an investment in the Trust, unless the express prior written consent of ACP is obtained. Any reproduction of all or part of this Information Memorandum is strictly prohibited without the written consent of ACP. In the event that the recipient does not participate in the Trust, this Information Memorandum, along with all related materials, must be returned to the ACP immediately upon demand.



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#### DEFINITIONS

Unless otherwise defined in this Information Memorandum, all definitions contained in this document have the same meaning as in the Trust Deed.

**ACP** means Aligned Capital Partnership Pty Ltd (ACN 618 424 016)

**AMIT** means attribution managed investment trust

**AML Laws** means the anti-money laundering and counter-terrorism financing laws

**ATO** means the Australian Taxation Office

**Corporations Act** means the *Corporations Act 2001 (Cth)*

**CRS** means the Common Reporting Standard, being the single global standard for the collection, reporting and exchange of financial account information on foreign tax residents

**Entities** means ACP and the Trust Administrator

**FATCA** means the US Foreign Account Tax Compliance Act

**Information Memorandum** means this Information Memorandum

**IGA** means the Australia-US Intergovernmental Agreement to improve international tax compliance and to implement FATCA, signed on 28 April 2014

**IRS** means the United States Internal Revenue Service

**Minimum Balance** means the minimum value of Units whereby if a Unitholder submits a Redemption Request, ACP may treat such Redemption Request as applicable to all Units held by that Unitholder

**Minimum Redemption Amount** means the minimum value of Units that ACP will generally consider under a Redemption Request

**MIS** means a managed investment scheme, as defined in the Corporations Act

**Performance Fee** means the performance fee payable to ACP, as set out in clause 15 of the Trust Deed

**Redemption Request** means a written request made by a Unitholder to ACP to redeem that Unitholders Units in the Trust

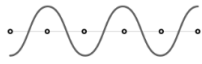
**Specified Persons** means ACP or any of its affiliates, related bodies corporate, directors, officers, employees, representatives or advisors

**Trust** means the Aligned Capital Partnership Trust

**Trust Administrator** means the third-party custodian and Trust administrator for the Trust, appointed by ACP from time to time, upon entering into a custody agreement and administration agreement

**Trust Deed** means the Deed of Trust for the Trust, setting out the terms and conditions upon which a Unitholders subscribes for Units in the Trust

**Wholesale Client** has the meaning provided in the Corporations Act



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**APPLICATION FOR UNITS**

**ALIGNED CAPITAL PARTNERSHIP INVESTMENT TRUST**

To: **ALIGNED CAPITAL PARTNERSHIP PTY LTD ACN 618 424 016**  
of 48 Mills Street, Hampton, VIC 3188  
as Trustee (the "**Trustee**")  
for THE ALIGNED CAPITAL PARTNERSHIP INVESTMENT TRUST  
(the "**Trust**")

I, \_\_\_\_\_ PTY LTD of \_\_\_\_\_  
apply for \_\_\_\_\_ units in the Trust established by the Trust Deed dated \_\_\_\_\_ 20\_\_\_\_  
between the Trustee and the Unitholders as defined in the Trust Deed.

I request the units to be issued to me at the price of \$ \_\_\_\_\_ each and I enclose a cheque  
for \$ \_\_\_\_\_  
in payment in full.

If I become a Unitholder I agree to be bound by the provisions of the Trust Deed.

**DATED**

.....  
Applicant

.....  
Witness