

BALMORAL INVESTORS MICRO-CAP FUND

PRODUCT DISCLOSURE STATEMENT

DATED 2 April 2025

ARSN: 684 063 214

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Issued by:

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IMPORTANT INFORMATION

This Product Disclosure Statement (PDS) is a summary of significant information about the Balmoral Investors Micro-Cap Fund (**Fund**) and is issued by K2 Asset Management Ltd (ABN 95 085 445 094, AFSL 244393) (**K2, RE, Responsible Entity, we or us**) as the trustee of the Fund. This PDS refers to important information in the Additional Information Document (**AID**), which is incorporated by reference into, and forms part of, this PDS. This PDS and the AID are available by contacting the Responsible Entity or the Investment Manager.

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

Information in this PDS may change from time to time. Where a change is not materially adverse to investors, it may be updated via a notification to Investors. You can ask K2 or the Investment Manager to provide a digital copy of any updated information free of charge.

This PDS is for an offer for investors who qualify as Wholesale Clients under section 761G of the Corporations Act or to any other person who is not required to be given a regulated disclosure document under the Corporations Act. This PDS has not been and will not be lodged with the Australian Securities and Investments Commission (ASIC). It does not constitute a product disclosure statement or other disclosure document within the meaning of the Corporations Act.

This PDS does not constitute an offer of interests in any jurisdiction other than Australia. Investors who are not Australian residents for income tax purposes should consult with a local tax expert as the tax contents of this PDS are not applicable for foreign investors.

The Fund is a registered wholesale managed investment scheme governed by the Constitution. The Fund comprises assets which are acquired in accordance with the Fund's investment strategy. In a unit trust structure, when you invest your money, it is pooled with other investors' funds. Each unit represents an equal share in the net assets of the Fund, or where there are classes of units, of the net assets referable to that class. The rights of unitholders are set out in the Fund's Constitution.

Neither K2, the Investment Manager, Investment Advisor, Apex nor any other person guarantees the performance of the Fund, the repayment of capital from the Fund or any particular rate of return.

1. ABOUT K2 ASSET MANAGEMENT LTD

INVESTMENT MANAGER

Mantis Funds Pty Ltd (ABN 77 640 207 021, CAR 1281645 of AFSL 531027) (**Investment Manager**), has been appointed by K2 in accordance with a tripartite investment management agreement as investment manager of the Fund to provide the Balmoral Investors Micro-Cap Fund with operational, distribution and marketing services. Key outcomes include operational efficiency, transparency and risk management.

INVESTMENT ADVISOR

Balmoral Investors Pty Ltd (ABN 36 680 912 690, CAR 001312496 of AFSL 531027) (**Investment Advisor**), has been appointed by K2 in accordance with a tripartite investment management agreement as investment advisor of the Fund to undertake certain services including the day-to-day management of the Fund.

The Investment Advisor's responsibilities and obligations are to manage the Fund's investments in accordance with the mandate of the Fund as set out in this PDS.

The Investment Advisor is a quality-value oriented fundamental investor and intends to:

- Invest in strong businesses with sustainable competitive advantages;
- Maintain an appropriately diversified portfolio of investments;
- Conduct detailed proprietary research; and
- Maintain a long-term investment horizon.

The Investment Advisor is responsible for the day-to-day investment management of the Fund's assets. The Investment Advisor identifies potential investments in accordance with the Fund's strategy, manages the portfolio and reviews and monitors the Fund's performance.

ADMINISTRATOR & CUSTODIAN

K2 has appointed Apex Fund Services Pty Ltd (ABN 81 118 902 891) (**Apex**) as the Fund's administrator and custodian. Apex has been appointed by K2 to hold the Fund's assets and may also provide other services (including service relating to trade and transaction settlement, corporate action reporting and administration, proxy voting, income and distribution processing and cash management). As is standard practice for global investment dealings, Apex engages third party sub-custodians around the world to transact and hold assets for the Fund. Apex in its capacity as the administrator of the Fund will be calculating the NAV and unit price for the Fund on the Valuation Day, preparing unaudited financial statements for the Fund and providing certain other administrative services. Apex's obligations in relation to its administrator role are limited to the provision of services to K2 and has not undertaken any obligations to unitholders as administrator.

RESPONSIBLE ENTITY

K2 Asset Management Ltd (ABN 95 085 445 094, AFSL 244393) (**Responsible Entity** or **RE**), a wholly-owned subsidiary of K2 Asset Management Holdings Ltd (ABN 59 124 636 782), which is a public company listed on the Australian Securities Exchange (ASX: KAM), is the Responsible Entity of the Fund and the issuer of units in the Fund. K2 was established in Melbourne in 1999 and specialises in managed funds for retail, wholesale and institutional investors. The responsibilities and obligations as the Fund's RE are governed by the Fund's constitution (**Constitution**), the *Corporations Act*

2001 (Cth) (**Corporations Act**) and other relevant laws. As RE, K2 oversees the operation and management of the Fund and is required to act in the best interests of investors.

UNIT REGISTRY

K2 has appointed Apex Fund Services Pty Ltd (ABN 81 118 902 891) (**Apex** or **Unit Registry**) based in Sydney to provide unit registry services to the Fund. K2 and Apex have entered into an agreement that sets out Apex's responsibilities, which include receiving and processing application money and withdrawal payments; maintaining the Fund's register of unitholders; preparing annual investor reporting and statements for the Fund in accordance with legislation; and providing certain other administrative services.

2. HOW THE FUND WORKS

A UNIT TRUST AND A MANAGED INVESTMENT SCHEME

The Fund is a managed investment scheme that is structured as an Australian unit trust and which is registered with the Australian Securities and Investments Commission under the Corporations Act. In a unit trust structure, when you invest your money, it is pooled with other investor funds. Each unit represents an equal share in the net assets of the Fund, however, no investor is entitled to any specific (or part of an) asset of the Fund. The rights of unitholders are set out in the Constitution.

The price of units in the Fund will vary as the market value of assets in the Fund change.

INVESTMENT STRUCTURE

The Fund invests in securities in companies with a market capitalisation below \$750 million at the time of purchase. The fund is permitted to hold the securities if the market capitalisation increases above \$750m.

APPLICATION

The minimum initial application is \$100,000. The RE may waive or increase the minimum application amounts at our discretion. You may add to your investment at any time. Minimum additional applications are \$100,000. The Fund is priced daily.

Investors may apply for Units by completing and signing the Application Form available online at <https://balmoral-v1.apexgroupportal.com/apply> and submitting by 2pm on a Valuation Day. The duly completed Application Form, together with the relevant certified identification documents can be mailed, faxed or emailed to:

APEX FUND SERVICES PTY LTD

Unit Registry
GPO Box 4968
Sydney NSW 2001
Australia
Fax: (02) 9251 3525
Email: registry@apexgroup.com

ACCESS TO INVESTMENT

You can usually access your investment within five Business Days from the date you redeem as long as you redeem by 10am EST on that day. Exceptional circumstances may arise where the ability to access your investment is restricted and you may have to wait a period of time before you are able to redeem. This may occur, for example, if equity markets suspend trading or if the Fund becomes illiquid. Short delays may occur if you redeem shortly before 30 June while distributions are being finalised.

DISTRIBUTIONS

To prevent the Fund from incurring a tax liability, the Fund may pay

distributions shortly after 30 June each year. Distributions can be made more frequently at K2's discretion. Distributions are calculated based on the Fund's net income at the end of the distribution period divided by the number of units on issue. You can reinvest your distribution automatically into the Fund or have it paid directly to your bank account.

A distribution of net income generally forms part of a unitholder's assessable income, and you will be liable to pay tax on that income. At the time of distribution, the value of each unit will be reduced by the distribution amount.

Additional information incorporated by Reference

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

3. BENEFITS OF INVESTING IN THE FUND

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

INVESTMENT EXPERIENCE

- Access to the investment expertise of the Investment Advisor and a professionally managed equity portfolio.
- The management team have a proven track record in managing small & micro-cap portfolios

RISK MANAGEMENT

Prudent risk management as the Investment Manager seeks to minimise the risk of capital loss by purchasing securities at a significant discount to their estimated intrinsic value as well as having flexibility to hold up to 20% cash.

PARTICIPATION IN POTENTIAL CAPITAL GAINS

Participating in any capital appreciation and income distributions of the Fund.

4. RISKS OF INVESTING IN THE FUND

ALL INVESTMENTS CARRY RISK

It is important to be aware that all investments carry risk. Different strategies for investing may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

When considering any investment in a managed investment scheme, it is important that you understand:

- the value of investments will vary;
- the level of returns will vary, and future returns may differ from past returns;
- returns are not guaranteed, you may lose some of your money and past performance is not necessarily indicative of future performance;
- laws affecting managed investment schemes may change in the future; and
- the appropriate level of risk for each investor will vary depending on a range of factors, including age; investment timeframes; where other parts of the person's wealth are invested; and the investor's risk tolerance.

Before making an investment in the Fund, you should consider if it is appropriate for your individual circumstances and if

necessary, seek professional advice.

SUMMARY OF SIGNIFICANT RISKS OF THE FUND

Market risk: There is a risk that the market price of the Fund's assets will fluctuate. This may be as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events, environmental and technological issues.

Investment Manager, Investment Advisor and key personnel risk: Like other investment managers, the Investment Advisor's approach directly impacts the value of the Fund's performance. There is no guarantee the Fund will achieve its performance objective or produce results that are positive. Changes in key personnel within the Investment Manager and Investment Advisor may also adversely impact the Fund's future return.

Company specific risk: Due to the high risk/return nature of the equity positions held by the Fund in small and micro-cap securities, investors should be aware that Fund performance has potential to result in volatile short-term returns. These companies may trade less frequently and in similar volumes and may experience greater price volatility than equity holdings in larger companies. Emerging companies can also have risks specific to the individual company which can include, key person risk, limited financial resources and limited operating history which may impact their valuation.

Concentration risk: As the Fund will hold a concentrated portfolio of 25 to 75 investments, returns of the Fund will be dependent on the performance of individual companies. The concentrated exposure may lead to increased volatility in the Fund's unit price, and increased risk of poor performance.

Currency and interest rate risk: The Fund is denominated in Australian dollars and the Fund invests in Australian dollar securities. Currency markets can be volatile and are subject to a range of influences. Changes in interest rates and exchange rates may impact economic conditions and stock valuations both positively and negatively.

Derivative risk: The Fund may use various derivative instruments, including futures, options, forward contracts and other derivatives for hedging purposes. The more volatile nature of these instruments may impact the returns of the Fund.

Liquidity risk: Whilst the Fund is predominately exposed to listed equities which are generally considered to be liquid investments, under various market conditions, there is a risk that such investments cannot be readily converted into cash or at a price reflective of its expected value. In such circumstances, the Fund may be unable to liquidate sufficient assets to meet its obligations, including payment of withdrawals, within required timeframes or it may be required to sell assets at a substantial loss in order to do so.

Operational risk: the risk that the operational processes of K2, the Investment Manager, the Investment Advisor, Apex or any other service provider to the Fund malfunction or fail could affect the value of your investment in the Fund. K2, the Investment Manager, the Investment Advisor and Apex have implemented robust policies and procedures as a preventative measure to mitigate this risk as much as possible.

Performance risk: there is a risk that the Fund may not achieve its investment objective.

Counterparty & broker credit risk: a counterparty (including the custodians and administrators of the Fund) may default on their contractual obligations, which could affect the value of your investment in the Fund.

Regulatory & tax risk: Changes in the legal or regulatory environment, taxation or other relevant laws (including laws affecting registered managed investment schemes), or interpretation or administration of those laws could have adverse implications on investments, which could affect the value of your investment in the Fund.

Fund risk: Risks specific to the Fund include the risk that the Fund could terminate and that the fees and costs payable by the Fund could change. There is also a risk that investing in the Fund may give different results than direct investing because of income or capital gains accrued in the Fund and the consequences of investments and withdrawals by other Investors.

Short-form PDS risk: This PDS is restricted by law to 8 pages. Before investing in the Fund you should review the information in the AID.

5. HOW WE INVEST YOUR MONEY

Warning: Investors should consider the likely investment return, the risks and their investment timeframe when choosing a fund in which to invest.

INVESTMENT OBJECTIVE

To provide long-term capital growth that exceeds the S&P / ASX Small Ordinaries Accumulation Index over rolling three-year periods before fees and taxes.

SUGGESTED MINIMUM INVESTMENT TIMEFRAME

At least seven (7) years.

DESCRIPTION OF THE FUND & ITS ASSETS

Australian listed small and microcap stocks. The Fund may also hold up to 20% in cash.

INVESTMENT STRATEGY

The Fund invests in securities in companies with a market capitalisation below \$750 million at the time of purchase. The Fund is permitted to hold the securities if the market capitalisation increases above \$750 million.

Additional information incorporated by Reference

You should read the important information about how we invest your money before making a decision. Go to section 2 of the AID. The material relating to how we invest your money may change between the time you read this PDS and the day you acquire the product.

6. FEES AND COSTS

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.

TO FIND OUT MORE

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

FEE AND OTHER COSTS

This section shows fees and other costs that you may be charged.

These fees and costs may be paid directly from your account, deducted from the returns on your investment or from the assets of the managed investment scheme as a whole. Taxes are set out in another part of this document and in the AID. You should read all the information about fees and costs because it is important to understand their impact on your investment.

FEES AND COSTS SUMMARY

BALMORAL INVESTORS MICRO-CAP FUND

Type of fee or cost ¹	Amount ²	How and when paid
Ongoing annual fees and costs³		
Management fees and costs⁴ The fees and costs for managing your investment	1.675% p.a. plus GST of the Fund's Net Asset Value Comprising: - Management fee: 1.33% p.a. of the Fund's net asset value PLUS - Indirect costs: 0.08% p.a. of the Fund's net asset value⁶ PLUS - Recoverable expenses: 0.265% p.a. of the Fund's net asset value	The management fee is calculated daily and paid on a monthly basis from the Fund's assets. ⁵ Indirect costs and recoverable expenses are calculated on the basis of the RE's reasonable estimate of such costs and expenses. These costs and expense are paid directly from the Fund as they are incurred and are reflected in the unit price.
Performance fees⁷ Amounts deducted from your investment in relation to the performance of the product	0.22% p.a.	The performance fee per unit is 20% p.a. (inc GST & RITC)
Transaction costs⁸ The costs incurred by the scheme when buying or selling assets	0.20% p.a	This estimated transaction fee is incurred on the buying or selling of Fund assets (as it applies). The amount shown is net of any transaction costs recovered from investors via buy-sell spreads.
Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)		
Establishment fee The fee to open your investment	Nil	Nil
Contribution fee The fee on each amount contributed to your investment	Nil	Nil

Buy-sell spread An amount deducted from your investment representing costs incurred in transactions by the scheme	+0.20%/- 20%	The buy/sell spread is incurred when you enter or exit the Fund. The money is retained in the Fund and is not paid to K2.
Withdrawal fee The fee on each amount you take out of your investment	Nil	Nil
Exit fee The fee to close your investment	Nil	Nil

¹ Unless otherwise stated, all fees and costs are quoted inclusive of GST and net of any input tax credits (ITCs) or reduced input tax credits (RITCs) that are expected to be available to the Fund and are shown without any other adjustment in relation to any tax deduction available to the Fund.

² 'Nil' means there is an entitlement under the Constitution but the RE has elected not to charge it. 'Not applicable' means there is no entitlement for the Responsible Entity to charge this fee under the Constitution.

³ Your financial adviser may receive payment for providing advice services to you. Additional costs may be charged by your IDPS. For more information please see section 3 of the AID, and refer to any relevant statement of advice provided by your advisor.

⁴ The costs component of management fees and costs reflects costs that the RE reasonably estimates, as at the date of this PDS, will apply for the current financial year (adjusted to reflect a 12-month period) as a percentage of the Net Asset Value of the Fund. The amount of the management fee can be negotiated, rebated or waived in whole or in part for certain investors such as wholesale clients, as defined in the Corporations Act, depending on factors such as the amount invested. For more information, please see section 3 in the AID.

⁵ In addition to management fees and indirect costs, management fees and costs could include other fees and costs, such as recoverable expenses which can include RE fees, as well as custody, administration, registry and compliance expenses. For more information on management fees and costs, please see section 3 in the AID.

⁶ The indirect costs for the Fund may fluctuate in future based on the portfolio allocation to private assets with additional costs. As of the date of this PDS, the Fund's portfolio does not contain any private assets that incur indirect costs.

⁷ Given the Fund is a new fund, estimated components and the performance of the Investment Advisor's previous fund, Celeste Australian Small Companies Fund (ARSN 093 539 416) have been used in the calculation of performance fees including reasonable assumptions on potential Fund return. This may not be reflective of future performance fees paid.

⁸ As the Fund is newly established, the transaction costs are the RE's reasonable estimate of the costs that will apply for the next financial year (adjusted for to reflect a 12-month period)

EXAMPLE OF ANNUAL FEES AND COSTS FOR THE FUND

This table gives an example of how the ongoing annual fees and costs in the managed investment scheme can affect your investment over a 1-year period. You should use this table to compare this product with other products offered by managed investment schemes.

EXAMPLE –BALMORAL INVESTORS MICRO-CAP FUND ¹		BALANCE OF \$500,000 WITH A CONTRIBUTION OF \$500,000 DURING YEAR
Contribution fees	Nil ²	For every additional \$500,000 you put in, you will be charged \$0
PLUS Management fees and costs	1.675% p.a. of the Fund's net asset value	And , for every \$500,000 you have in the Balmoral Investors Micro-Cap Fund you will be charged or have deducted from your investment \$8,375 each year
PLUS Performance fees	0.22% p.a.	And , you will be charged or have deducted from your investment \$1,100 in performance fees each year
PLUS Transaction costs	0.20%	And , you will be charged or have deducted from your investment \$1,000 in transaction costs
EQUAL Cost of Balmoral Investors Micro-Cap Fund		If you had an investment of \$500,000 at the beginning of the year and you put in an additional \$500,000 at the end of that year, you would be charged fees and costs in the range of: \$10,475 What it costs you will depend on the fund you choose and the fees you negotiate.

¹ This example assumes a constant investment of \$500,000 throughout the year and an \$500,000 investment occurs at the end of the year. This assumption is used for calculating the example of annual fees and costs for the Fund.

² 'Nil' means there is an entitlement under the Constitution but the Responsible Entity has elected not to charge it. 'Not applicable' means there is no entitlement for the Responsible Entity to charge this fee.

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

CHANGING THE FEES

All fees and expenses in this PDS can change without your consent, however it is not expected that the management fees will change while this PDS is current. At least 30 days' notice will be provided in the event management fees increase or there is any other change that requires us to give you prior notice. The Responsible Entity has the right to recover all proper and reasonable expenses incurred in managing the Fund. Changes in the amount of fees and costs charged by service providers, regulators and other third parties may cause the amount of expenses recovered by the Responsible Entity, including estimated Responsible Entity fee (if applicable), to increase or decrease from time to time. The maximum that can be charged for Responsible Entity fees under the Fund's constitution is 2% of the gross Asset Value of the Fund determined as at the end of that day.

Additional information incorporated by Reference

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

7. HOW MANAGED INVESTMENT SCHEMES ARE TAXED

Warning: Investing in a managed investment scheme is likely to have tax consequences and you are strongly advised to seek professional tax advice relevant to your particular situation.

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

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

Additional information incorporated by Reference

You should read the important information about taxation matters related to managed investment schemes before making a decision. Go to section 4 of the AID. The material relating to taxation may change between the time when you read this PDS and the day when you acquire the product.

8. HOW TO APPLY

MINIMUM INITIAL INVESTMENT

The minimum initial investment in the Fund is \$100,000 Australian Dollars. Once you have made your minimum initial investment, the minimum additional investment is \$100,000. The RE may close investment accounts with a zero balance at any time. The Fund is priced daily.

HOW TO INVEST

Before you choose to invest in the Fund, please carefully read and consider this PDS (including the AID).

To invest, you will need to submit an application through the online application form provided by the Investment Manager at <https://balmoral-v1.apexgroupportal.com/apply>.

COOLING OFF PERIOD

No cooling off period applies to the offer made in this PDS as the units are only available directly to Wholesale Clients.

Indirect investors should seek advice from their IDPS Operator as to whether cooling off rights apply to an investment in a fund by the IDPS. The right to cool off in relation to a fund are not directly available to an Indirect Investor. This is because an Indirect Investor does not acquire the rights of a unit holder in a fund. Rather, an Indirect Investor directs the IDPS Operator to arrange for their monies to be invested in a fund on their behalf. The terms and conditions of the IDPS Guide or similar type document will govern an Indirect Investor's investment in relation to a fund and any rights an indirect investor may have in this regard.

ACCEPTANCE POLICY

The RE reserves the right to reject your application if the RE determines to do so.

The RE may accept or reject any investment or withdrawal request, whether for initial or subsequent applications, at any time at its discretion, without providing reasons for its decision.

ENQUIRIES OR COMPLAINTS

If you wish to discuss any aspect of the Fund or wish to lodge a complaint, please contact K2 via email (invest@k2am.com.au) and we will endeavour to resolve your concerns quickly and fairly.

K2 will confirm receipt of any complaint by email within 1 business day, investigate the matter and get back to you with a response with the aim of resolving your complaint within 30 days.

Please note that these procedures are only applicable for enquiries and complaints relating to the Fund.

AUSTRALIAN FINANCIAL COMPLAINTS AUTHORITY

If K2 cannot resolve your complaint, you may seek assistance from: Australian Financial Complaints Authority (AFCA)

GPO Box 3 Melbourne Vic 3001

Phone: 1800 931 678

Website: www.afca.org.au

Email: info@afca.org.au

You should quote the following AFCA membership number with your enquiry: 12481.

Additional information incorporated by Reference

You should read the important information in the additional information section of the AID before making a decision. Go to section 5 of the AID. The additional information section may change between the time when you read this PDS and the day when you acquire the product.